

**Metallon Corporation Limited**  
**Annual Report and Group Financial Statements**  
**For the year ended 31 December 2019**

Company Number 06223345



**Metallon Corporation Limited**  
**Annual Report**  
**For the year ended 31 December 2019**

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**Metallon Corporation Limited**  
**Directors, officers, and advisers**

Current directors	A Reve	Non-Executive Director
	M Khumalo	Chairman/Non-Executive Director
	T Sikwila	CFO/ Executive Director
	I Tall	COO/ Executive Director
	Dr T A Salomao	Non-Executive Director
	R Dabengwa	Non-Executive Director
	T Richardson	CEO/ Executive Director (appointed 20 April 2020)
Secretary and registered office	St James's Corporate Services Limited Suite 31, 2 <sup>nd</sup> Floor 107 Cheapside London, EC2V 6DN	
Country of incorporation	United Kingdom	
Company number	06223345 (England and Wales)	
Independent auditor	RSM UK Audit LLP 25 Farringdon Street London EC4A 4AB	

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**STRATEGIC REPORT**

The Strategic Report is intended to help the reader understand Metallon Corporation Limited's ("Metallon", "we", "our" the "Company", or "the group") business model, strategy, development, performance, position and future prospects. This report, which has been prepared as at 8 September 2021 should be read in conjunction with our audited consolidated financial statements for the year ended 31 December 2019.

**Our Business and Strategy**

Metallon is an investment entity with a focus on infrastructure and mining industries across several jurisdictions. In 2019, Metallon owned and operated four gold mines in Zimbabwe.

Metallon sold 100% of its interest in Gold Fields of Shamva (pvt) - Shamva mine in January 2020 and is in advanced stages for the sale of Redwing and Mazowe mines.

In August 2020, Metallon acquired 15.1% of the shares of Lekoil (LSE:LEK) to become a significant shareholder in the entity.

**2019 and beyond**

The impact of Covid-19 has been significant and severe across the world economies. Several countries have instituted full and partial lockdowns, with significant disruptions across several industries. Despite the interruptions created by the pandemic, Metallon Group is well positioned to navigate the crisis and take advantage of increasing commodity prices and of market opportunities as they arise.

Following the successful sale of Shamva for \$40m in January 2020, the Group remains in a strong liquidity position. There has been limited impact on the Group's business from local lockdowns and restrictions to movement, as How Mine has maintained production levels through the year, with the special dispensation granted by the Government of Zimbabwe. The Metallon group recognises the overall risk of Covid-19 on its operations, and has implemented robust safety protocols, and supplementary risk management strategies across its locations.

**Vision**

To be a leading investment entity with diverse investments across multiple jurisdictions.

**Mission**

To become a leading investment entity and create real value for all our stakeholders through the expansion and optimisation of current operations and an ambitious exploration and acquisition strategy.

Metallon's strategy is to maximise the value of our current operational assets and to increase our production through expansion projects and new opportunities. The Company is committed to operating safely and in an environmentally and culturally sensitive manner. This is of paramount importance in the execution and achievement of our strategic objectives.

Our strategic objectives are:

- Increase cash flows through more efficient capacity utilisation and the reduction of costs of the current mining operations;
- Realise the investments in specific mines in Zimbabwe to build the capital position and expand the investment portfolio;
- Increase gold production through expansion projects at current mining operations;
- Shaft deepening and additional exploration in the How Mine;

Pursue additional growth through targeted diversification in successful investment projects and strategic acquisitions across Africa.

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**Group operations**

*Summary*

The Group recorded a 57% drop in overall Gold production, emanating from the economic challenges in the Zimbabwean economy and the impact of the foreign exchange scarcity that significantly impaired the receipt of revenues from the Zimbabwean Government. These challenges resulted in the placement of the Shamva, Mazowe and Redwing mines under care and maintenance, with How Mine as the only functional operating asset in 2019. Redwing operated for the first three months of the year, in very constrained capacity. These challenges impacted the key performance indicators in 2019 as C1 (Direct) were US\$805/oz (2018:US\$1,074/oz) and AISC (all-in sustaining costs) rose to US\$1,196/oz (2018: US\$1,629/oz).

**Group Performance KPI's**

	2019	2018
Tonnage	323,872	875,633
Grade - g/t	2.9	2.6
Recovery - %	86	83
Ounces – oz	25,933	60,582
Cost per tonne - US\$	64	88
Net Realised Price - US\$/oz	1,281	1,190

Production for 2019 at 25,933 ounces was 43% of the 60,682 achieved in 2018, mainly as a result of the following:

How Mine

- Tonnes milled were 25% adverse to budget mainly due to lack of mining flexibility as a result of delays in commissioning the 16N7 project. Power interruptions and stoppages in the production value chain due to breakdowns of key equipment also impacted negatively on tonnage throughput for the year.
- Head grade at 2.89g/t, was 11% below budget of 3.30g/t. This was a result of limited grade control scope due to lack of mining flexibility following delays in commissioning 16N7 shaft.

Subsequent to the year end, the 16N7 project commissioning started in October 2020 and the mine started to record benefits from the project in terms of grade improvement and increased tonnage from November 2020.

Redwing

- Constrained capacity utilisation at the mine due to working capital challenges emanating from delayed payments for gold sales by the Central Bank.
- This resulted in the mine being placed under care and maintenance in April 2019.

**Mine Performance**

Mine	Actual Gold Ounces	Budget Gold Ounces	% Achievement	C1 cost \$/oz.	AISC \$/oz.	Gross Profit/ (Loss) \$'000
How	25,719	40,149	64%	740	1,123	12,198
Redwing	214	15,635	1%	8,611	9,970	(1,551)
<b>Total/ (Average cost) *</b>	<b>25,933</b>	<b>55,784</b>	<b>46%</b>	<b>805</b>	<b>1,196</b>	<b>10,647</b>

\*C1 and AISC costs are weighted average costs

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**Principal risks and Uncertainties**

Metallon executive management has identified the significant strategic and operational risks as follows.

**Mining and Exploration**

*Risk*

Mining of natural resources involves significant risk. Drilling and operating risks include geological, geotechnical, seismic factors, industrial and mechanical incidents, technical failures, labour disputes and environmental hazards.

*Mitigation/Comments*

Implementation of new processing plant and tailings storage, in addition to improving the technology deployed across mines. Strong focus on employee relations, with a 'Do No Harm' operational ethos across mining and human capital.

**Country and Political**

*Risk*

The Group's mining operations are based in Zimbabwe. Emerging market economies could be subject to greater risks, including legal, regulatory, economic, bribery and political risks, and are potentially subject to rapid change. The Group is exposed to tax risks in Zimbabwe which can arise from tax investigations. There are also risks particular to Zimbabwe arising from a scarcity of foreign exchange, difficulty with externalisation of funds and the, now albeit mitigated, risk of indigenisation.

*Mitigation/Comments*

The Group's management team is experienced in its areas of operation and skilled at operating within the framework of the local culture in Zimbabwe to progress its objectives. The management team are also experienced and skilled in dealing with the authorities and local communities. The Group routinely monitors political and regulatory developments in Zimbabwe. The Group actively engages in dialogue with relevant Government representatives to keep abreast of all key legal and regulatory developments applicable to its operations. The Group has several internal processes and checks in place to ensure that it is wholly compliant with all relevant regulations to maintain its mining or exploration licences within each mining entity. The overall Group aim is to build capacity in the communities where we operate and play a part in economic growth using mineral wealth.

**Social, Safety and Environmental**

*Risk*

The Group's success may depend upon its social, safety and environmental performance, as failures can lead to delays or suspension of its mining activities.

*Mitigation/Comments*

The Group takes its responsibilities in these areas seriously and monitors its performance across these areas on a regular basis. Metallon is working alongside local community groups and local government ministers to set up key CSR Projects that are critical to the local communities.

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**Financial risk management**

The Board seeks to minimise its exposure to financial risk by reviewing and agreeing policies for managing each financial risk and monitoring them on a regular basis. There are no formal policies in place to hedge the Group and Company's activities to the exposure to currency risk or interest risk; however, management will continue to monitor and manage this.

The Group and Company is exposed through its operations to the following financial risks:

- Credit risk
- Market risk (includes cash flow interest rate risk and foreign currency risk)
- Liquidity risk

The policy for each of the above risks is described in more detail in Note 26.

**Zimbabwe Monetary Conditions**

The shortage of foreign currency has been a long-standing difficulty in Zimbabwe which has worsened following a policy announcement by the Reserve Bank of Zimbabwe ("RBZ") on October 1, 2018. The main elements of the policy were that gold producers would receive 30% of their gold proceeds in US Dollars into their Foreign Currency Account ("FCA") and the balance into the Real Time Gross Settlement account ("RTGS account") as RTGS or Bond Dollars ("RTGS Dollars"). Following the announcement of the new policy, Metallon Group companies and other Zimbabwean gold miners engaged with the Government of Zimbabwe and the RBZ, which increased the FCA allocation for large scale gold miners from 30% to 55% of their gold proceeds in FCA with effect from November 12, 2018.

In February 2019 the RBZ issued a further monetary policy statement, which allows inter-bank trading between RTGS Dollars and other foreign currencies. In terms of this new policy, gold producers will continue to receive 55% of their gold proceeds in US Dollars into their FCA and the balance will be received in RTGS Dollars at the prevailing inter-bank rate. BMC Group companies will use the RTGS Dollar component of its gold proceeds to settle its local liabilities (wages, taxation, electricity and local procurement); the US Dollar component is intended to fund offshore purchases of consumables and capital equipment. It is hoped that the inter-bank trading mechanism will address the most pressing difficulty that emerged after the October 2018 policy implementation, being the erosion of the purchasing power of the group's employees due to rapidly increasing retail prices. Provided the RTGS/US Dollar exchange rate used to calculate the Group's RTGS-denominated gold receipts is at an inter-bank rate that recognises economic fundamentals and the Group continues to receive its gold proceeds promptly and in full, management is optimistic the revised policy may create a more stable economic environment.

In June 2019, the multi-currency system was discontinued and the Zimbabwe Dollar ("ZWD") was made the sole legal tender for transactions in Zimbabwe, however it was reinstated by the RBZ in March 2020 as a measure to facilitate the ease of transacting during the Covid-19 period.

From October 2018, the RBZ pegged the RTGS\$ at 1:1 to the US dollar and on 20 February 2019, issued a further monetary policy statement which allowed inter-bank trading between RTGS\$ and foreign currency. The interbank rate was introduced at 2.5 RTGS\$ to 1 US Dollar and traded at 16.77 RTGS\$ to 1 US dollar as at 31 December 2019. Accounts receivable and payable originally denominated in RTGS\$ were revalued on 20 February 2019 and subsequently at each accounting period end based on the exchange rates as gazetted by the RBZ, altogether giving rise to a foreign exchange gain of \$127,962,000.

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**Directors' section 172 statement**

The Board of Metallon is aware that the decisions it makes affect the lives of many people. The Board makes a conscious effort to understand the interest of the Group's stakeholders, and to reflect them in the choices it makes in creating long-term sustainable success for the business in a balanced way. The Board views engagement with the shareholders and wider stakeholder groups as essential work. The Board is aware that it needs to listen to each stakeholder group, so that it can understand specific interest and foster effective and mutually beneficial relationships. By having an understanding of the Group's stakeholders, the Board can adapt its decision making to find optimal outcomes.

The following disclosure describes how the directors have had regard to the matters set out in section 172(1)(a) to (f) and forms the Directors' statement required under section 414CZA of The Companies Act 2006. This reporting requirement is made in accordance with the corporate governance requirements.

The matters set out in section 172(1) (a) to (f) are that a Director must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- (a) the likely consequences of any decision in the long-term.
- (b) the interests of the Company's employees.
- (c) the need to foster the Company's business relationships with suppliers, customers and others.
- (d) the impact of the Company's operations on the community and the environment.
- (e) the desirability of the Company maintaining a reputation for high standards of business conduct; and
- (f) the need to act fairly between members of the Company.

In the above Strategic Report above, the Company has set out the short to long term strategic priorities and described the plans to support their achievement.

We have split our analysis into two distinct sections, the first to address stakeholder engagement, which provides information on stakeholders, issues and methods of engagement, disclosed by stakeholder group. The second section addresses principal decisions made by the Board and focuses on how the regard for stakeholders influenced decision-making.

**Section 1. Stakeholder mapping and engagement activities within the reporting period.**

The Company continuously interacts with a variety of stakeholders, such as equity investors, suppliers, debt providers, workforce, government bodies and the local communities. The Company acknowledges the importance of all the stakeholders in the ultimate success of the Company and strives to maintain a high level of transparency in its processes, as it deals in high value materials, and a high degree of reliance is placed on these processes by the stakeholders. Engagement and communication are within the limitations of what can be disclosed to the various stakeholders with regards to maintaining confidentiality and protecting commercially sensitive information.



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**Directors' section 172 statement (continued)**

<b>Who:</b> Key Stakeholder groups	<b>Why:</b> why is it important to engage this group of stakeholders	<b>How:</b> how Metallon engaged with the stakeholder group	<b>What:</b> what came of the engagement
<b>Shareholders</b> The Company is wholly owned by Gold & General. The Company's subsidiaries are wholly owned.	Access to capital is of vital importance to the long-term success of our business and execute the expansion plans.  Shareholder interests include but are not limited to: <ul style="list-style-type: none"> <li>• Business sustainability</li> <li>• High standard governance</li> <li>• Ethical behaviour</li> <li>• Comprehensive review of financial performance of the business</li> <li>• Delivery long-term shareholder value</li> </ul>	The key mechanisms of engagement included:  <i>Current shareholders</i> <ul style="list-style-type: none"> <li>• The CEO and FD have regular meetings with the Chairman who is the ultimate controlling party of the company.</li> </ul> <i>Prospective and existing investors</i> <ul style="list-style-type: none"> <li>• The annual and monthly financial reports</li> <li>• Investor roadshows and presentations</li> </ul>	The Group is in the process of disposing of one of its mining operations, Shamva.  As the mine is placed under business rescue, disposing of the asset should have a positive effect over the medium term on the financial results.  The shareholder approved all of the resolutions at each of the Board meetings.
<b>Debt providers</b> The Group has several short and long-term debt facilities and arrangements with various financial institutions and other parties.	Access to capital is of vital importance to the long-term success of our business to be able to provide additional working capital.	<ul style="list-style-type: none"> <li>• Regular meetings and updates between management and debt providers.</li> <li>• Regular reporting updates on performance of the Group.</li> </ul>	The Group continues to enjoy a good relationship with its various debt providers. The Group's indebtedness has decreased during the year with the settlement of loans that matured during the year.

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**Directors' section 172 statement (continued)**

<b>Who:</b> Key Stakeholder groups	<b>Why:</b> why is it important to engage this group of stakeholders	<b>How:</b> how Metallon engaged with the stakeholder group	<b>What:</b> what came of the engagement
<p><b>Workforce</b>  The Company has 5 employees and 4 non-executive directors. The rest of the Group's workforce is based in Zimbabwe.</p> <p>The Company works to attract, develop and retain the high-quality talent, equipped with the right skills for the future of Metallon.</p>	<p>The Company's long-term success is predicated on the commitment of our workforce to our vision and the demonstration of our values daily.</p> <p>The Company also recognises that substantial risk is associated with its senior management teams and directors whose contributions and knowledge of the business is paramount to its success and longevity.</p>	<p>The Company maintains an open line of communication between its employees, senior management, and Board of Directors.</p> <p>Every subsidiary in the Group has a worker's forum which meets regularly with senior management and directors. These forums are open and can be attended by anyone who has been appointed by the workers. Operational, financial, safety and any relevant topic is discussed freely.</p>	<p>The Company has successfully re-negotiated all salary and incentive packages for employees at How Mine.</p> <p>With Mazowe and Redwing mines under corporate rescue, the Group is engaging with the administrator to reach a settlement with the employees.</p>
<p><b>Suppliers</b>  All suppliers are important to our Group of companies, many of which have had a long relationship with us.</p>	<p>Metallon, being in the precious metals business, is a price taker and therefore cost control is of utmost importance especially due to the cyclical nature of the gold prices.</p> <p>By building long term relationships with our suppliers, it improves our chances remaining profitable.</p>	<p>Our procurement departments continuously interact with our suppliers and senior management and directors meet with critical suppliers at least once a year.</p>	<p>During the year under review, management negotiated favourable terms for power supply in Zimbabwe. The Group also settled long outstanding amounts due to various suppliers.</p>

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**Directors' section 172 statement (continued)**

<b>Who:</b> Key Stakeholder groups	<b>Why:</b> why is it important to engage this group of stakeholders	<b>How:</b> how Metallon engaged with the stakeholder group	<b>What:</b> what came of the engagement
<b>Government bodies</b> The Group is impacted local government organisations in the UK and Zimbabwe.	Metallon operates principally in Zimbabwe. Regulation encompasses inter alia, licencing and permits, royalty agreements, the environment, safety and health of employees and ownership of operations.  The Company acknowledges that success will be dependent on the Group's interaction with Governments, the workforce and community in addition to the interest of other stakeholders described in this document.	The Group engages with the relevant departments of the Zimbabwean Government to maintain its operational licences in good standing.	The Group's management has remained in close contact with governmental leaders in Zimbabwe.  Also see assessment of country and political risks and uncertainties on page 6.
<b>Community</b> The local community at the mine sites in Zimbabwe and the surrounding areas.  Each mining operation hosts a community 'village' which includes schools, clinics, ambulances and social activities.	The community provides social licence to operate. The Company needs to engage with the local community to build trust. Having the community's trust will mean it is more likely that any fears the community has can be assuaged and our plans and strategies are more likely to be accepted. The local communities also provide employees to the mine and our suppliers.	<ul style="list-style-type: none"> <li>• The Group has identified all key stakeholders with the local communities.</li> <li>• Metallon has open dialogue with the local government and community leaders regarding the operations of the Group.</li> <li>• The Group works in partnership with the community leaders to deliver services and support as required.</li> </ul>	<ul style="list-style-type: none"> <li>• The Group engaged with the local community as part of the development of its sustainability initiatives.</li> <li>• Stakeholder identification has enabled the Group to ensure that representatives of all stakeholder groups may participate in the community engagement programme.</li> <li>• Over the years, the Group has carried several CSR projects in partnership with the communities to ensure socio-economic development, constructing two furnished school classroom blocks and a hospital mortuary.</li> </ul>

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**Directors' section 172 statement (continued)**

Principal decisions by the Board during the year under review:

We define principal decisions as both those that have long-term strategic impact and are material to the Group, but also those that are significant to our key stakeholder groups. In making the following principal decisions, the Board considered the outcome from its stakeholder engagement, the need to maintain a reputation for high standards of business conduct and the need to act fairly between members of the Company:

a) Sale of Shamva

During the year the Company's directors decided to market and dispose of the investment in Shamva. The Company signed a non-binding offer for Shamva in November 2019.

Under the offer letter, the Company agreed to sell Shamva for a consideration of \$40,000,000 to be satisfied in cash. At year end, the Company had received \$5,117,000 as a non-refundable deposit. The sale completed in January 2020.

As part of negotiating and concluding of the sale of Shamva, the directors considered the impact of delayed investment into Shamva on other stakeholders specifically, the workforce and suppliers as the operations had been placed under business rescue. The directors also believed that a long-term care and maintenance program would have resulted in the deterioration of the Shamva plant and infrastructure and reduction in value for all stakeholders.

The strategic report of Metallon Corporation Limited, on pages 4 – 12, was approved and authorised for issue by the Board of Directors and signed on its behalf by:



**Tulani Sikwila**  
Director

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**CORPORATE GOVERNANCE REPORT**

The Board of Directors is committed to the principles of good corporate governance and aims to achieve the highest standards and best practice in its overall performance. In this regard it has established a Corporate Governance Committee and has also established systems of accountability and control through its corporate governance framework.

The Board is conscious that the corporate governance environment is constantly evolving and, through the Corporate Governance Committee, the charters and policies under which it operates its business will continue to be monitored and amended as required.

The Company has in place appropriate guidance, training, policies and procedures to ensure compliance with the Bribery Act 2010.

**Board of Directors and independence**

Metallon supports the concept of an effective Board leading and controlling the Company. The Board is responsible for approving company policy and strategy, holds regular board meetings and is supplied with appropriate and timely information to discharge its duties. The Board and its committees are supplied with full and timely information including detailed financial information, to enable the Directors to discharge their responsibilities. All Directors have access to the advice and services of the company secretary, who is responsible for ensuring that board procedures are followed and that applicable rules and regulation are complied with. Independent professional advice is also available to directors in appropriate circumstances.

During the year under review, the Board comprised of six Directors, two of whom are executive and hold key operational positions. The remaining non-executive Directors complement the skills and experience of the executive Directors and bring independent judgment and challenge and contribute to the formulation of strategy, policy and decision making through their breadth of experience and knowledge. Of the four non-executive Directors, one is considered by the Board to be independent and three non-independent.

**Board meetings and committees**

The Board met on four occasions during the period under review.

The Board has established appropriately constituted Audit, Corporate Governance, Nominations, Remuneration and Safety, Health and Environment committees with formally designed responsibilities.

**Audit committee**

The Audit Committee comprised of Dr T Salomao. In addition, Mr T Sikwila and Mr S Nyazenga, internal Audit Executive, were usually invited to attend the Committee's meetings.

The Audit Committee monitors the integrity of the financial statements of the company, including its annual and half-yearly reports, interim management statements and any other formal announcement relating to its financial performance and reviews and reports to the board on significant financial reporting issues and judgments which they contain having regard to the matters communicated to it by the auditor. The external auditor has direct access to the members of the Audit Committee, without the presence of the executive Directors, for independent discussions.

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**Corporate Governance Committee**

The Corporate Governance Committee was chaired by M Khumalo and included, Mr A Reve and Dr T Salomao as members.

The role of the Corporate Governance Committee is to:

- develop, recommend to the Board and administer such corporate governance guidelines and practices as required by laws or regulations or that the committee otherwise deems appropriate;
- oversee the development and maintenance of and approve policies of the Company requiring adherence to a code of ethics and business conduct by the Company's Directors, officers and employees;
- advise the Board periodically with respect to significant developments in the laws and practice of corporate governance;
- ensure that the Company, the Group as a whole and its management, officers and employees uphold ethical business practices and employ management systems which continually assess risks and identify mitigation strategies;
- be responsible for monitoring the Company's compliance with applicable codes and other requirements of corporate governance;
- keep the effectiveness of the corporate governance and system of internal non-financial controls of the Group under regular review, and make recommendations to the Board detailing items that should be published in the Company's annual report relating to the activities of the committee. with regard to the membership and chairmanship of the Audit Committee; on the corporate governance and system of internal controls of the Company and the Group as a whole;
- to ensure there is a training strategy developed for raising awareness and understanding of the responsibilities for corporate governance of managers, employees and the Board. To facilitate compliance with external organisational governance standards, good practice guidance and;
- ensure that appropriate monitoring systems are in place to ensure compliance against the relevant internal controls systems, processes and policies and, in particular, to monitor the implementation of the Group's plans to maintain high compliance with its own risk management standards;
- to receive reports on and establish a review for the investigation of serious incidents and provide recommendations to the Board on any action required to reduce or eliminate future incidents;
- to ensure the effectiveness of all committees/working groups with accountability to the Corporate Governance Committee, including the production of relevant minutes, plans, reports and other documentation, and review and approve any material information made public or made available to any public body by the Group relating to corporate governance.

All decisions and recommendations of the Corporate Governance Committee in respect of Directors' corporate governance shall be referred to the Board and shall take effect only upon approval thereof by resolution of the Board at a meeting which is properly convened and constituted in accordance with the Company's articles of association, provided that the Board shall only have the power to approve or reject the decisions of the Corporate Governance Committee but that no Director shall be entitled to vote or be counted in the quorum in respect of any resolution relating to his own corporate governance.

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**Nominations Committee**

The Nominations Committee, chaired by M Khumalo with Mr A Reve as a member, leads the process for Board appointments and makes recommendations to the Board.

**Remuneration Committee**

The Remuneration Committee was chaired by Mr A Reve and Dr T Salomao as members.

The Committee is responsible for setting the remuneration policy for all executive Directors and the Company's chairman, including pension rights and any compensation payments and recommends and monitors the level and structure of remuneration for senior management.

**Safety, Health and Environment Committee**

The Safety, Health and Environment Committee is responsible for reviewing the development of the framework policies and guidelines for the management of safety, health and environment issues and reviews the policies and performance of the company, its divisions and its managed subsidiaries and the progressive implementation of its safety, health and environment policies. The Safety, Health and Environment Committee comprised of Dr T Salomao, D Gwatinetsa and Mr K Chiota as members.

**Service Contracts**

The Chief Executive Office, Finance Director and other Executive Directors are on permanent employment contracts with 3 months' notice periods.

On behalf of the Audit committee



Dr T Salomao

8 September 2021

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**DIRECTORS' REPORT**

The Directors present their report and the consolidated financial statements for the year ended 31 December 2019. Metallon Corporation is an investment entity with a focus on infrastructure and extractive industries with gold mining operations in Zimbabwe and exploration properties across Africa.

**Strategic report**

The Strategic Report is presented on pages 4 to 12 of this report. These statements have been made by the Directors in good faith based on information available to them at the date of approval of the Report.

By nature, such forward looking statements involve risk and uncertainties as they relate to events and depend on circumstances that may or will occur in future. Actual results may differ from the expressed in such statements depending on a variety of factors such as, inter alia, increased costs, possible variations in mineral resources, grades or recovery rates, disruption of supplies, equipment failure, weaker gold prices, fluctuations in exchange rates and difficulties in obtaining adequate foreign currency may jeopardise ability to implement its strategy.

**Results and dividends**

The consolidated statement of comprehensive income is set out on page 23 and shows a US\$ 119,535,000 profit in 2019 (2018: US\$ 78,664,000 loss) primarily due to the foreign exchange gains emanating from the rebasing of the Zimbabwean currency and revaluation of ZWD denominated receivables and payables.

No dividend was declared or paid during the year (2018: \$nil).

**Share capital**

Details of the Company's share capital are set out in Note 27 to the financial statements.

**Corporate Information**

The Group recognises the importance of effective communication and employees are encouraged to develop their contribution. It is the Group's policy to give full and fair consideration to applications for employment made by disabled persons. In the event of an employee becoming disabled, the Group offers, if appropriate, retraining or suitable alternative employment.

**Directors**

The Directors of the Company who held office during the year are as follows:

M G Khulamo	Chairman
T Sikwila	CFO/ Executive Director
A J Reve	Non-Executive Director
Dr T A Salomao	Non-Executive Director
R Dabengwa	Non-Executive Director
I Tall	COO/ Executive Director

**Directors' interests**

As at 31 December 2019 and the date of this report, the following Directors held beneficial interests in the shares of the Company as follows:

M G Khumalo 84,000 Shares

A Reve 8,000 Shares

No part of the remuneration paid has been settled by issuing shares (2018: nil).



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**Events after the reporting period**

Events after the reporting date are detailed in Note 33 of the financial statements, including the sale of Shamva, Covid-19 pandemic and the acquisition of 15.1% of the shares in Lekoil (LSE:LEK). The impact of the Covid-19 pandemic is also described later in the Directors report and Note 1 of the financial statements.

At year end Metallon Corporation holds 100% ownership of 4 mines - How, Redwing, Mazowe and Shamva in Zimbabwe. In February 2020, Redwing and Mazowe mines were placed in the Zimbabwe Business Rescue program.

The Group is in advanced stages of selling its interests in Redwing and Mazowe with an expected completion date in September 2021. To date, the Group has received \$13,190,000 as a non-refundable deposit towards the sale of Redwing and Mazowe mines.

Following the sale of Shamva, the group paid off all the creditors in the Redwing and Mazowe mine and commenced dewatering in line with the sales negotiations.

**Going concern**

The Group has net assets of US\$ 34,510,000 at 31 December 2019 (2018: net liabilities of US\$ 85,025,000) and in addition it is expected that the Group will be able to meet its financial obligations as they fall due for a period of no less than 12 months from the date of the approval of these financial statements. Despite the ongoing Covid-19 pandemic, the Group has maintained production and cost trends, and is on track to increase capacity utilisation. The Directors therefore consider it appropriate to prepare the financial statements on a going concern basis.

Cash flow forecasts have been produced to December 2022 that indicate the Group has sufficient headroom to meet its liabilities as they fall due for a period of no less than 12 months from the date of the approval of these financial statements. Key considerations include the following:

- The Group sold its entire interest in Shamva mines for a consideration of US\$40,000,000 in January 2020 which provided significant cash flow to meet immediate working capital requirements and improve operations of existing mining operations;
- The sale of the Mazowe and Redwing mines is at an advanced stage, with the Group having received US\$13,190,000 of the US\$75,000,000 consideration to date.
- The Group continues to have the support of creditors and mining operations are fully supplied within required timelines;
- The impact of COVID -19 on the economic and operating environment, has been severe, however the Group has maintained production and cost trends, and is focused on increasing capacity utilisation. This coupled with the current and future positive outlook for gold prices supports the Group expectations on revenue generation;
- The Group has also committed significant capital towards a Shaft deepening project to ramp up Gold production in How Mine.

Based on the above the Directors therefore consider it appropriate to continue to prepare the financial statements of the Group on a going concern basis.

**Metallon Corporation Limited**  
**Report and Financial Statements**  
**For the year ended 31 December 2019**

**Statement as to disclosure of information to the auditor**

Each of the persons who is a Director at the date of approval of the Financial Statement confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware;
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of sections 418 of the Companies Act 2006.

**Auditor**

All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Group's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware. RSM UK Audit LLP has indicated its willingness to continue in office and resolution for the reappointment of RSM UK Audit LLP will be proposed at the forthcoming Board Meeting of the Company.

The requirements of sections 414A to E of the Companies Act 2006 as regards the production of a strategic report are satisfied in the Strategic Report contained at pages 4 to 12 which is incorporated by reference in this section.

The Strategic report includes details on financial risk management objectives and policies as well as an overview of the development and performance of Metallon's business for the financial period ended 31 December 2019 and also provides information relevant to future developments in the business.

Approved by the Board of Directors on 8<sup>th</sup> of September 2021 and signed on its behalf by



**Tulani Sikwila**  
Director

**Metallon Corporation Limited**  
**Report and Financial Statements**  
**For the year ended 31 December 2019**

**DIRECTORS' RESPONSIBILITIES STATEMENT**

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare Group and Company financial statements for each financial year.

The Directors have elected under company law to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS) and the Companies Act 2006.

The Group financial statements are required by law and IFRS to present fairly the financial position of the Group and Company and the financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

In preparing the Group financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will be in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements meet the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

They are further responsible for ensuring that the Strategic Report and the Report of the Directors and other information included in the Annual Report and Financial Statements is prepared in accordance with applicable law in the United Kingdom and legislation in other jurisdictions.

The maintenance and integrity of the Group's website is the responsibility of the Directors; the work carried out by the auditors does not involve the consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred in the accounts since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of the accounts and the other information included in annual reports may differ from legislation in other jurisdictions.

## **Metallon Corporation Limited**

### **Independent Auditors' Report to the Members of Metallon Corporation Limited**

#### **Opinion**

We have audited the financial statements of Metallon Corporation Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise the Group Statement of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cashflows, Company Statement of Cashflows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other

information. If, based on the work we have performed, 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.

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

#### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 19 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company'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 the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the 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 (UK) 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 financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities> This description forms part of our auditor's report.

### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*RSM UK Audit LLP*

Paul Watts (Senior Statutory Auditor)  
For and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
25 Farringdon Street,  
London,  
EC4A 4AB  
8 September 2021

**Metallon Corporation Limited**  
**Consolidated Statement of Comprehensive Income**  
**For the year ended 31 December 2019**

		<b>31 December 2019 \$'000</b>	<b>31 December 2018 \$'000</b>
	<b>Note</b>		
<b>Continuing operations</b>			
Revenue	4	33,200	67,098
Cost of sales	8	(22,639)	(60,388)
Management fees paid	7	(494)	(1,192)
Gross profit		<u>10,067</u>	<u>5,518</u>
Other income	5	442	6,018
Administrative expenses	8	(7,454)	(10,681)
Allowance for credit losses	6	(2,582)	(35,002)
Foreign exchange gains	9	127,962	-
Other operating expenses	8	(7,140)	(24,811)
Operating profit/ (loss) before interest and taxation	8	<u>121,295</u>	<u>(58,958)</u>
Finance cost	14	(2,367)	(4,922)
Profit/(loss) before taxation		<u>118,928</u>	<u>(63,880)</u>
Income tax expense	15	(27,999)	(7,534)
Profit/(loss) for the year from continuing operations		<u><u>90,929</u></u>	<u><u>(71,414)</u></u>
<b>Discontinued operations</b>			
Profit/(loss) from discontinued operations net of tax	10	28,606	(7,250)
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income attributable to owners of the parent</b>		<u><u>119,535</u></u>	<u><u>(78,664)</u></u>

The notes on pages 30 to 73 form part of these consolidated financial statements.

**Metallon Corporation Limited**  
**Consolidated Statement of Financial Position**  
**As at 31 December 2019**

		31 December 2019 \$'000	31 December 2018 \$'000
	<b>Note</b>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	16	39,775	61,100
Intangible assets	17	1,000	1,000
<b>Total non-current assets</b>		<b>40,775</b>	<b>62,100</b>
<b>Current assets</b>			
Inventories	18	422	4,043
Trade and other receivables	19	49,547	59,672
Assets classified as held for sale	11	17,238	-
Cash and cash equivalents	21	408	1,336
		<b>67,615</b>	<b>65,051</b>
<b>Total assets</b>		<b>108,390</b>	<b>127,151</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	20	15,120	141,111
Current tax liabilities	15	17,897	25,437
Liabilities associated with assets classified as held for sale	11	3,768	-
Consideration in advance	11	5,117	-
Short-term Borrowings	24	3,899	23,892
		<b>45,801</b>	<b>190,440</b>
<b>Non-current liabilities</b>			
Long-term borrowings	24	-	2,917
Provision for rehabilitation cost	22	7,260	7,420
Loan from related party	23	5,035	5,035
Deferred tax liability	15	15,784	6,364
		<b>28,079</b>	<b>21,736</b>
<b>Total liabilities</b>		<b>73,780</b>	<b>212,176</b>
<b>Net assets/ (liabilities)</b>		<b>34,510</b>	<b>(85,025)</b>
<b>Equity attributable to owners of the parent</b>			
Share capital	27	84	84
Retained earnings		25,715	(93,820)
Other reserves		8,711	8,711
<b>Total equity</b>		<b>34,510</b>	<b>(85,025)</b>

The notes on pages 30 to 73 form part of these financial statements.

The consolidated financial statements of Metallon Corporation Limited, registered number 06223345 were approved and authorised for issue by the Board of Directors on 8 September 2021 and were signed on its behalf by:

  
**Tulani Sikwila**  
 Director



**Metallon Corporation Limited**  
**Company Statement of Financial Position**  
**As at 31 December 2019**

Company Number 06223345

		31 December 2019 \$'000	31 December 2018 \$'000
	<b>Note</b>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	16	5	5
Investment in subsidiary	29	11,954	11,954
<b>Total non-current assets</b>		<b>11,959</b>	<b>11,959</b>
<b>Current assets</b>			
Trade and other receivables	19	47,032	46,213
Cash and cash equivalents	21	71	14
		<b>47,103</b>	<b>46,227</b>
<b>Total assets</b>		<b>59,062</b>	<b>58,186</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	20	1,611	3,638
Consideration in advance	11	5,117	-
Short-term borrowings	24	2,460	-
		<b>9,188</b>	<b>3,638</b>
<b>Non-current liabilities</b>			
Loan from related party	23	5,035	5,035
<b>Total liabilities</b>		<b>14,223</b>	<b>8,673</b>
<b>Net assets/ (liabilities)</b>		<b>44,839</b>	<b>49,513</b>
<b>Equity attributable to owners of the parent</b>			
Share capital	27	84	84
Retained earnings		44,755	49,429
<b>Total equity</b>		<b>44,839</b>	<b>49,513</b>

The notes on pages 30 to 73 form part of these financial statements.

For the year ended 31 December 2019, the Company's loss after tax and total comprehensive loss was \$4,674,000 (2018: \$962,000).

The Company financial statements of Metallon Corporation Limited, registered number 06223345 were approved and authorised for issue by the Board of Directors on 8 September 2021 and were signed on its behalf by:

  
**Tulani Sikwila**  
 Director

**Metallon Corporation Limited**  
**Consolidated Statement of Changes in Equity**  
**For the year ended 31 December 2019**

<b>Attributable to owners of the parent</b>	<b>Share capital \$'000</b>	<b>Other reserves \$'000</b>	<b>Retained earnings \$'000</b>	<b>Total equity \$'000</b>
<b>Balance as at 31 December 2017</b>	<b>84</b>	<b>8,711</b>	<b>(15,156)</b>	<b>(6,361)</b>
Total comprehensive loss for the year	-	-	(78,664)	(78,664)
<b>Balance as at 31 December 2018</b>	<b>84</b>	<b>8,711</b>	<b>(93,820)</b>	<b>(85,025)</b>
Total comprehensive income for the year	-	-	119,535	119,535
<b>Balance as at 31 December 2019</b>	<b>84</b>	<b>8,711</b>	<b>25,715</b>	<b>34,510</b>

The notes on pages 30 to 73 form part of these financial statements.

**Metallon Corporation Limited**  
**Company Statement of Changes in Equity**  
**For the year ended 31 December 2019**

	Share capital \$'000	Retained earnings \$'000	Total equity \$'000
<b>Balance as at 31 December 2017</b>	<b>84</b>	<b>50,391</b>	<b>50,475</b>
Total comprehensive loss for the year	-	(962)	(962)
<b>Balance as at 31 December 2018</b>	<b>84</b>	<b>49,429</b>	<b>49,513</b>
Total comprehensive loss for the year	-	(4,674)	(4,674)
<b>Balance as at 31 December 2019</b>	<b>84</b>	<b>44,755</b>	<b>44,839</b>

The notes on pages 30 to 73 form part of these financial statements.

**Metallon Corporation Limited**  
**Consolidated Statement of Cash Flows**  
**For the year ended 31 December 2019**

		31 December 2019	31 December 2018
	Note	\$'000	\$'000
<b>Cash flows from operating activities</b>			
Profit/(loss) for the year		119,535	(78,664)
Adjustments for:			
Income tax expense – continuing operations		27,999	5,680
Income tax credit – discontinued operations		(1,501)	-
Depreciation and amortisation – continuing operations	8	5,701	9,260
Depreciation and amortisation – discontinued operations	10	535	
Impairment of exploration and evaluation assets		-	10,655
Write offs – continuing operations	8	1,850	2,618
Write offs – discontinued operations	10	102	-
Allowance for credit losses	6	2,582	35,346
Increase in rehabilitation provision		722	678
Loss/(profit) on disposal of PPE	5	71	(523)
Impairment loss on decommissioned PPE		-	6
		<u>157,596</u>	<u>(14,944)</u>
Changes in:			
- inventories		2,563	813
- trade and other receivables		8,275	(21,544)
- trade and other payables and provisions		(123,123)	51,933
Cash generated from operations		<u>45,311</u>	<u>16,258</u>
Interest paid		(1,408)	(5,268)
Taxes paid		(24,601)	(321)
<b>Net cash generated from operating activities</b>		<u>19,302</u>	<u>10,669</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(1,371)	(11,959)
Consideration received in advance of Shamva sale	11	5,117	-
<b>Net cash generated from / (used in) investing activities</b>		<u>3,746</u>	<u>(11,959)</u>
<b>Cash flow from financing activities</b>			
Proceeds from borrowings		2,844	18,052
Repayment of borrowings		(22,838)	(8,891)
Payments of finance lease liabilities		-	(1,138)
<b>Net cash generated from financing activities</b>		<u>(19,994)</u>	<u>8,023</u>
Net (decrease) / increase in cash and cash equivalents		3,054	6,733
Cash and cash equivalents at beginning of year		1,336	1,300
Effect of foreign exchange rate changes		(3,982)	(6,697)
<b>Cash and cash equivalents at year end</b>		<u>408</u>	<u>1,336</u>

**Metallon Corporation Limited**  
**Company Statement of Cash Flows**  
**For the year ended 31 December 2019**

		<b>31 December 2019 \$'000</b>	<b>31 December 2018 \$'000</b>
	<b>Note</b>		
<b>Cash flows from operating activities</b>			
Loss before tax		(4,674)	(962)
Changes in:			
- trade and other receivables		(819)	906
- trade and other payables and provisions		(2,027)	55
Cash generated from operations		(7,520)	(1)
Taxes paid		-	-
<b>Net cash used in operating activities</b>		<b>(7,520)</b>	<b>(1)</b>
<b>Cash flows from investing activities</b>			
Consideration received in advance of Shamva sale	11	5,117	-
<b>Net cash generated from investing activities</b>		<b>5,117</b>	<b>-</b>
<b>Cash flow from financing activities</b>			
Proceeds from borrowings		2,844	-
Repayment of borrowings		(384)	-
<b>Net cash generated from financing activities</b>		<b>2,460</b>	<b>-</b>
Net (decrease) / increase in cash and cash equivalents		57	(1)
Cash and cash equivalents at beginning of year		14	15
<b>Cash and cash equivalents at year end</b>		<b>71</b>	<b>14</b>

The notes on pages 30 to 73 form part of these financial statements.

**Metallon Corporation Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2019**

**1. Statement of accounting policies**

**1.1 General information**

The consolidated financial statements of the Group, which comprise Metallon Corporation Limited and its subsidiaries for the year ended 31 December 2019, were authorised for issue in accordance with a resolution of the directors on 8 September 2021. Metallon Corporation Limited is a private company incorporated and domiciled in England and Wales. The Group is principally engaged in the exploration for, development of and production of gold bullion and silver concentrate and exploring cash flow positive infrastructure investments. Information on the Group's parent and other related party relationships is presented in Notes 28 and 29.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**1.2 Basis of preparation and going concern assessment**

*Statement of compliance*

The consolidated financial statements of Metallon Corporation Limited have been prepared in accordance with International Financial Reporting Standards in conformity with Companies Act 2006. The consolidated financial statements have been prepared under the historical cost convention.

The financial statements of the Company, which comprise the Statement of Financial Position and related notes, are prepared in accordance with the Companies Act 2006. The Company has taken advantage of the exemption under Section 408 of the Companies Act 2006 from presenting its own Statement of Comprehensive Income.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a high degree of judgement of complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 2.

*Basis of measurement*

These consolidated financial statements are presented in United States dollars ("\$"), which is also the functional currency of the Company. Refer to note 1.18 and 2(f) for judgement applied to determine functional currency of entities in the Group and the rate of exchange to translate the Zimbabwean real time gross settlement, bond notes or bond coins ("RTGS\$").

**Metallon Corporation Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2019**

**1. Statement of accounting policies (continued)**

**1.2 Basis of preparation and going concern assessment (continued)**

*Going concern*

The Group has net assets of US\$ 34,510,000 (2018: Net Liabilities - US\$ 85,025,000) at 31 December 2019 and in addition it is expected that the Group will be able to meet its financial obligations as they fall due for a period of no less than twelve months from the date of approval of these financial statements.

Despite the ongoing Covid-19 pandemic, the Group has maintained production and cost trends, and is on track to increase capacity utilisation. The Directors therefore consider it appropriate to prepare the financial statements on a going concern basis;

Cash flow forecasts have been produced to December 2022 that indicate the Group has sufficient headroom to meet its liabilities as they fall due for a period of no less than twelve months from the date of approval of these financial statements. Key considerations include the following:

- The Group sold its entire interest in Shamva mines for a consideration of US\$40,000,000 in January 2020 which provided significant cash flow to meet immediate working capital requirements and improve operations of existing mining operations. A deposit in respect of the sale, totalling \$5,117,000 was received in December 2019 (see note 11) and the remaining consideration was received in 2020 after completion.
- The sale of the Mazowe and Redwing mines is at an advanced stage, with the Group having received a non-refundable deposit of US\$13,190,000 out of the US\$75,000,000 consideration to date.

Based on the above the Directors therefore consider it appropriate to continue to prepare the financial statements of the Group on a going concern basis.

**Metallon Corporation Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2019**

**1. Statement of accounting policies (continued)**

**1.3 Changes in Accounting Policies**

**(i) New standards, interpretations and amendments effective from 1 January 2019**

New standards impacting the Group that will be adopted in the annual financial statements for the year ended 31 December 2019, and which have given rise to changes in the Group's accounting policies are:

<b>Standard description</b>	<b>Impact on initial application</b>
IFRS 16 Leases  (Effective 1 January 2019)	IFRS 16, which supersedes IAS 17, sets out principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ("lessee") and the supplier ("lessor").
IFRIC 23 Uncertainty over Income Tax Treatments  (Effective 1 January 2019)	IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The adoption of IFRIC 23 has had no material impact on the Group or Company.

The Group adopted IFRS 16 and IFRIC 23 with a transition date of 1 January 2019. The Group has chosen not to restate comparatives on adoption of both standards, and therefore, the revised requirements are not reflected in the prior year financial statements. Rather, these changes have been processed at the date of initial application (i.e. 1 January 2019) and recognised in the opening equity balances. Details of the impact these two standards have had are given below.

*IFRS 16, Leases*

The Group and Company adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 January 2019), without restatement of comparative figures. The Group and Company elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee, the Group and Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership.

The Group and Company has reviewed its contracts and agreements and have not identified any leases. The impact of IFRS 16 is nil on both current and prior period.



**Metallon Corporation Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2019**

**1. Statement of accounting policies (continued)**

**1.3 Changes in Accounting Policies (continued)**

(ii) New standards, interpretations and amendments effective from 1 January 2019 (continued)

*IFRIC 23, Uncertainty over Income Tax Treatments*

IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation requires:

- The Group to determine whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- The Group to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. This measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

The adoption of IFRIC 23 has had no material impact on the Group or Company.

**1.3 Changes in Accounting Policies (continued)**

(iii) New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the group has decided not to adopt early. The most significant of these is as follows, which are all effective for the period beginning 1 January 2020:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material)
- IFRS 3 Business Combinations (Amendment – Definition of Business)
- Revised Conceptual Framework for Financial Reporting

The Group and Company is currently assessing the impact of these new accounting standards and amendments.

**Metallon Corporation Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2019**

**1. Statement of accounting policies (continued)**

**1.4 Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Group as at 31 December 2019. Control is achieved when the Group is exposed, or has right, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has all of the following:

- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns
- When the Group has less than a majority of the voting, or similar, rights of an investee, it considers all relevant facts and circumstances in assessing whether it has power over an investee, including the contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit and loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interest having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

**Metallon Corporation Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2019**

**1. Statement of accounting policies (continued)**

**1.5 Property, plant and equipment**

Items of property, plant and equipment are initially measured at cost. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs attributable to bringing the assets into a working condition for their intended use, the cost of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Capital work-in-progress is stated at cost and not depreciated. Depreciation on capital work-in-progress commences when the assets are ready for their intended use.

The cost of replacing part of an item or property, plant and equipment is recognised at the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The cost of the day-to-day servicing of the vehicles and equipment are recognised in the income statement as incurred.

Subsequent to initial recognition property, plant and equipment is measured at cost less accumulated depreciation and impairment losses.

Depreciation is recognised in profit or loss on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives for the current and comparative periods are as follows :

Plant & Equipment	5-20 years
Buildings	5-20 years
Mining assets	5-20 years
Motor vehicles	5 years
Furniture and fittings	5-10 years

Depreciation methods, useful lives and residual values are assessed for appropriateness at each reporting date and adjusted if necessary.

**Metallon Corporation Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2019**

**1. Statement of accounting policies (continued)**

**1.5 Property, plant and equipment (continued)**

*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 income statement when the carrying amounts of the assets exceed the fair value of the respective assets.

*Derecognition of plant, property and equipment*

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from use or disposal. The gain or loss on disposal of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the asset and are recognised in other income in the income statement.

**1.6 Intangible assets**

Intangible assets are initially recognised at cost and subsequently at cost less accumulated amortisation and accumulated impairment losses. At each reporting date, the Group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**Metallon Corporation Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2019**

**1. Statement of accounting policies (continued)**

**1.7 Inventories**

Inventories are initially recognised at cost. Cost of inventories comprises all costs of purchase, costs of conversion for mined minerals and other costs incurred in bringing the inventories to their present location and condition. Subsequently they are measured at the lower of cost and net realisable value after making allowance for obsolete inventory. Cost is determined on the weighted average basis. Write downs to net realisable values and inventory losses are expensed in the period in which they occur.

**1.8 Provisions**

Provisions are recognised when the company 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.

**1.9 Exploration expenditure**

Exploration expenditure which meets the asset recognition criteria is capitalised and amortised over the life of the mine. All other exploration expenditure is recognised through the income statement as an expense in the period in which it is incurred. In the event that in subsequent periods exploration activities whose expenditure was previously expensed results in bankable ore reserves, such costs are reversed and capitalised less the amortisation costs that would have been recognised if the costs had not been expensed.

Exploration expenditure for each exploration license are carried forward, until the existence (or otherwise) of commercial reserves are determined. If commercial reserves have been discovered, the related exploration assets are assessed for impairment on an individual license or cost pool basis, as appropriate, and the carrying value, after any impairment loss, is then reclassified to property plant and equipment.

**1.10 Revenue from Contracts with Customers**

**1.10.1 Gold and silver sales**

Revenue from the sale of precious metals is recognised at a point in time when the metal is accepted at the refinery, the obligation of transferring control is met when the receipt of proceeds is substantially assured. Revenue is measured at the metal price ruling at the date of the transaction and reflects the consideration which the entity is entitled to in exchange for goods transferred.

**1.10.2 Interest income**

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

**Metallon Corporation Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2019**

**1. Statement of accounting policies (continued)**

**1.11 Employee benefits**

Employee benefits are all forms of consideration given by the company in exchange for services rendered by employees.

**1.12.1 Short term benefits**

Short term benefits are employee benefits (other than termination benefits) which fall due wholly within twelve months after the end of the period in which the employees render related services. The company recognises the fair value amount of the short term employee benefits expected to be paid in exchange for that service in profit or loss.

**1.12.2 Post-employment benefits**

Contributions to defined contribution pension schemes are charged to profit or loss in the year to which they relate.

**1.12 Environmental rehabilitation provision**

A provision is recognised when the Group has a present legal or constructive obligation as a result of past events and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made. A provision for rehabilitation costs is recognised when the Group has a present obligation under current environmental laws and its social responsibility programme to remedy environmental disturbances that have occurred as a result of the development or ongoing production of the mine. The amount recognised as a provision is the best estimate of the consideration required to discharge the rehabilitation obligations at the statement of financial position date, as determined by the directors.

These estimates 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 estimates (fair value) are recognised in profit or loss and accumulated in the rehabilitation reserve except to the extent that any decrease in value in excess of the credit balance on the rehabilitation reserve, or reversal of such a transaction, is recognised in profit or loss, 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.

**1.13 Cost of sales**

Cost of sales includes mines working costs, bullion transportation costs, concentrates and bullion refinery charges and depreciation of property, plant and equipment involved in the extraction of gold.

**1.14 Investments and other financial assets**

*Recognition and initial measurement*

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for estimated credit losses. Trade receivables are generally due for settlement within 30 days. All other financial assets were recognised initially on the trade date at which the Group became a party to the contractual provisions of the instrument.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue. Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

**Metallon Corporation Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2019**

**1. Statement of accounting policies (continued)**

**1.15 Investments and other financial assets (continued)**

The Group holds only financial assets measured at amortised cost and at fair value through profit or loss. Financial assets are initially recognised when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

*Classification and subsequent measurement*

On initial recognition, a financial asset is classified as and measured at amortised cost or at fair value through profit or loss. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets of the Group not classified as and measured at amortised cost are measured at fair value through profit or loss. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, that otherwise meets the requirements to be measured at amortised cost, to fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets at fair value through profit or loss are subsequently measured at fair value. Net gains and losses are recognised in profit or loss. Financial assets classified as and measured at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset.

**Metallon Corporation Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2019**

**1. Statement of accounting policies (continued)**

**1.16 Impairment**

i) Non-derivative financial assets (including receivables)

The Group applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. In measuring the expected credit losses, the trade receivables have been assessed on an individual basis as they possess different credit risk characteristics. Trade receivables have been assessed based on the days past due. The expected loss rates are based on the payment profile for gold sales over the past 48 months prior to December 31, of each year reported. The historical rates are adjusted to reflect current and forward looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. However given the short period exposed to credit risk the impact of these factors has not been considered significant. Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery. Failure to make payments within 90 days from lodgement date with Fidelity Printers and Refiners Limited and failure to engage with the Group on alternative payment arrangement, amongst others, are considered indicators of no reasonable expectation of recovery.

ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU").

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a CGU to which a corporate asset is allocated may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of a CGU exceeds its estimated recoverable amount. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amount of assets in the unit (group of units) on a pro rata basis. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been an indication of reversal and a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.



**Metallon Corporation Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2019**

**1. Statement of accounting policies (continued)**

**1.17 Financial Liabilities at amortised cost**

Other financial liabilities include bank borrowings and trade and other payables. Bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method. Interest expense in this context includes initial transaction costs and other payable on maturity, as well as any interest or coupon payable while the liability is outstanding.

**1.18 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 the income statement. Non-monetary items that are measured in terms of historical cost in foreign currencies are translated using the exchange rate as at the date of the initial transactions.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

The presentation currency of the Group is the United States Dollar. The functional currency of the Company and all its subsidiaries is the United States Dollar. Subsidiary financial statements have been translated to the presentation currency as follows:

- assets and liabilities are translated using the exchange rate at period end; and
- income, expenses and cash flow items are translated using the rate that approximates the exchange rates at the dates of the transactions.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from the item are considered to form part of the net investment in a foreign operation and are recognised in Other Comprehensive Income ("OCI").

If settlement is planned or likely in the foreseeable future, foreign exchange gains and losses are included in profit or loss. When settlement occurs, settlement will not be regarded as a partial disposal and accordingly the foreign exchange gain or loss previously recognised in OCI is not reclassified to profit or loss.

When the Group disposes of its entire interest in a foreign operation, or loses control over a foreign operation, the foreign currency gains or losses accumulated in OCI related to the foreign operation are reclassified to profit or loss.

All resulting translation differences are reported in OCI and accumulated in the foreign currency translation reserve.

**Metallon Corporation Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2019**

**1. Statement of accounting policies (continued)**

**1.18 Foreign currency transactions (continued)**

In preparing the financial statements of the Group entities, transactions in currencies other than the functional currency (foreign currencies) of these Group entities are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary assets and liabilities are translated using the current foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. All gains and losses on translation of these foreign currency transactions are included in profit or loss for the year.

From October 1, 2018 the RBZ pegged the RTGS\$ at 1:1 to the US dollar and on February 20, 2019 issued a further monetary policy statement, which allowed inter-bank trading between RTGS\$ and foreign currency. The interbank rate was introduced at 2.5 RTGS\$ to 1 US dollar and traded at 16.77 RTGS\$ to 1 US dollar as at December 31, 2019. On June 24, 2019 the Government issued SI 142 which stated "Zimbabwe dollar (RTGS\$) to be the sole currency for legal tender purposes for any transactions in Zimbabwe".

Further, the Reserve Bank of Zimbabwe ("RBZ") issued a directive to Zimbabwean banks to separate foreign currency ("Foreign currency") and RTGS\$ for bank accounts held by clients on October 1, 2018. Subsequent to the directive the RBZ announced that 30% of Metallon's Zimbabwean subsidiary gold proceeds will be received in Foreign currency (i.e. United States dollars) and the remainder received as RTGS\$. From November 12, 2018 the RBZ increased the Foreign currency allocation from 30% to 55% with the remainder received as RTGS\$. The allocation percentages remained in effect up to the date of approval of these financial statements.

In applying IAS 21, management determined that the US dollar remained the primary currency in which the Group's Zimbabwean entities operate, as:

- the majority of revenue is received in US dollar;
- the gold price receivable was calculated in US dollar;
- the majority of costs are calculated by reference to the US dollar if denominated in RTGS\$ or is paid in US Dollar; and
- income tax liabilities calculated in RTGS\$ are settled predominantly in US dollar.

**Metallon Corporation Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2019**

**1. Statement of accounting policies (continued)**

**1.19 Income tax**

**(i) Current tax**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

**(ii) Deferred tax**

Deferred income tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects either the accounting profit or taxable profit or loss, and in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures where the timing of the reversal of the temporary differences can be controlled and it is probable that reversal of the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised except 'where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither the accounting profit nor taxable profit or loss, and in respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint ventures'. Deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised. The carrying amount of deferred income tax assets at each reporting date are reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at reporting date and recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Income tax relating to items recognised directly in equity is recognised in equity and not in the profit or loss.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax relate to the same taxable entity and the same taxation authority. Deferred capital gains tax arises on the revalued property, plant and equipment. The capital gains tax liability is computed on the revaluation adjustment based on rates ruling on the reporting date, except when it relates to items charged or credited directly to equity.

Current and deferred income tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

**Metallon Corporation Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2019**

**1. Statement of accounting policies (continued)**

**1.20 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the costs of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**1.21 Defined contribution schemes**

Contributions to defined contribution pension schemes are charged to the consolidated statement of comprehensive income in the year to which they relate.

**1.22 Non-current assets held for sale and disposal groups**

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Following the classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned or that meets the criteria to be classified as held for sale.

Discontinued operations are presented in the consolidated statement of comprehensive income as a single line which comprises the post-tax profit or loss of the discontinued operation along with the post-tax gain or loss recognised on the re-measurement to fair value less costs to sell or on disposal of the assets or disposal groups constituting discontinued operations.

**Metallon Corporation Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2019**

**2. Critical judgements in applying the Group accounting policies**

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts presented in the financial statements and related disclosures. Use of available information and the application of judgment are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Significant judgments include:

**(a) impairment of financial assets**

The company assesses its financial assets for impairment at each reporting date. In determining whether an impairment loss should be recorded in profit and loss, the company makes the judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. The Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

**(b) impairment of property, plant and equipment**

Property, plant and equipment are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. Where a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of 'value in use' (being the net present value of expected future cash flows of the relevant cash generating unit) and 'fair value less costs to sell'. In determining value in use, future cash flows are based on estimates of the quantities of economically recoverable ore reserves and mineral resources for which there is a high degree of confidence of economic extraction, future production levels, future commodity prices and future cash costs of production. Variations to the expected future cash flows, and the timing thereof, could result in significant changes to any impairment losses recognised, if any, which could in turn impact future financial results.

**(c) Life of mine**

There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs of recovery rates may change the economic status of reserves and could impact on depreciation and amortisation rates, asset carrying values and provision for rehabilitation costs. Key assumptions include the operating capacity of the mine, the quantity and quality of the ore mined and future gold prices.

**Metallon Corporation Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2019**

**2. Critical judgements in applying the Group accounting policies (continued)**

**(d) Provision for rehabilitation costs**

A provision is recognised when the company has a present legal or constructive obligation as a result of past events and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made. Provision for rehabilitation costs is recognised when the company has a present obligation under current environmental laws and its social responsibility programme to remedy environmental disturbances that have occurred as a result of the development or ongoing production of the mine. The amount recognised as a provision is the best estimate of the consideration required to discharge the rehabilitation obligations at the statement of financial position date, as determined by the directors. These estimates 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 estimates (fair value) are recognised in profit or loss and accumulated in the rehabilitation reserve except to the extent that any decrease in value in excess of the credit balance on the rehabilitation reserve, or reversal of such a transaction, is recognised in profit or loss, 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.

**(e) Measurement of fair value**

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective. The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

**(f) Foreign currency**

As of October 1, 2018, all banking institutions in Zimbabwe were directed by the Reserve Bank of Zimbabwe (RBZ) to separate bank accounts into two categories; Nostro foreign currency accounts (Nostro FCA's) and RTGS foreign currency accounts (RTGS FCA's). In this period, the US\$ and RTGS balances were formally maintained at an equal exchange rate. A parallel market for the trading of US\$ and RTGS emerged, following the critical shortage of foreign currency and prevalence of RTGS balances used to facilitate local transactions.

The macro-economic environment was characterised by multi-tier pricing regimes that showed a superior value for the US\$ when compared to the RTGS balances with most suppliers charging prices in US\$ or at a rate indexed to the US\$ in RTGS balances with most suppliers charging prices in the US\$ or at a rate indexed to the US\$ in RTGS.

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**3. Operating segments**

*In the opinion of the directors, the Group currently operates in one business segment based in Zimbabwe. The financial information presented reflects all the activities of this single reportable segment.*

Operating results are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments and making strategic decisions, has been identified as the board of Directors.

Revenues from Fidelity Printers and Refiners (Pvt) Limited of Zimbabwe represent 100% of the Group's total revenue.

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**4. Revenue**

	<b>31 December 2019 \$'000</b>	<b>31 December 2018 \$'000</b>
<b>Continuing Operations</b>		
Gold sales	33,197	66,931
Silver sales	3	168
<b>Revenue from continuing operations</b>	<b>33,200</b>	<b>67,098</b>

**5. Other income**

	<b>31 December 2019 \$'000</b>	<b>31 December 2018 \$'000</b>
Gold sale export credit incentive 5.1	358	5,883
Sale of scrap	30	139
Rental income	24	114
Loss on disposal of assets	(71)	(118)
Sundry revenue	101	-
	<b>442</b>	<b>6,018</b>

- 5.1 From May 2016 the Reserve Bank of Zimbabwe announced an export credit incentive ("ECI") on the gold proceeds received for all large scale gold mine producers. On January 1, 2018 the export credit incentive decreased from 3.5% to 2.5% and on February 1, 2018 increased to 10%. All incentives granted by the Zimbabwean government were included in other income when determined receivable.

The Export Incentive Scheme was discontinued by the RBZ with effect from 21 February 2019.

**6. Allowance for credit losses**

	<b>31 December 2019 \$'000</b>	<b>31 December 2018 \$'000</b>
Prepayments and goods in transit	-	14,940
Provision against 3rd party receivables	2,582	10,286
Provision against VAT receivable	-	9,776
	<b>2,582</b>	<b>35,002</b>



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**7. Management fees paid**

	<b>31 December 2019 \$'000</b>	<b>31 December 2018 \$'000</b>
Management fees paid	<b>494</b>	<b>1,192</b>

On 1 October 2012, Metallon Corporation Limited entered into an agreement with Gold and General Limited (formerly Redwing Mining Limited) incorporated in Jersey. In this agreement Gold and General Limited undertakes to provide Metallon Corporation Limited with technical and management services needed in order for Metallon Corporation Limited to fulfil its obligations under the agreement signed with Metallon Gold Zimbabwe (Private) Limited. As compensation for these management and technical services, Gold and General Limited is entitled to charge a fee which is 75% of the annual revenue from management fees of Metallon. The management fee transaction in 2019 in terms of this agreement was US\$ 494,000 (2018:US\$1,192,000). See related party disclosures in Note 28 for the balances receivable from Gold and General Limited.

**8. Profit from operations is stated after charging**

	<b>31 December 2019 \$'000</b>	<b>31 December 2018 \$'000</b>
<b>Expenses</b>		
Staff costs (see note 13)	<b>7,218</b>	33,968
Stores	<b>5,011</b>	12,234
Power	<b>3,100</b>	10,839
General administration costs	<b>8,723</b>	10,800
Impairment of exploration assets	-	10,069
Depreciation	<b>5,701</b>	7,211
Royalties	<b>1,690</b>	3,512
Repairs and renewals	<b>1,155</b>	2,565
Other write offs	<b>1,850</b>	2,618
Transport & security	<b>102</b>	1,361
Stock	<b>13</b>	851
Bank charges	<b>241</b>	720
Environmental Rehabilitation	<b>64</b>	-
Impairment of plant and equipment	-	277
	<b>31 December 2019 \$'000</b>	<b>31 December 2018 \$'000</b>
Included within General administration costs are audit fees as follows:		
- Audit of parent and consolidated financial statements	<b>115</b>	100
- Audit of subsidiaries	<b>126</b>	187
	<b>241</b>	<b>287</b>

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**9. Foreign exchange gains/ losses**

	<b>31 December 2019 \$'000</b>	<b>31 December 2018 \$'000</b>
Foreign exchange gains	<b>127,962</b>	-

In response to the shortage of foreign currency, the Reserve Bank of Zimbabwe ("RBZ") introduced RTGS Dollars ("RTGS\$") as legal tender for transactions in Zimbabwe. From October 2018, the RBZ pegged the RTGS\$ at 1:1 to the US dollar and on 20 February 2019, issued a further monetary policy statement which allowed inter-bank trading between RTGS\$ and foreign currency. The interbank rate was introduced at 2.5 RTGS\$ to 1 US Dollar and traded at 16.77 RTGS\$ to 1 US dollar as at 31 December 2019.

Accounts receivable and payable originally denominated in RTGS\$ were revalued on 20 February 2019, giving rise to the significant exchange gain recognised. The financial assets and liabilities have subsequently been revalued based on the exchange rates as gazetted by the RBZ.

**10. Discontinued operations**

In November 2019, the Group accepted the offer to sell Shamva Mine, a wholly owned subsidiary of the Group, for a consideration of US\$40,000,000. The sale agreement was completed and executed on 30 January 2020.

The trading results of Shamva have been classified as discontinued operations for the year ended 31 December 2019 and the assets and liabilities of Shamva have been classified as held for sale in the consolidated statement of financial position.

The post-tax profit from discontinued operations was determined as follows:

<b>A. Results of discontinued operations</b>	<b>31 December 2019 \$'000</b>	<b>31 December 2018 \$'000</b>
Revenue	-	12,777
Cost of sales	(2,602)	(18,501)
Other income	118	1,685
Operating expenses	(1,874)	(4,115)
Exchange gains	<b>32,549</b>	
Operating profit	<b>28,191</b>	(8,154)
Net finance costs	(1,086)	(950)
Profit/ (loss) before tax	<b>27,105</b>	(9,104)
Tax (expense)/ credit	<b>1,501</b>	1,854
Profit/ (loss) for the year	<b>28,606</b>	(7,250)

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**10. Discontinued operations (continued)**

<b>B. Cash flows used in discontinued operations</b>	<b>31 December 2019 \$'000</b>	<b>31 December 2018 \$'000</b>
Profit before tax	27,105	-
Depreciation charge for the period	535	-
Movement in provision for environmental rehabilitation costs	82	-
Interest expense	1,085	-
Write-offs	102	-
Exchange gains	(32,549)	-
<b>Net cash used in operations</b>	<b>(3,640)</b>	<b>-</b>
 <b>C. Tax credit on discontinued operations</b>	 <b>31 December 2019 \$'000</b>	 <b>31 December 2018 \$'000</b>
Current tax	-	-
Deferred tax credit	(1,501)	(1,854)
	<b>(1,501)</b>	<b>(1,854)</b>
 Tax reconciliation:		
Profit/ (loss) before tax	27,105	(9,104)
Tax at 25.75%	6,979	(2,344)
Export incentive	-	(253)
Utilisation of previously unrecognised tax losses	(8,581)	-
Other non-taxable items	101	743
	<b>(1,501)</b>	<b>(1,854)</b>

**11. Assets and liabilities classified as held for sale**

During the year, the Board decided to sell its investment in Shamva mine. An offer for the asset was received and accepted in November 2019. The sale was completed on 30 January 2020.

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**11. Assets and liabilities classified as held for sale (continued)**

The following major classes of assets and liabilities relating to Shamva have been classified as held for sale in the consolidated statement of financial position on 31 December:

	<b>31 December 2019 \$'000</b>	31 December 2018 \$'000
Property plant and equipment	16,176	-
Inventories	1,058	-
Cash and cash equivalents	4	-
<b>Assets held for sale</b>	<b>17,238</b>	<b>-</b>
Trade and other payables	2,852	-
Current tax liabilities	16	-
Rehabilitation provision	899	-
<b>Liabilities held for sale</b>	<b>3,767</b>	<b>-</b>
<b>Net assets held for sale</b>	<b>13,471</b>	<b>-</b>

No impairment has been recognised on the assets forming part of the disposal group as the fair value less costs to sell (US\$40,000,000) exceeds the carrying amount of the assets.

The fair value of Shamva has been derived from the offer received from a non-related party constituting an arms-length transaction.

In December 2019, the Group received US\$5,117,000 towards the sale of Shamva as a non-refundable deposit which, at the year end, constitutes consideration received in advanced. The consideration has been classified as a current liability as at 31 December 2019 (2018: \$nil)

**12. Directors' emoluments**

	<b>31 December 2019 \$'000</b>	31 December 2018 \$'000
Emoluments	411	206
Pension costs	-	-
	<b>411</b>	<b>206</b>

The highest paid director in the year received remuneration totalling USD\$206,000 (2018:US\$206,000). There were no directors for whom pension contributions were made.

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**13. Staff costs and employee information**

The average number of employees employed by the Group during the year was:

	<b>31 December 2019 No.</b>	<b>31 December 2018 No.</b>
Staff costs (including directors emoluments) comprise:	<b>1,495</b>	<b>1,701</b>

The aggregate payroll costs of the employees charged in the consolidated statement of comprehensive income was as follows:

	<b>31 December 2019 \$'000</b>	<b>31 December 2018 \$'000</b>
Staff costs (including directors emoluments) comprise:		
Wages and salaries	<b>6,637</b>	<b>30,561</b>
Pension costs	<b>234</b>	<b>914</b>
Social security contributions and similar taxes	<b>347</b>	<b>2,493</b>
	<b>7,218</b>	<b>33,968</b>

**14. Net finance expense**

	<b>31 December 2019 \$'000</b>	<b>31 December 2018 \$'000</b>
<b>Finance expense</b>		
Interest on borrowings	<b>615</b>	<b>1,774</b>
Finance charges - Trade and other payables	<b>118</b>	<b>1,986</b>
Finance charges - Overdraft	<b>852</b>	<b>453</b>
Interest on loan from related party	<b>123</b>	<b>105</b>
Unwinding of discount on provisions	<b>659</b>	<b>604</b>
	<b>2,367</b>	<b>4,922</b>

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**15. Taxation**

**15.1 Taxation expense**

	<b>31 December 2019 \$'000</b>	<b>31 December 2018 \$'000</b>
Current tax	17,014	10,610
Withholding tax	63	159
Deferred tax charge/(credit)	10,922	(3,235)
	<b>27,999</b>	<b>7,534</b>
<b>Reconciliation of effective tax rate</b>		
Profit/ (loss) before tax from continuing operations	118,928	(63,880)
Tax using the Company's domestic tax rate 25.75%	30,624	(16,449)
Excess Management Fees	379	170
Royalties	435	3,971
Non-deductible expenses	12,150	14,963
Non-taxable income	(24,392)	-
Tax effect of utilisation of tax losses not previously recognised	712	(2,457)
Adjustment for under/(over) provision in previous periods	7,713	-
Non-Taxable Items: Export incentive	-	7,177
Different tax rate applied in parent company jurisdiction	315	
Withholding tax	63	159
	<b>27,999</b>	<b>7,534</b>

**Tax payable**

	<b>31 December 2019 \$'000</b>	<b>31 December 2018 \$'000</b>
Balance at beginning of the year	25,437	15,148
Accrued during the year	17,077	10,610
Paid during the year	(24,601)	(321)
Classified as held for sale	(16)	-
<b>Balance at end of the year</b>	<b>17,897</b>	<b>25,437</b>

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**15. Taxation (continued)**

**15.2 Deferred tax liability**

	<b>31 December 2019 \$'000</b>	<b>31 December 2018 \$'000</b>
Provision for rehabilitation cost	(1,072)	(1,910)
Property plant and equipment	5,362	16,800
Leave pay provision	(32)	(882)
Assessed tax losses	(1,323)	(7,742)
GIT Prepayment	-	713
M.B.O Bonus	-	(38)
Retrenchment cost provision	-	(577)
Unrealised exchange gains	12,849	-
	<b>15,784</b>	<b>6,364</b>
	<b>31 December 2019 \$'000</b>	<b>31 December 2018 \$'000</b>
<b>Reconciliation</b>		
At 1 January	6,364	11,453
Income statement charge/(credit)	10,922	(5,089)
Classified as held for sale	(1,502)	-
<b>At 31 December</b>	<b>15,784</b>	<b>6,364</b>

The company does not have any deferred tax liabilities or assets for 2019 and 2018.

- (i) The domestic tax rate refers to the subsidiaries in Zimbabwe subject to a corporate tax of 25.75%

**15.2 Deferred tax liability (continued)**

- (ii) In 2019 ZIMRA issued PN26 that was effected retrospectively from February 22, 2019. The public notice provided clarity on Section 4(a) of the Finance Act (Chapter 23:04) of Zimbabwe, that requires a company earning taxable income to pay the tax in the same or other specified currency that the income is earned. PN26 clarifies that the calculation of taxable income be performed in RTGS\$ and that the payment of the tax be in the ratio of the currency that the turnover is earned. The reconciling item reconciles the profit before tax calculated using US\$ as the functional currency to taxable income calculated in RTGS\$.

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**16. Property, Plant and Equipment**

**Group**

	<b>Mining assets \$'000</b>	<b>Land &amp; buildings \$'000</b>	<b>Plant &amp; equipment \$'000</b>	<b>Fittings &amp; motor vehicles \$'000</b>	<b>Capital work in progress \$'000</b>	<b>Total \$'000</b>
<b>Cost</b>						
<b>At 31 December 2017</b>	<b>21,664</b>	<b>3,713</b>	<b>64,261</b>	<b>7,879</b>	<b>11,737</b>	<b>109,254</b>
Additions	4,338	-	1,017	2,049	1,163	8,567
Disposals	-	-	(917)	(1,972)	-	(2,889)
Transfers	-	70	3,383	(129)	-	3,324
<b>At 31 December 2018</b>	<b>26,002</b>	<b>3,783</b>	<b>67,744</b>	<b>7,827</b>	<b>12,900</b>	<b>118,256</b>
Additions	374	-	22	-	976	1,372
Disposals	-	-	-	(601)	-	(601)
Classified as held for sale	(1,371)	(1,631)	(13,552)	(516)	(6,657)	(23,727)
<b>At 31 December 2019</b>	<b>25,005</b>	<b>2,152</b>	<b>54,214</b>	<b>6,710</b>	<b>7,219</b>	<b>95,300</b>
<b>Accumulated depreciation and impairment</b>						
<b>At 31 December 2017</b>	<b>14,767</b>	<b>3,088</b>	<b>25,586</b>	<b>5,897</b>	<b>431</b>	<b>49,769</b>
Depreciation charge	856	57	5,783	2,564	-	9,260
Disposals	-	-	(543)	(1,268)	-	(1,811)
Transfers	-	-	-	(68)	-	(68)
Impairment	6	-	-	-	-	6
<b>At 31 December 2018</b>	<b>15,629</b>	<b>3,145</b>	<b>30,826</b>	<b>7,125</b>	<b>431</b>	<b>57,156</b>
Depreciation charge	930	40	4,964	302	-	6,236
Disposals	-	-	-	(315)	-	(315)
Classified as held for sale	(691)	(1,120)	(5,225)	(516)	-	(7,552)
<b>At 31 December 2019</b>	<b>15,868</b>	<b>2,065</b>	<b>30,565</b>	<b>6,596</b>	<b>431</b>	<b>55,525</b>



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**16. Property, Plant and Equipment (continued)**

**Group**

	<b>Mining assets</b>	<b>Land &amp; buildings</b>	<b>Plant &amp; equipment</b>	<b>Fittings &amp; motor vehicles</b>	<b>Capital work in progress</b>	<b>Total</b>
<b>Carrying value</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>At 31 December 2019</b>	<b>9,137</b>	<b>87</b>	<b>23,649</b>	<b>114</b>	<b>6,788</b>	<b>39,775</b>
At 31 December 2018	10,373	638	36,918	702	12,469	61,100

In 2019 there are \$nil (2018: \$0.6m) impairment losses recognised. There are no assets that are held under finance lease.

Further details of assets pledged as security on borrowings have been detailed in note 23.

**Company**

The parent company's property, plant and equipment consists of furniture, fittings and computer equipment with a carrying value of \$5,000 (2018: \$5,000). None of the Company's assets are pledged as security for borrowings.

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**17. Intangible Assets**

<b>Group</b>	<b>Mineral rights \$'000</b>	<b>Exploration and Evaluation Assets \$'000</b>	<b>Total \$'000</b>
At 1 January 2018	1,000	10,655	11,655
Additions	-	-	-
Amortisation/impairment	-	(10,655)	(10,655)
At 31 December 2018	1,000	-	1,000
Additions	-	-	-
Amortisation/impairment	-	-	-
<b>At 31 December 2019</b>	<b>1,000</b>	<b>-</b>	<b>1,000</b>

*Motapa mineral rights:*

The mineral rights were purchased from Oleastar Investments (Private) Limited in 2003. No amortisation has been charged since mining had not started on the claim.

*Mineral exploration and evaluation asset:*

The mineral exploration and evaluation asset relates to the dewatering work that was done at King's Daughter Mine Company (formerly Redwing Mine) to expose the mineral resources that were underwater. The expenditure is related to the procurement of materials and services that were used to support dewatering, pumping of water, repair of pumps and pipe lines, rehabilitation of pump stations and power sub stations and water generated in the ordinary course of mining operations. The dewatering activity was the key determinant to any resumption at the mine and access to any future economic benefits.

In 2018, the exploration and evaluation assets was fully impaired due to the fact that mine operations were suspended, and the mine was flooded to a point above level 4.

**18. Inventories**

	<b>31 December 2019 \$'000</b>	<b>31 December 2018 \$'000</b>
<b>Group</b>		
Consumables	392	3,247
Gold in progress	30	796
	<b>422</b>	<b>4,043</b>

Inventory is comprised of gold in circuit and consumable stores utilised by the mines. The amount of inventories recognised as an expense in the period amount to US\$ 5.0m (2018: US\$14.6m).

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**19. Trade and other receivables**

**Group**

**31 December 2019**

	<b>Gross \$'000</b>	<b>Expected credit losses \$'000</b>	<b>Net \$'000</b>
Trade receivables	20	-	20
Prepayments /Other receivables	4,846	(2,609)	2,237
Due from related party	46,326	-	46,326
VAT refundable	964	-	964
	<b>52,156</b>	<b>(2,609)</b>	<b>49,547</b>

**31 December 2018**

	<b>Gross \$'000</b>	<b>Expected credit losses \$'000</b>	<b>Net \$'000</b>
Trade receivables	1,342	-	1,342
Prepayments /Other receivables	6,997	(6,276)	721
Due from related party	44,623	-	44,623
VAT refundable	12,986	-	12,986
	<b>65,948</b>	<b>(6,276)</b>	<b>59,672</b>

*Allowance for expected credit losses*

The Group has recognised a charge of US\$2,582,000 in profit or loss in respect of the expected credit losses for the year ended 31 December 2019.

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	<b>Expected credit loss rate</b>		<b>Carrying amount</b>		<b>Allowance for expected credit losses</b>	
	<b>2019 %</b>	<b>2018 %</b>	<b>2019 \$'000</b>	<b>2018 \$'000</b>	<b>2019 \$'000</b>	<b>2018 \$'000</b>
<b>Group</b>						
0 to 3 months overdue	8%	8%	2,046	-	171	-
Over 6 months overdue	87%	90%	2,800	6,997	2,438	6,276
			<b>4,846</b>	<b>6,997</b>	<b>2,609</b>	<b>6,276</b>

Movement in the allowance for the expected credit losses for the Group are as follows:

	<b>31 December 2019 \$'000</b>	<b>31 December 2018 \$'000</b>
At beginning of the year	(6,276)	-
Release/ (additional) provisions recognised	(2,582)	(35,346)
Receivables written off during the year as uncollectable	6,249	29,070
At end of the year	<b>(2,609)</b>	<b>(6,276)</b>

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**19. Trade and other receivables (continued)**

**Company**

**31 December 2019**

	<b>Gross \$'000</b>	<b>Expected credit losses \$'000</b>	<b>Net \$'000</b>
Due from related party	46,326	-	46,326
Group receivables	706	-	706
	<u>47,032</u>	<u>-</u>	<u>47,032</u>

**31 December 2018**

	<b>Gross \$'000</b>	<b>Expected credit losses \$'000</b>	<b>Net \$'000</b>
Due from related party	44,623	-	44,623
Group receivables	6,160	(4,570)	1,590
	<u>50,783</u>	<u>(4,570)</u>	<u>46,213</u>

Movement in the allowance for the expected credit losses for the Company are as follows:

	<b>31 December 2019 \$'000</b>	<b>31 December 2018 \$'000</b>
At beginning of the year	(4,570)	-
Release/ (additional) provisions recognised	4,570	(4,570)
Receivables written off during the year as uncollectable	-	-
At end of the year	<u>-</u>	<u>(4,570)</u>

**20. Trade and other payables**

	<b>Group 31 December 2019 \$'000</b>	<b>Group 31 December 2018 \$'000</b>	<b>Company 31 December 2019 \$'000</b>	<b>Company 31 December 2018 \$'000</b>
Trade payables	8,106	50,850	291	20
Other payables	6,048	89,419	354	2,776
Due to related parties	966	842	966	842
	<u>15,120</u>	<u>141,111</u>	<u>1,611</u>	<u>3,638</u>

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**21. Cash and cash equivalents**

	<b>Group 31 December 2019 \$'000</b>	<b>Group 31 December 2018 \$'000</b>	<b>Company 31 December 2019 \$'000</b>	<b>Company 31 December 2018 \$'000</b>
Bank balances	408	1,336	71	14
	<b>408</b>	<b>1,336</b>	<b>71</b>	<b>14</b>

**22. Provision for rehabilitation costs**

	<b>How Mine \$'000</b>	<b>Kings Daughter Mine \$'000</b>	<b>Gold Fields Shamva \$'000</b>	<b>Gold Fields Mazowe \$'000</b>	<b>Total \$'000</b>
<b>31 December 2019</b>					
Closure date (Life of mine date)	2025	2034	2028	2025	
Opening balance	1,889	2,054	817	2,660	7,420
Unwinding of discount	188	205	82	264	739
Classified as held for sale	-	-	(899)	-	(899)
<b>At 31 December 2019</b>	<b>2,077</b>	<b>2,259</b>	<b>-</b>	<b>2,924</b>	<b>7,260</b>
<b>31 December 2018</b>					
Opening balance	1,716	1,865	743	2,418	6,742
Unwinding of discount	173	189	74	242	678
<b>At 31 December 2018</b>	<b>1,889</b>	<b>2,054</b>	<b>817</b>	<b>2,660</b>	<b>7,420</b>

This provision is based on the group's environmental policy and applicable legislation, a provision for rehabilitation is recognised when the obligation is settled. This provision is based on the estimated costs to arise, and represents the estimated cash flows in the period to be incurred on decommissioning the plant and equipment as well as restoring the environment. Rehabilitation will occur at the end of the life of the mine. The provisions are calculated using a 10% discount rate over the life of the individual mines.

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**23. Loan from related party**

	Group 31 December 2019 \$'000	Group 31 December 2018 \$'000	Company 31 December 2019 \$'000	Company 31 December 2018 \$'000
Loan from related party	5,035	5,035	5,035	5,035
	<b>5,035</b>	<b>5,035</b>	<b>5,035</b>	<b>5,035</b>

The loan from the related party bears interest at 1 month US LIBOR. The loan has no fixed terms of repayment and is not secured against any of the Group's assets. During the year US\$ Nil (2018: US\$ Nil) was repaid to Cableair Limited. The accumulated interest of US\$966,000 (2018: US\$842,000) is recognised under trade and other payables (Note 20).

**24. Borrowings**

**24.1 Short term loans and borrowings**

	31 December 2019 \$'000	31 December 2018 \$'000
<b>Group</b>		
BancABC Limited (i)	324	1,537
BancABC overdraft facility (ii)	588	10,048
Central Africa Building Society (v)	514	11,685
Reserve Bank of Zimbabwe (iv)	10	577
Baldmin Projects (Private) Limited (iii)	3	45
Mzilikazi Khumalo (vi)	2,460	-
	<b>3,899</b>	<b>23,892</b>

**(i) BancABC Limited**

The loan facility agreement entered between BancABC and the Group became effective from 26 September 2018 at an annual interest rate of 6%. The facility is secured over property, plant and equipment in Bulawayo Mining Company (Private) Limited, totalling \$16,653,000.

**(ii) BancABC overdraft facility**

This is a Bulawayo Mining Company (BMC) bank overdraft from BancABC with an interest rate of 9.5% per annum. The overdraft was acquired in December 2017 for working capital purposes. The bank overdraft is secured over property, plant and equipment.

<b>Details of assets pledged as security to BancABC Limited</b>	<b>\$'000</b>
Mining Leases	15,000
Land and buildings	2,855
Property Plant and Equipment	<b>16,653</b>

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**24. Borrowings (continued)**

**(iii) Baldmin Projects (Private) Limited**

The Group entered into a facility agreement with Baldmin Projects (Private) Limited in 2017, for the equivalent of \$82,000, to be applied to working capital for projects within the Metallon Group. The interest rate on the facility is 4% and the Group drew down on the full facility in 2017 and repaid \$37,000 of the amount owed in 2018.

The loan amount owing has decreased due to currency conversions to a balance of \$3 000 as the facility is denominated in RTGS\$.

**(iv) Reserve Bank of Zimbabwe**

The loan carries interest at 9.25% per annum and is repaid over 48 months beginning December 2016 in equal monthly instalments. The facility is secured by a cession and pledge of receivables from gold sales to Fidelity Printers and Refiners and a first ranked notarial bond over all plant and equipment, and movable assets, at the mines.

**(v) Central Africa Building Society**

The CABS business loan facility accrues interest at 9.75% per annum and is repayable in 30 equal monthly instalments with the business loan expiring 30 April 2021. The loan is secured as follows: Cession by Old Mutual Assurance Company of the Special Notarial Covering Bond for US\$16,800,000 over the sands processing plant; Acts of suretyship signed by King's Daughter Mining Company (Private) Limited for the full amount of the exposure; Revenue assignment agreement signed between CABS and Fidelity Printers & Refiners (Private) Limited requiring Fidelity Printers (Private) Limited to channel US\$124,468 per week of gold proceeds to Gold Fields of Mazowe Trust Account held in CABS books.

With the sale of Gold Fields of Shamva (Private) Limited by the Group during the year, any suretyship over its assets has been terminated.

**(vi) Mzilikazi Khumalo**

Amounts repayable to Mzilikazi Khumalo, a related party of the Group represents a loan carrying a 0% rate of interest and repayable on demand. The loan was advanced to fund the working capital requirements of the Group. Repayments of \$384,000 were made by the Group during the year.

**25. Financial Instruments**

The Group is exposed to risks that arise from its use of financial instruments. This note describes the Company objectives, policies and processes for managing those risks.

**Principal financial Instruments**

The principal financial instruments used by the Group, from which financial instruments risks arises are as follows:

- Trade and other receivables
- Trade and other payables
- Borrowings

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**25. Financial Instruments (continued)**

All financial assets are designated as loans and receivables and all financial liabilities are measured at amortised cost.

	<b>Loans and Receivables 2019 \$'000</b>	<b>Loans and Receivables 2018 \$'000</b>	<b>Financial Liabilities measured at amortised cost 2019 \$'000</b>	<b>Financial Liabilities measured at amortised cost 2018 \$'000</b>
<i>Current financial assets</i>				
Trade Receivables	20	1,342	-	-
Receivables from related party	46,326	44,623	-	-
Other	4,846	13,707	-	-
<i>Current Financial Liabilities</i>				
Trade payables	-	-	8,106	50,850
Other payables	-	-	6,048	89,419
Due to related parties	-	-	966	842
Short term borrowings	-	-	3,899	23,892
<i>Non-Current Liabilities</i>				
Long term borrowings	-	-	-	2,917
Loan from related party	-	-	5,035	5,035
	<b>51,192</b>	<b>59,672</b>	<b>24,054</b>	<b>172,955</b>

The Group has not disclosed the fair value for financial instruments such as short-term trade receivables and payables because their carrying amounts are a reasonable approximation of fair value. The carrying amounts of financial liabilities carried at amortised cost closely approximate their fair values. The impact of discounting is not significant due to the available market terms (rates and tenor) on borrowings and the short-term nature of trade and other payables.



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**26. General objectives, policies and procedures**

The Board of Directors has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the company's finance function. The group's management also review the risk management policies and processes and report their findings to the board.

**Market risk**

The revenues of the Group are primarily derived from the sale of gold and, to a lesser extent, silver. The company's current policy is to sell its products at prevailing market prices and not to enter into price hedging arrangements. The market prices for these commodities fluctuate widely. These fluctuations are caused by numerous factors beyond the company's control. For example, the market price of gold may change for a variety of reasons, including:

- speculative positions taken by investors or traders in gold;
- monetary policies announced or implemented by central banks, including the US Federal Reserve
- changes in the demand for gold as an investment or as a result of leasing arrangements
- changes in the demand for gold used in jewellery and for other industrial uses, including as a result of prevailing economic conditions

**Interest rate risk**

The Group is exposed to interest rate risk because entities in the Group borrow funds at fixed interest rates. The risk is managed by the Group by ensuring that interest rates are as favourable as possible and the level of indebtedness. The interest bearing liability in the Group is the loan from banking institutions. The average interest rate on the loan during the year was 10% (2018 - 10%).

The sensitivity analysis has been determined based on the exposure to non-derivative instruments at the reporting date.

If the interest rates had been 5% higher/ lower and all other variables were held constant, the Group's profit for the year ended 31 December 2019 would decrease/ increase by \$79,500 (2018: \$466,000).

**Currency risk**

Currency risk is the risk arising from fluctuations in foreign exchange rates and their effect on future commercial transactions or recognised assets and liabilities denominated in a currency that is not the entity's functional currency. Foreign exchange risk arises because the Group carries out transactions with its subsidiary and uses the services of other companies that do not operate in US dollars.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	<b>Financial assets 2019 \$'000</b>	<b>Financial assets 2018 \$'000</b>	<b>Financial Liabilities 2019 \$'000</b>	<b>Financial liabilities 2018 \$'000</b>
RTGS\$	913	65,948	7,466	172,955
GBP	71	14	591	1,938
	<b>984</b>	<b>65,962</b>	<b>8,057</b>	<b>174,893</b>

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**26. General objectives, policies and procedures (continued)**

**Currency risk (continued)**

The foreign currency exposures disclosed above are in US\$. The Group's overseas subsidiaries' functional currency is US dollars. It has no significant exposure to other currencies. The impact of the Group's exposure to RTGS\$/ ZWD arises from a portion of sale of gold (Revenue), and corresponding payment for local services (expenses). With the devaluation of the RTGS\$ during the year (from 2:1 to 16.77: 1), the Group has recognised a foreign exchange gain of \$127,962,000.

If the exchange rate on uncovered exposures were to move significantly between the year-end date of payment or receipt there could be an impact on the Group's gross profit. At year end a 10 % decrease in the value of the RTGS\$/ ZWD against the US dollar would have decreased the profit for the year and decreased net assets by US\$655k (2018: \$497k). A 10% increase in the value of the British Pound against the US Dollar would have decreased the profit for the year and net assets by \$52k (2018: \$75k)

**Liquidity risk**

Liquidity risk is the risk that the Group may fail to meet its obligations when they fall due, the consequences of which may be the failure to meet obligations to creditors. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities. Adequate banking facilities are maintained. Borrowing facilities are negotiated with approved financial institutions at acceptable interest rates. The table below summarises the maturity profile of the group's financial liabilities at 31 December 2019. The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

	Up to 3 months 2019 \$'000	Between 3 and 12 months 2019 \$'000	Total 2019 \$'000	Up to 3 months 2018 \$'000	Between 3 and 12 months 2018 \$'000	Total 2018 \$'000
Trade and other payables	15,120	-	15,120	49,168	91,943	141,111
Short-term borrowings	3,899	-	3,899	5,973	17,919	23,892
	<b>19,019</b>	<b>-</b>	<b>19,019</b>	<b>55,141</b>	<b>109,862</b>	<b>165,003</b>

**Assets past due but not impaired**

31 December 2019	0-30 days \$'000	30-90 days \$'000	90-180 days \$'000	Over 180 days \$'000	Total \$'000
Trade receivables	-	20	-	-	20
Prepayments and other receivables	-	2,237	-	-	2,237
Due from related party	-	-	-	46,326	46,326
VAT refundable	-	-	-	964	964
	<b>-</b>	<b>2,257</b>	<b>-</b>	<b>47,290</b>	<b>49,547</b>

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**26. General objectives, policies and procedures (continued)**

<b>31 December 2018</b>	<b>0-30 days</b>	<b>30-90 days</b>	<b>90-180 days</b>	<b>Over 180 days</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Trade receivables	1,342	-	-	-	1,342
Prepayments and other receivables	-	721	-	-	721
Due from related party	-	-	-	44,623	44,623
VAT refundable	-	-	12,986	-	12,986
	<b>1,342</b>	<b>721</b>	<b>12,986</b>	<b>44,623</b>	<b>59,672</b>

**Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. Credit risk arises from the Group's receivables from related parties. There are no fixed terms for the receivables. The Group's maximum exposure to credit risk is the carrying value of the receivables. The Group only deposits cash with reputable banks with high credit ratings. None of the Groups receivables are past due or individually impaired (2018: \$nil). The credit quality of receivables that are neither past due nor individually impaired have been tested for impairment and show no indications of individual or collective impairment. It is expected that the assets will be recovered in full. The carrying amount of financial assets as disclosed in the statements of financial position and related notes represents the maximum credit exposure. The Groups operates a risk management trigger system to identify incidences of expected credit losses, and provide adequate provision for related losses.

The total gold sale of the Group is made to Fidelity Partners (Zimbabwean Government) and there is a risk that the gold sales customer fails to meet its contractual obligation considering the sovereign risk of the country.

**Capital risk**

The Group considers its capital to comprise its ordinary share capital and retained deficit. In managing its capital, the Group's primary objective is to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. The Group is not subject to any externally imposed capital requirements as at 31 December 2019.

**27. Share capital**

	<b>2019 Number</b>	<b>2019 \$</b>	<b>2018 Number</b>	<b>2018 \$</b>
<i>Authorised and Issued</i>				
Ordinary shared of £0.50 each	<b>100,000</b>	<b>84,000</b>	<b>100,000</b>	<b>84,000</b>

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**27. Share capital (continued)**

The following describes the nature and purpose of each reserve within owners' equity:

<b>Reserve</b>	<b>Description and purpose</b>
Share capital	The nominal value of shares issued.
Retained earnings/ deficit	Cumulative net gains and losses recognised in the comprehensive income statement.
Other reserves	Non-distributable reserve recognised in the statement of financial statement including reserves arisen from using the predecessor value method to combine the results of the company and its subsidiaries.

**28. Related part transactions**

	Note	<b>Receivables</b>		<b>Payables</b>	
		<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Gold and General Limited	1	46,326	44,263	-	-
Cableair Limited	2	-	-	6,001	5,877
Mzilikazi Khumalo	3	-	-	2,460	-
		<b>46,326</b>	<b>44,263</b>	<b>8,461</b>	<b>5,877</b>

Payable to related party:	<b>2019</b>	<b>2018</b>
Cableair Limited:	<b>\$'000</b>	<b>\$'000</b>
Loan	<b>5,035</b>	<b>5,035</b>
Interest payable on loan	<b>966</b>	<b>842</b>
	<b>6,001</b>	<b>5,877</b>

- 1 Gold and General Limited (formerly Redwing Mining Limited) is the Group's immediate parent company is therefore a related party. The receivable relates to advances made to Gold and General Limited to meet its operating expenses and investment opportunities. The balances receivable at the year-end is US\$46,326,000 (2018: US\$44,623,000).
- 2 Cableair Limited is a company under common control and is therefore a related party. The loan bears interest at 1 month US Dollar LIBOR and has no fixed terms of repayment. The loan is denominated in US dollars.
- 3 Amounts repayable to Mzilikazi Khumalo, a related party of the Group carry a 0% rate of interest and is repayable on demand. The loan is denominated in US dollars.

**Ultimate controlling party**

At 31 December 2019 the Company's immediate and controlling parent Company was Gold and General Limited formerly Redwing Mining Limited, a company incorporated in Jersey. Gold and General Limited is not required to produce annual accounts.

The ultimate controlling party and beneficial owner is Mzilikazi Khumalo.

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**29. Investment in subsidiaries**

Name of subsidiary	Place of Incorporation	Ownership interest	Proportion of voting power held	Principal activity
		%	%	
Metallon Gold Zimbabwe (Private) Limited***	Zimbabwe	100%	100%	Holding company
Independence Gold Mining Zimbabwe (Private) Limited**	Zimbabwe	100%	100%	Dormant
Metallon Exploration Zimbabwe (Private) Limited**	Zimbabwe	100%	100%	Dormant
Midwinter Consolidated Mines (Private) Limited**	Zimbabwe	100%	100%	Dormant
Real Enterprise (Private) Limited**	Zimbabwe	100%	100%	Dormant
Kilvo Investments (Private) Limited**	Zimbabwe	100%	100%	Dormant
W.Spenser (Private) Limited**	Zimbabwe	100%	100%	Dormant
How Consolidated Mines (Private) Limited**	Zimbabwe	100%	100%	Dormant
Jumbo Consolidated Mines (Private) Limited**	Zimbabwe	100%	100%	Dormant
Redwing Consolidated Mines (Private) Limited**	Zimbabwe	100%	100%	Dormant
Cymric Consolidated Mines (Private) Limited**	Zimbabwe	100%	100%	Dormant
Metallon Management Services (Private) Limited***	Zimbabwe	100%	100%	Management services
Bulawayo Mining Company (Private) Limited**	Zimbabwe	100%	100%	Gold mining
Goldfields of Mazowe (Private) Limited**	Zimbabwe	100%	100%	Gold mining
Goldfields of Shamva (Private) Limited**	Zimbabwe	100%	100%	Gold mining
The King's Daughter Mining Company (Private) Limited**	Zimbabwe	100%	100%	Gold mining
Bulawayo Mining Company Limited***	United Kingdom	100%	100%	Holding company
Bulawayo Mining Company UK Limited**	United Kingdom	100%	100%	Holding company
Goldfields of Mazowe UK Limited**	United Kingdom	100%	100%	Holding company
Goldfields of Shamva UK Limited***	United Kingdom	100%	100%	Holding company
KD Mining Company UK Limited	United Kingdom	100%	100%	Holding company

\*\* Indirect subsidiaries

\*\*\* Direct subsidiaries

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**29. Investment in subsidiaries (continued)**

Investments in subsidiaries are accounted for at historical cost less provision for impairment which is the fair value of consideration paid.

The carrying amount of subsidiaries is as follows:

<b>Investment in subsidiaries</b>	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Bulawayo Mining Company Limited	8,963	8,963
Goldfields of Shamva UK Limited	2,989	2,989
Metallon Gold Zimbabwe (Private) Limited	1	1
Metallon Management Services (Private) Limited	1	1
	<b>11,954</b>	<b>11,954</b>
<b>Cost</b>		
At beginning of the year	11,954	11,954
At end of the year	11,954	11,954
<b>Impairment</b>		
At beginning and end of the year	-	-
<b>Carrying value at 31 December</b>	<b>11,954</b>	<b>11,954</b>

**30. Capital commitments**

The following were capital commitments contracted for as at the reporting date

	<b>Authorised</b>		<b>Authorised</b>	
	<b>Contracted</b>	<b>Not contracted</b>	<b>Contracted</b>	<b>Not contracted</b>
	<b>2019</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Shamva	-	-	-	8,931
Mazowe Mine	-	-	-	9,009
How Mine	-	15,734	-	58,648
Kings Daughter	-	-	-	8,757

The capital commitments will be financed from borrowings and internally generated resources and potential sale of group companies per note 1.

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**31. Post-Employment benefits**

The Group does not provide extra post-employment benefit.

**31.1 Defined contribution plan**

All permanent employees of Metallon Gold Zimbabwe (Private) Limited are members of defined contributions plans administered by either the National Industrial Council for the Mining Industry of Zimbabwe or the Old Mutual staff pension fund. Contributions are at the rate of 12% and 16% of pensionable emoluments of which employees pay 5% and 6.5% respectively. The cost of pension contributions during the year is made up as follows:

	2019	2018
	\$'000	\$'000
Contributions for the period	<u>234</u>	<u>1,858</u>

**31.2 National Social Security Scheme**

Metallon Gold Zimbabwe (Private) Limited makes contributions to the National Social Security Scheme, a defined benefit pension scheme promulgated under the National Social Security Act of 1989. The company's obligation under the scheme is limited to specific contributions legislated from time to time:

	2019	2018
	\$'000	\$'000
Contributions for the period	<u>62</u>	<u>496</u>

**32. Contingent liabilities**

**Zimbabwe revenue Authority tax assessments**

Metallon Gold Zimbabwe (Private) Limited, (hereafter referred to as Metallon), from its very incorporation as a legal entity, operated as a single registered company with several divisions under one registered business. The divisions were specifically the several mining operations located in various geographical locations around Zimbabwe.

Each division reported to a Group Board (Metallon), shared resources under one company title and had all their respective mining rights registered under one corporate entity, namely Metallon. As at July 2016, Metallon operationalised its corporate restructuring and unbundled its assets into specific special purpose vehicles, (SPVs). The SPVs from that date all held their own respective mining rights, assets and operated on a standalone basis.

Prior to 2016, Metallon had submitted a single tax return in respect to all five of the mining operations, having elected to do so before 2001. In 2013, following an audit conducted by the Zimbabwean Revenue Authority (ZIMRA), individual assessments were issued for the period between 2009 – 2013 for the individual Mines, with a total assessment of Z\$34,514,322. However, the assessment did not consider the assessment of the mines with tax losses of Z\$42,817,109. Metallon thereafter objected to the amended assessments and has lodged an appeal to apply the entirety of the assessments for all the mines against the principal amount of Z\$34,514,322. The matter is currently at the High Court of Zimbabwe, with the date for the hearing still to be confirmed.

The principal amount of Z\$34, 514,322 represents a contingent liability, which is dependent on the outcome of the appeal in the High Court. The contingent liability is based on RTGS(Z\$) which is currently US\$442.8k converting with official rates of 84:1.

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**32. Contingent liabilities (continued)**

**Exchange Control regulations**

In July 2017, the State levied charges against Metallon for contravention of section 5(i)(a)(ii) of the Exchange Control Act. Metallon strongly objected to the contravention and provided material and technical evidence to refute the allegations. The matter was thereafter placed on remand for approximately (12) twelve months as the State sought to finalise its case. The matter then proceeded to trial in July 2018.

However, before the merits of the case could be heard, Metallon raised additional technical deficiencies in the State's case. Metallon argued that the charges raised by the State inherently do not disclose an offence, being bad at law and patently defective, as all the foreign transactions were processed and effected through its respective banks, that ultimately report to the Reserve Bank of Zimbabwe who is Complainant in this matter.

Metallon at all times complied with all the banks requirements, thus allowing the transactions to successfully completed. The case has been in abeyance for over four years with no indication of the State to proceed with additional evidence to support the allegations. The indicative penalty of Z\$100,000,000 represents a contingent liability to the company depending on the ability of the State to present a valid case and succeeding with the allegation at trial. The contingent is based on RTGS(Z\$) which is currently U\$1.23m converting with official rates of 84:1.

**Unfair dismissal**

In 2013, the former CEO, Collen Gura initiated a claim of Z\$ 4,200,000 against Metallon emanating from alleged terminal benefits due and payable. Metallon thereafter opposed this position providing the Courts with evidence supporting a counter claim of Z\$ 6,880,000 against the former CEO. The arguments are now on appeal at the Supreme Court and the contingent liability is based on RTGSZ\$ which is currently U\$51,788 converting with the official rates of 84:1.

**Breach of contract**

Gold Fields of Shamva (Private) Limited ("Shamva") is being sued by Shatirwa Investments Private Limited for payment of US\$11,542,000 for loss of profits. An interest claim of US\$3,326,000 is also being made. Shamva is being sued jointly with Metallon Gold Zimbabwe (Private) Limited. The claim arises from alleged breach of a mining agreement between parties. The matter is pending before an arbitrator and the companies are defending the claims.

**33. Events after the reporting date**

**33.1 Investment in Lekoil Limited (LSE: LEK)**

The group acquired 15.1% of Lekoil on the London Stock Exchange (81m shares - AIM) on August 30, 2020 and became a significant shareholder in the business. On 31 August 2021, the Group disposed of its entire interest in Lekoil.

**33.2 Business Rescue**

In February 2020 the Gold Fields of Mazowe, King's Daughter Mining mines were placed under the insolvency act (Business Rescue) following the placement of the mines under Care and Maintenance prior to the eventual and potential sales discussed below.



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**33. Events after the reporting date (continued)**

**33.3 Sale of subsidiaries**

The sale of Shamva mine was completed on 30 January 2020 for a price of \$40,000,000 in line with the offer dated 5 November 2019. The Group received \$5,117,000 in December 2019 which constituted a non-refundable deposit.

The sale of the Mazowe and Redwing mines is at an advanced stage with the consideration set at \$75 million. The terms and conditions of the agreement are expected to be finalised by September 2021; however the prospective buyer has advanced the Group a sum of \$13,690,000.

**33.4 COVID - 19 Pandemic**

The impact of COVID -19 on the economic and operating environment, has been severe, however the Group has maintained production and cost trends, and is focused on increasing capacity utilisation. This coupled with the current and future positive outlook for gold prices supports the Group expectations on revenue generation. On 30 March 2020 the government of Zimbabwe locked down the country due to the Covid 19 pandemic. All citizens were instructed to remain indoors to prevent spread of the disease. Mining houses were allowed to apply to operate during the lockdown on providing mechanisms to prevent infections and spread of the Covid 19 disease within their operations. How Mine switched off the mill feeds at the end of production day on 29 March 2020 and went on to care and maintenance as instructed by the government of Zimbabwe. Prior to the lockdown the mine had already rolled out a number of initiatives to prevent infections and spread of Covid19 pandemic through body temperature tests, provision and enforcing use of sanitizers at points of entry and work places, limiting the number of people in meetings and observing 2m social distancing in such meetings. Special dispensation for the opening of How Mine was granted and the mine was reopened in April 2020, and production levels have been maintained through the year to date.

**33.5 Dividends paid**

Following the sale of Shamva for US\$40,000,000, Metallon declared a dividend of \$37,000,000, representing the gain on the sale of its 100% interest in Shamva.

**34. Approval of the financial statements**

These financial statements were approved for issue by the Board of Directors on 8 September 2021.