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Company profile

Registration Number: 4943/2015

Registered office Address:

No. 35-37 Cosham Road, Borrowdale, Harare

Telephone Number:

+263 (04) 852 401-4

Bankers:

FBC Bank Limited

Private Banking, Belgravia, Harare

1.1 Company Background

Nature of Business

Zimbabwe Consolidated Diamond Company (Private) Limited ("ZCDC" / "Company") is a wholly owned Government company entrusted with the mandate of mining diamonds and alluvial gold.

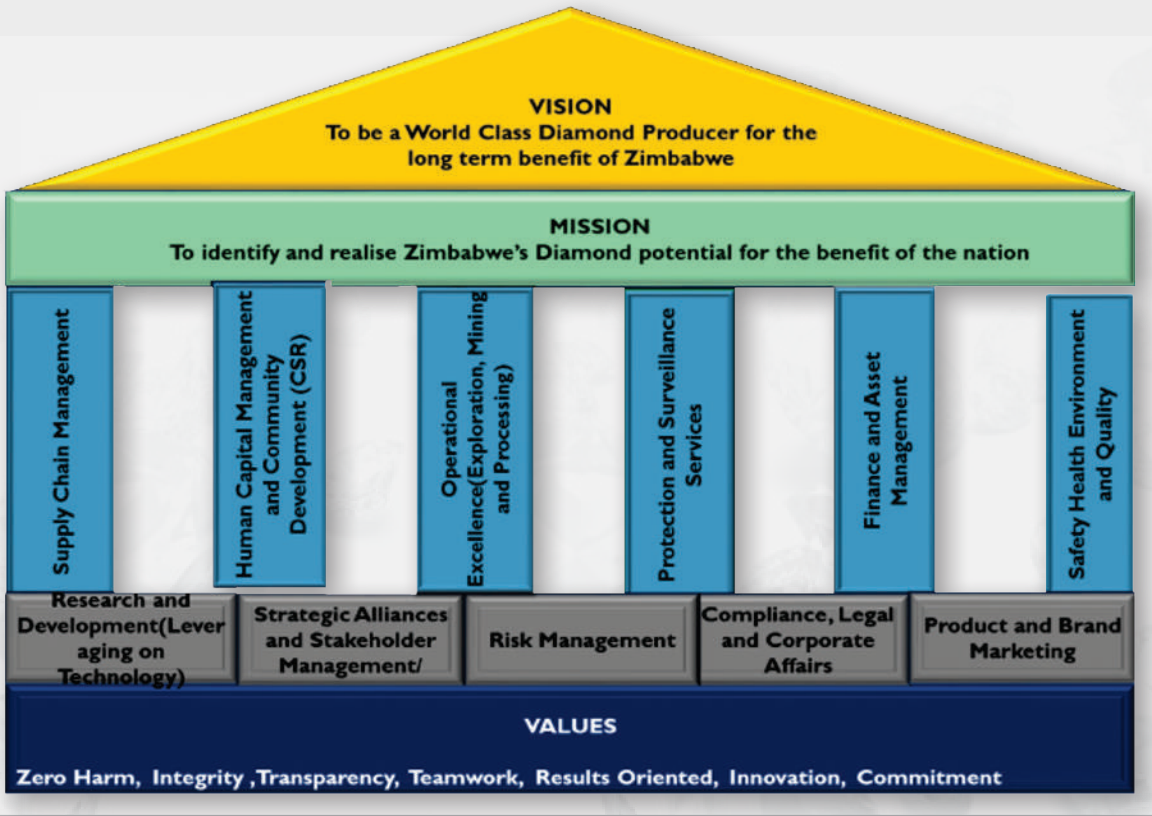
ZCDC was incorporated on 2 July 2015 under the Companies Act, (Chapter 24:03) under registration number 4943/2015. The Company was mandated to consolidate all diamond mining concessions to ensure transparency, accountability and optimal commercial exploitation and marketing of Zimbabwe's diamonds. The Company started diamond mining operations in the Chiadzwa diamond mining fields under Special Grant 6026 in March 2016.

The Company's current diamond mining operations are confined to the Chiadzwa Diamond Fields and Chimanimani. Work is currently underway to expand the operations into the other parts of the country. The Company has put in place strategic plans to carry out exploration and evaluation work in the Greenfields which fall under its mining areas.

Alluvial gold mining activities are currently at pre-feasibility stage, at the Gache-Gache operation in Kariba and in Mazowe. Consultants will be engaged to undertake the exploration work and deliver turnkey projects.

1.2 Vision, Mission and Corporate Values

The guiding tenets for the business as espoused through the vision, mission and values are depicted in the diagram below.



2. Directors and Executive Management Profiles

ZCDC is governed through the Board of Directors which takes accountability for the business strategy and performance. The day to day running of the Company is delegated to executive management who are accountable to the Board for the execution of the agreed strategy.

The profiles of the Board members and Key Executive Management are detailed below.

2.1 NON-EXECUTIVE DIRECTORS 2016

Slava Grace Chella *(Acting Board Chairperson)*

Mrs Grace Chella took over as ZCDC board chairperson in 2017, taking over from the ZCDC interim board chairperson, Professor Gudyanga.

Mrs Chella is the first black woman in Zimbabwe to attain fellowship to the Institute of Chartered Secretaries and Administrators (ICSA) in 1986. She became an Associate member to the Institute of Directors in 2001, and later attained Fellowship to the same institute in 2003.

Mrs Chella has held senior management positions at the following organizations amongst others, Systems Technology (Pvt) Ltd, Climatec (Pvt) Ltd, Cairns Chemicals (Pvt) Ltd, Minerals Marketing Corporation of Zimbabwe (MMCZ), Ministry of Finance and Economic Development, Anglo American Corporation and Zambia National Provident Fund.

Currently she sits on various boards including Ariston Holdings, PG Industries, Imara Asset Management and Quality Governance Centre. She was previously a Board member of Rainbow Tourism Group, Zimbabwe Power Company, Deposit Protection, and Zisco Steel.

Miracle Muusha *(Non-Executive Director)*

Mr Muusha is registered with the South African Council for Natural Scientific Professions and Australian Institute of Geoscientists. He has vast knowledge in the planning and execution of exploration programmes in both greenfields and brownfields stages through involvement in base metals, coal, and gold and diamonds deposits evaluation. Mr Muusha has special expertise in the evaluation, development and production of small to medium size diamond mines. He has done independent geological consultant work for various corporations including amongst others Debswana Diamond Company & Diamond EX Limited (Botswana), Marange Resources Limited, Diamond Mining Corporation (Zimbabwe) and Pangolin Diamonds Corporation (Canada).

Alexander Mukwekwezeke *(Non -Executive Director)*

Mr Mukwekwezeke is a Mining and Minerals Executive and holds, BSc in Chemistry (University of Rhodesia), MSc in Industrial & Administrative Science (City University London), Zimbabwe Mine Full Blasting License, Certificate in Diamond Grading & Evaluation (Diamond Education College SA). He has vast mining knowledge through exposure working with Kamativi Tin Mine, Elvington Gold Mine and Sabi Gold Mine. Mr Mukwekwezeke held senior positions with the Zimbabwe Mining Development Corporation (ZMDC) and is the founding Chief Executive Officer of Mbada Diamonds. He sat on the ZMDC Board of Directors and was an alternate Executive Director for Lupgas P/L (IDC special purpose vehicle for the development of methane gas in Lupane). He is a Zimbabwe Representative on the International Atomic Energy Agency (IAEA) Technical Co-operation Project.

Colonel Esau Chiadzwa *(Non-Executive Director)*

Col. Chiadzwa is currently a Director of Investments in Mining and Energy in the Defence Economic Development Department of the Zimbabwe Defence Forces Headquarters.

He holds a Masters' degree in International Studies with the University of Zimbabwe as well as the Defence and Security Management & Civic Military Relations course with the same institution.

2.2 EXECUTIVE MANAGEMENT

Dr. Moris Bekezela Mpofu *(Chief Executive Officer)*

Dr. Moris Bekezela Mpofu is the Chief Executive Officer of the company. He joined the Company on 01 March 2017.

Dr. Mpofu holds a Bachelor of Science (Honours) in Economics from the University of Zimbabwe (1990) and a Master of Science degree in International Economics, Banking and Finance from Cardiff Business School (1995), University of Wales (UK). The Dissertation for the MSc Course was a study on the Competitiveness of Zimbabwe's Export Sector. Dr Mpofu also holds a PhD in Business Administration from Washington International University and the Thesis is on Foreign Investment.

Dr. Mpofu spent 25 years at the Reserve Bank of Zimbabwe where he gained considerable senior management experience and advisory expertise in financial sector, foreign exchange, foreign investment deals, exports and imports, structured trade and investment finance and international banking.

Dr Mpofu is also a regional consultant for Southern African Development Community (SADC), Development Finance International (DFI.UK) and the Macroeconomic Management and Financial Institute of Southern and Eastern Africa (MEFMI) on Private Capital Flows, Foreign Investment and International Remittances.

Dr. Mpofu is also a Graduate Fellow of the Macroeconomic Management and Financial Institute (MEFMI) and was attached to the World Bank's Financial Products and Services Department in 1999, also attended courses in balance of payments with the International Monetary Fund (IMF).

***Roberto De Pretto** (Chief Operating Officer)*

Robert De Pretto was appointed ZCDC Chief Operating Officer in 2017.

Mr Roberto De Pretto Roberto holds a Bachelor of Science (B.Sc.) Degree in Metallurgical Engineering (1981) and a Master of Science (M.Sc.) Degree in Metallurgical Engineering (1992) both from the University of the Witwatersrand in South Africa. He also holds a Certificate in Management Advancement Programme (1992) from the Witwatersrand School of Business Administration amongst other several development programmes such as AAC Safety Risk Management, Measurement & Process Control, Six Sigma (Executive Champions), Financial Evaluation of Mining Projects and Accelerated Development Programme (London Business School). This is complemented by vast experience of more than 35 years in the mining industry (32 years in diamonds) having worked in various state of the art mining houses in South Africa, Botswana and Namibia, including De Beers.

***Charles Gambe** (Chief Finance Officer)*

Charles holds a Master of Business Leadership with UNISA and a BAcc Honors with the University Of Zimbabwe. He served articles with Deloitte and Touché, where his portfolio involved audit of several mining companies including Lonrho and Bindura Nickel Corporation.

Charles is an experienced finance practitioner with more than 25 years working experience up to Finance Director Level.

***Samukeliso Ndebele** (Company Secretary)*

Samukeliso is a holder of a Bachelor of Law (Honours)(HBL), Bachelor of Laws (LLB) degrees, both from the University of Zimbabwe, Masters in Law (LLM) from Dundee University (Centre for Energy, Petroleum, Mineral Law & Policy), Scotland and Master of Business Administration (MBA) from the University of Natal, South Africa.

She has 25 years' experience in legal, 23 years in corporate secretarial work and 14 years in Human Resources management.

***Masciline Chikoore** (Chief Human Resources Officer)*

Masciline holds a Masters' degree in Business Administration, a BSc Honors in Political Science & Administration both from University of Zimbabwe and an IPMZ Personnel Diploma from the Institute of Personnel Management Zimbabwe.

She has 28 years of experience having started her working career in the Public Sector as a Work Study specialist. Masciline has occupied senior level managerial posts with various reputable companies in Zimbabwe.

Dr Cleopatra Mutisi *(Internal Audit Executive)*

Dr Mutisi is a Doctor of Tax Policy and her thesis was on the Taxation of Minerals. She also holds a Master of Taxation degree from the University of Bournemouth Business School – Poole UK, an MBA in Finance from the University of Leicester Business School – Leicester -UK and a degree in Accounting.

Dr Mutisi spent 23 years at the Zimbabwe Revenue Authority where she gained experience in auditing, tax accounting, forensic auditing, investigations, transfer pricing, risk and compliance, domestic and customs taxation.

Andrew Murwisi *(Engineering Executive)*

Andrew is a holder of MBA, Btech Hons Industrial and Manufacturing Engineering, and certificates in Applied Economics, Hydraulics and Pneumatics and CNC Simulation Programming and Machining.

Andrew Murwisi is an experienced Engineer with more than 22 years working experience up to Engineering Executive level.

Levy Chiota *(Mine Manager – Chiadzwa Portals)*

Levy is a holder of Mining Engineering Degree and Mine Managers Certificate.

He started his working career in the mining sector in 1988. He has worked for various mines since then and has occupied middle level and senior level managerial posts.

Richard Mabaya *(Mine Manager – Chimanimani Portals)*

Richard is a holder of BSc Honours Degree in Mining Engineering and Diploma in Business Management. He is a Professional Engineer registered with The Engineering Council of South Africa, a member of SAIMM as well as the Association of Mine Managers of Zimbabwe.

Richard has occupied senior level managerial posts with various mining companies in Zimbabwe and Namibia.

Sabastan Mabenge *(Metallurgy Executive)*

Sabastan is a holder of MBA (General), Postgraduate Diploma in Project Management and Metallurgical Engineering (Honors).

Sabastan is an experienced metallurgist with over 22 years of work experience.

Owen Chatambudza Chihota *(Acting Mineral Resources Executive)*

Owen is a holder of MBA degree and Honors in Geology.

Owen started his working career in the mining sector in 1992. He has worked for various mines since then and has occupied middle level and senior level managerial posts.

Clement Munoriarwa *(Chief Security Officer)*

Clement is a holder of a Master of Commerce Degree in Strategic Management, Diploma in Personnel Management, Diploma in Management and Diploma in Management Studies.

Clement held various key positions in the national security sector which saw him rise to the position of Commissioner of Police.

Dr Newton Demba *(Supply Chain Executive)*

Newton is a holder of Doctorate Degree in Strategic Management, Master of Science Degree in Strategic Management, Bachelor of Science Honours Degree in Sociology and Social Anthropology, Advanced International Diploma in Logistics and Transport (CILT). He is a certified Logistics practitioner and is a Chartered Member with the Chartered Institute of Logistics and Transport International.

Newton has more than 14 years of experience in Supply Chain Management and Administration in the telecommunication, public health and manufacturing sectors.

3. Highlights

Income Statement

Diamond production: **961,537** carats	Sales volumes: **897,710** carats	Gross Turnover for the year: **$42,146,675**	Cost of sales: **$29,608,798**	Gross profit: **$4,380,470**	Operating loss for the year **$6,234,327**	Comrehensive loss for the year: **$7,445,606**

Balance sheet

Non-current assets: **$11,605,155**	Current assets: **$26,335,546**	Total assets: **$37,940,701**	Capital & reserves: **($7,445,576)**	Non-current liabilities: **$11,068,975**	Current liabilities: **$34,317,302**	Total Equity & Liabilities: **$37,940,701**

Cashflow

Net cashflow from operating activities: **($2,555,237)**	Cashflow from financing activities: **$14,677,874**	Cash utilised in investing activities: **($11,765,011)**	Cash & Cash Equivalents closing balance: **$357,626**

4. Chairman's Statement

"The highlight during the period was the Company's monumental operations commissioning in March 2016..."

***Slava Grace Chella** (Acting Board Chairperson)*

Introduction

It is with great pleasure that I present ZCDC's 2016 maiden Annual Report which I am pleased to say reflects significant progress towards consolidation of diamond mining activities in Zimbabwe, especially in Chiadzwa and Chimanimani areas. ZCDC was incorporated on 2 July 2015 under the Companies Act, (Chapter 24:03) under registration number 4943/2015. The Company was mandated to consolidate all diamond mining concessions to ensure transparency, accountability and optimal commercial exploitation and marketing of Zimbabwe's diamonds. The Company started diamond mining operations in the Chiadzwa diamond mining fields under Special Grant 6026 in March 2016. The grant covers an area of 795,000 hectares in Manicaland and is renewable every 36 months. The Company is 100% owned by the Government of Zimbabwe, through the Zimbabwe Mining Development Corporation.

The highlight during the period was the Company's monumental operations commissioning in March 2016 which ushered a new era in diamond mining in Zimbabwe. The special grant gave ZCDC the rights to mine diamonds in the concessions which were previously being mined by the following mining companies in Chiadzwa and Chimanimani areas, whose special grants expired and were subsequently not renewed:

a) Mbada Diamond Mining Company (Portal A)

b) Marange Resources (Pvt.) Ltd (Portal B)

c) Kusena Mine (Portal D)

d) DTZ – OZ (Portal E)

e) Gyenyame Mining Company (Portal G)

f) Diamond Mining Company (Portal Q)

g) Anjin Mining Company (Portal C & L2)

h) Jinan Mining Company (Portal J, I2 & K)

Production was concentrated in the following portals in 2016:

a) Ex-Marange Resources (Pvt.) Ltd (Portal B)

b) Ex-Diamond Mining Company (Portal Q)

The following portals were under exploration during the year:

a) Ex-RERA Diamonds (Portal L1)

b) Ex-Kusena Mine (Portal D)

c) Ex-DTZ – OZ (Portal E)

d) Ex-Gye Nyame Mining Company (Portal G)

However, the following concessions could not be accessed for mining and exploration activities due to pending court cases lodged by the former miners:

a) Ex-Mbada Diamond Mining Company (Portal A).

b) Ex-Anjin Mining Company (Portal C & L2)

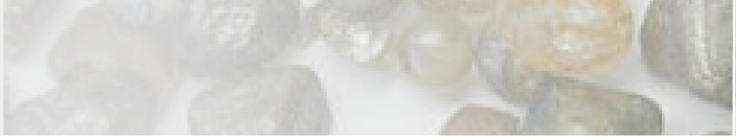
c) Ex-Jinan Mining Company (Portal J, I2 & K)

Operations Review

For the year under review, production was concentrated in two portals, namely Portal B and Q. However, there were some diamond recoveries which were made during exploration activities conducted in Portals D and G. The following table summarizes diamond production achieved during the year:

Portal	Mineral	2016 Actual Diamonds Produced (carats)
B	Diamond	571,138
D (Exploration production)	Diamond	920
G (Exploration production)	Diamond	3,838
Q	Diamond	385,641
Total	**Diamond**	**961,537**

There is great potential for the Company to surpass production volumes achieved during the year if the Company is adequately capitalized to enable it to establish the diamond ore resource base, through extensive exploration and build-up capacity to produce more diamonds through acquisition of adequate production equipment. This potential will be further enhanced by moving into conglomerate mining as the alluvial diamonds are depleting. The shareholder was engaged and injected US$80million for capitalization



of the Company in 2017. Realization of this investment is expected to reflect in the 2017 performance.

Financial Review

The Company recorded turnover of US$42.1million during its maiden year and a total comprehensive loss for the year of US$7.4million. The comprehensive loss made during the year is attributable mainly to the following operational challenges experienced during the year:

- Limited access to concessions which were being mined by previous miners. Production for the year was made from only 2 portals the Company had access to, whilst the other 4 portals we had access to were under exploration. The remaining 3 portals, we had no access into them;
- The alluvial diamond resource is getting depleted and the little resource remaining has low ore grade which made it sub-economical to mine;
- High stripping ratio, especially in Portal Q, which made it sub-economical to mine;
- Operations were hard-hit by low equipment availability, due to under-capitalization of the Company. This saw management taking initiative to hire/sub-contract some of the mining processes, but this made the business model expensive to run; and
- Operations were also adversely affected by low availability of processing water, especially in Portal B. This resulted in low plant availability for the greater part of the year.

Cash flow from financing activities was US$14.7 million which was largely used on production ramp-up program and exploration projects, with overall capital expenditure amounting to US$11.8 million.

Litigation

Litigation over consolidation and related legacy issues involving former diamond mining companies' (Marange Resources (Pvt) Ltd and Diamond Mining Company (Pvt) Ltd)'s creditors and matters arising from the Company's operations were encountered during the period under review.

Corporate Social Responsibility

In line with best practice and our social investments, the Company has set objectives to support the community within which our mines are hosted. To this end, we have engaged in the following community development and support activities:

- Employment of local people within our operations. We are investing in the community through creating employment opportunities for the local community. Currently, 47% of ZCDC's workforce is drawn from Manicaland;
- Support of small to medium local enterprises and cooperatives through procurement of our staff canteen supplies from locals;
- Creation of greenbelt within local communities through provision of water tapes along the pipeline for the animals and the gardens. ZCDC is also working on funding horticultural projects along a 20km water pipeline for villagers to do market gardening projects. ZCDC will also provide value chain support by providing a market for agricultural crops produced by the local community;
- Educational support for the underprivileged children within our community
- Rehabilitation of various shared community social and health amenities such as roads and clinics; and
- Infrastructure, which was left by former miners, will be reclaimed and used for skills development projects. Work is underway to set up a vocational training centre and a sewing factory at one of the erected brick-and-mortar buildings left desolate by former miners.

Corporate social responsibility forms part of our main strategic pillars as an organization. ZCDC holds in high regard, the balance between community, nation and corporate stakeholder interests in the execution of its business.

Outlook

The performance of the Company during the year has been satisfactory given that this was its maiden year and experienced challenges associated with business start-ups, resulting in comprehensive loss recorded during the year. The court cases lodged by former miners are expected to be concluded during the coming year and this is expected to un-lock more diamond mining concessions in the ensuing year, resulting in increased production volumes. The future of the Company is on conglomerate ore mining, but this requires suitable plant and equipment to handle this type of diamond ore resource. Post balance sheet date, $80 million capitalization from the shareholder and ordering of suitable plant and equipment is expected to see the Company turning around its fortunes and get profitable. The process of acquiring new plant and equipment, as part of the Company's growth strategy and preparation to go into conglomerate mining, is already in motion. Commissioning of the required plant and machinery is expected to be done during the 4th quarter of 2017.

Appreciation

I wish to extend my appreciation to the Shareholder, board members, executives, management and staff for their invaluable contribution during the course of the year.

5. CEO's statement

"The company recorded turnover of US$42.1million during its inception year."

Dr. Moris Bekezela Mpofu *(Chief Executive Officer)*

Introduction

It is my pleasure to present the ZCDC audited Financial Results for the year ended 31 December 2016. These financial statements are special in the sense that they form part of the birth record of ZCDC and I feel honored to be part of this historical event.

Operating Environment

The macro-economic environment for the year ended 31 December 2016 was fairly conducive for business setting the platform for consolidating achievements made during the year and into the ensuing year. Economic stability remained anchored on the multicurrency regime, liberalization of business environment and fiscal prudence.

Operations were slowed down by high cost of capital as well as failure to attract favorable capital to recapitalize the economy and mitigate against perceived high country risk which resulted in industry paying cash in advance for most of its key raw materials.

Operations Review

On the Company operations front, it is encouraging to note that the Company did not suffer still-birth during the year following successful acquisition of Special Grant 6026 in March 2016, giving it access to the following mining portals which were held by previous miners:

a) Ex-Mbada Diamond Mining Company (Portal A)

b) Ex-Marange Resources (Pvt.) Ltd (Portal B)

c) Ex-Kusena Mine (Portal D)

d) Ex-DTZ – OZ (Portal E)

e) Ex-Gye Nyame Mining Company (Portal G)

f) Ex-Diamond Mining Company (Portal Q)

g) Ex-RERA Diamonds (Portal L1)

h) Ex-Anjin Mining Company (Portal C & L2)

i) Ex-Jinan Mining Company (Portal J, I2 & K)

A total of 961,537 carats of diamonds were produced during the year under review and this production was mainly from Portals B and Q. The other 4 portals, namely Portals D, E, G and L1 were mainly under exploration. The Company had no access to Ex-Mbada, Ex-Anjin and Ex-Jinan portals as the former miners have contested take-over of the portals through the courts.

Operations were adversely affected by:

- Court challenges by Mbada Diamonds, Jinan and Anjin Investments and this delayed access into those ex-miners' concessions for production expansion;
- Litigations from legacy issues from previous miners' creditors;
- Inadequate capitalization from the shareholder to finance expansion projects into the new concessions;
- The alluvial diamond resource is getting depleted and the little resource remaining has low ore grade which made it sub-economical to mine;
- High stripping ratio, especially in Portal Q, which made it sub-economical to mine; and
- Operations were hard-hit by low equipment availability, due to under-capitalization of the Company.

This saw management taking initiative to hire/sub-contract some of the mining processes, but this made to business model expensive to run.

Safety, Health & Environment

The issue of safety and health of our employees is at the heart of our organization which is the reason why our SHE vision is "zero harm". To ensure that we support this vision, the Company takes zero tolerance on the following key safety issues:

- Zero injuries;
- Zero occupational illnesses;
- Zero property damage accidents; and
- Zero environment contamination and degradation.

I take pride to report that during the year under review we recorded the following on our employees' health and safety:

- Zero fatalities;
- Zero Lost Time Injuries; and
- Zero Pneumoconiosis cases.

We remain committed to provision of safe work environment for our employees, community and stakeholders.

Compliance

In-line with its corporate policies, ZCDC strives to be a good corporate citizen, and as such, complies with all statutory payments like ZIMRA taxes, NSSA, royalties, mineral depletion fees and commissions as stipulated in the various pieces of legislation.

Areas of non-compliance with the relevant legislation and regulatory requirements were identified and measurers were put in place to address these to ensure full compliance. A compliance register is now in place.

Strategic Thrust

ZCDC's strategic business mandates are to manage effective exploration and mineral evaluation, mining and processing operations, sell of diamonds, security of the product and support functions to ensure business viability and sustainability within a dynamic and fluid operating environment. To achieve this, ZCDC has developed a comprehensive business model, Diamond Mining Business Model (DMBM), after conducting a diagnostics exercise done to get a true picture of the diamond industry and attending to challenges and bottlenecks which confronted the sector.

This new business model is to achieve diamond volume targets safely through the deployment of current exploration and mining technologies supported by sound financial capital structures being driven by a committed and motivated human capital and supported by enabling stakeholder relationships and alliances.

The DMBM is anchored on three strategic initiatives which are:

- Organizational stability;
- Business growth; and
- Mining sustainability.

Key strategic objectives to be achieved by the Company through the new business model includes:

- Increasing diamond revenue;
- Production effectiveness ;
- Business stability, growth and sustainability;

- Business optimization and excellence;
- Cost containment and profit maximization;
- Effective diamond value management;
- Enhanced product security;
- Safety, health and environment consciousness; and
- Community and employee investment;

The Company is also working on a framework to create capacity in the downstream industries across the diamond value chain by capacitating local cutting and polishing companies. Plans are at an advanced stage to establish a gemology park in Mutare which will see significant contribution to the economy through growth in downstream and related industries.

Financial Performance

- **Revenue:** - The company recorded turnover of US$42.1million during its inception year.
- **Profitability:** - A total comprehensive loss for the year of US$7.4 million was recorded during the financial year. Issues which adversely affected profitability for the year include: limited access to other portals for production due to pending court cases from previous miners; low ore alluvial grades as this resource is fast getting depleted; low equipment availability due to low company capitalization.
- **Balance sheet:** - As at 31 December 2016, ZCDC balance sheet had Total Assets of $37.9 million and Total Liabilities of $45.4 million, leaving it with a net liability position of $7.4 million. The shareholder has been engaged and expressed commitment to inject additional capital into the organization to the tune of US$80 million for company's expansion program. The final modalities to enable realization of this investment are expected to be concluded during the 1st quarter of 2017.

Outlook

Going forward, operations and production is expected to significantly improve in the ensuing year especially with conclusion of the fresh capital injection from the Shareholder early next year and access into portals which are awaiting court ruling to allow accessibility.

Appreciation

We acknowledge that 2016 was a difficult year for the Company as it was still getting on its feet. However, we are satisfied that there are adequate strategies to sustain the business operations going forward.

I wish to extend my appreciation to the Shareholder, board members, executives, management and staff for their invaluable contribution during the course of the year. My sincere gratitude also goes to all our stakeholders for their unwavering support which enabled our operations to continue in the year ended December 2016.

6. CORPORATE GOVERNANCE STATEMENT

6.1 OVERVIEW

The Company operates through a Board of Directors ("the Board") which is the main policy and strategy decision maker. The Board is cognizance of the importance of upholding good corporate governance practices and is committed to conduct and ensure that management and all employees undertake the business of the Company with integrity, professionalism and sound judgement. The Board is accountable to the Shareholder and other stakeholders and strives to create stability, growth and sustainable shareholder value.

Incorporation of Zimbabwe Consolidated Diamond Company (Private) Limited

ZCDC was incorporated on 2nd July 2015 under the Companies Act, (Chapter 24:03) under registration number 4943/2015. The Company started mining operations in the Chiadzwa diamond mining fields under Special Grant 6026 in March 2016.

Director Appointments and Retirements

The current directors of the Company were appointed in 2015. There were no new appointments nor were any directors retired in 2016.

Shareholding

The company is 100% owned by the Government of Zimbabwe, through the Zimbabwe Mining Development Corporation.

6.2 BOARD MANDATE

The mandate of the Board of Directors is to set the Company's strategy and to regularly review the strategic direction and ensure optimal performance of the business. The Board supervises executive management to ensure that Board decisions and direction are implemented in the interests of the Shareholder and all stakeholders.

The Board also provides an oversight on the business operations to ensure adherence to corporate governance and compliance tenets by the Company. In this regard, the Board ensures that the Company complies with requirements of the National Code on Corporate Governance, Zimbabwe, King Code on Corporate Governance Principles (King IV), the Companies Act (Chapter 24:03), its Memorandum and Articles of Association, and all applicable laws. The Board ensures that the Company practices good corporate citizenship by ensuring that the operations adhere to all legal requirements and by investing in sustainable community programs. The Board is ultimately accountable to the Shareholder to deliver and realise value for the Shareholder.

6.3 BOARD COMPOSITION 2016

The Board comprise of five (5) non-executive members, four (4) males and 1 female as listed below:

- Professor Francis P. Gudyanga *(Non-Executive Chairman)*
- Mrs Slava G. Chella *(Non-Executive Member)*
- Colonel Esau J. Chiadzwa *(Non-Executive Member)*
- Mr Alexander Mukwekwezeke *(Non-Executive Member)*
- Mr Miracle Muusha *(Non-Executive Member)*

Additional Board members will be appointed in due course.

6.4 BOARD COMMITTEES AND COMPOSITION 2016

Board Committees play a crucial role in supporting the Board to discharge its mandate. The following Committees were established and delegated specific roles. All the Committees are chaired by non-executive directors.

Audit and Risk Committee

The Audit and Risk Committee assists the Board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems, internal controls, control processes and the preparation of accurate financial reporting and statements in compliance with all applicable accounting standards, legal requirements and corporate governance. The Committee ensures that there are adequate and appropriate risk management systems on financial reporting, internal financial controls, fraud risks, and IT risks. The Committee composition in 2016 was as follows:

- Mr Miracle Muusha *(Non-Executive Committee Chairman);*
- Colonel Esau J. Chiadzwa *(Non-Executive Member);*
- Chief Executive Officer; and
- Audit Executive.

Finance Committee

The Committee provides financial advice and information to the Board to enable it to effectively execute its decisions. The Committee oversees development, approval, review and monitoring of budgets, financial plans, policies, procedures and business performance. The Committee in 2016 comprised of the following:

- Mrs Slava G. Chella *(Non-Executive Committee Chairperson);*
- Mr Alexander Mukwekwezeke *(Non-Executive Member);*
- Chief Executive Officer *(Executive Member); and*
- Chief Finance Officer *(Executive Member).*

Human Resources and Remuneration Committee

The role of the Committee is to assist the Board in fulfilling its corporate governance responsibilities in regard to remuneration, strategic human resources matters and corporate social responsibility issues. The Committee in 2016 comprised of the following:

- Colonel Esau J. Chiadzwa *(Non-Executive Committee Chairman);*
- Mrs Slava G. Chella *(Non-Executive Member);*
- Chief Executive Officer *(Executive Member); and*
- Chief Human Resources Officer *(Executive Member).*

Technical Committee

The Committee serves to provide consideration of the technical elements of the business operations on exploration, production(mining), processing (recovery) and engineering including, safety, health, environmental and security issues and reviews operational risks threats on the business. The Committee is also responsible for the evaluation of new technologies and processes that may benefit the operations of the business. The Committee in 2016 comprised of the following:

- Mr Alexander Mukwekwezeke *(Non-Executive Committee Chairman);*
- Mr Miracle Muusha *(Non-Executive Member);*
- Chief Executive Officer *(Executive Member); and*
- Chief Operating Officer *(Executive Member).*

Strategy and Investment Committee

The Committee oversees the defining, monitoring, review and evaluation of the Company strategic and investments plans including having an oversight on capital deployment, equity or debt offerings aimed at the development of the Company taking into cognisance the risks associated with the activities and transactions. The Committee in 2016 comprised of the following:

- Professor Francis P. Gudyanga *(Non-Executive Chairman);*
- Mrs Slava G. Chella *(Non-Executive Member);*
- Colonel Esau J. Chiadzwa *(Non-Executive Member);*
- Mr Alexander Mukwekwezeke *(Non-Executive Member);*
- Mr Miracle Muusha *(Non-Executive Member); and*
- Chief Executive Officer *(Executive Member).*

Board Meetings Attendance

Due to its infancy and need to deliberate and decide on critical activities and issues impacting on the operations of the Company, the Board met several times as evidenced by the number of meetings held in the year.

Name	Board	Audit & Risk	Finance	Human Resources & Remuneration	Technical	Joint Committees
F. P. Gudyanga	20	N/A	N/A	N/A	N/A	N/A
S. G. Chella	20	N/A	4	4	N/A	3
E. J. Chiadzwa	20	3	N/A	4	N/A	3
A.Mukwekwezeke	20	N/A	4	N/A	4	3
M.Muusha	19*	3	N/A	N/A	4	2*

*Leave of absence granted

NATURE OF BUSINESS:

Production and selling of diamonds.

DIRECTORS:

Mrs. S. G. Chella	*(Acting Board Chairman)*
Mr. M. Muusha	*(Non-Executive Director)*
Mr. A. Mukwekwezeke	*(Non-Executive Director)*
Col. E. Chiadzwa	*(Non-Executive Director)*

CHIEF EXECUTIVE OFFICER:

Dr. M. B. Mpofu

SECRETARY:

Mrs. S. Ndebele

REGISTERED OFFICE:

35-37 Cosham Road

Borrowdale

HARARE

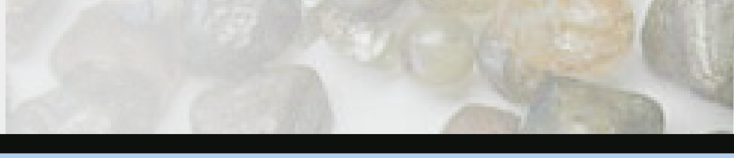
INDEPENDENT AUDITORS:

AMG Global Chartered Accountants (Zimbabwe)

3 Elcombe Avenue

Belgravia

HARARE



Financials

ZIMBABWE CONSOLIDATED DIAMOND COMPANY (PRIVATE) LIMITED

Directors' responsibility and approval of financial statements for the year ended 31 December 2016 to all members of Zimbabwe Consolidated Diamond Company (Private) Limited

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

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

The financial statements set out in this report have been prepared by management in accordance with generally accepted accounting practice. They are based on appropriate accounting policies which are supported by reasonable prudent judgements and estimates.

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

These financial statements were prepared under the supervision of Mr Charles Gambe [Bachelor of Accountancy Degree Honours (University of Zimbabwe)].

The financial statements for the year ended 31 December 2016 which are set out on pages 30 to 58 were, in accordance with their responsibilities, approved by the Board of Directors on 11 August 2017 and are signed on its behalf by:

………………………………….. Director   ………………………………….Director

11 August 2017

Office address:
3 Elcombe Avenue
Belgravia
Harare
Zimbabwe

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P O Box 3230
Harare
Zimbabwe

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Cell: +263 772 147 993-4
Email: info@amgglobal.co.zw
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AMG GLOBAL
Chartered Accountants
(Zimbabwe)
A member firm of AMG Global, a Swiss Verein

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF

ZIMBABWE CONSOLIDATED DIAMOND COMPANY (PRIVATE) LIMITED

Qualified Opinion

We have audited the financial statements of the Zimbabwe Consolidated Diamond Company (Private) Limited ("the Company"), set out on pages 30 to 58, which comprise:

- Statement of financial position as at 31 December 2016;
- Statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year ended 31 December 2016;
- Notes on the financial statements; and
- A summary of significant accounting policies applied by the Company during the year.

In our opinion, except for the possible effects of the matters described in the ***Basis for Qualified Opinion*** section of our report, the financial statements are properly drawn up in conformity with International Financial Reporting Standards ("IFRSs") and, in all material respects, give a true and fair view of the financial position of the Company as at 31 December 2016, and results of its financial performance and its cash flows, for the year then ended.

Basis for Qualified Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the **Auditor's Responsibilities for the Audit of the Financial Statements** section of our report. We are independent of the Company within the meaning of independence in accordance with the Institute of Chartered Accountants of Zimbabwe ("ICAZ") Code of Professional Conduct, which is consistent with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and have fulfilled our other responsibilities under those ethical requirements.

We were not able to verify:

- The valuation and completeness of the mine rehabilitation provision with a carrying amount of $11 068 975 included in non-current provisions on the Company's statement of financial position. Management did not provide us with a report by an expert detailing the assumptions and computations made in arriving at the provision and adequacy thereof; and
- The valuation (recoverability) of amounts owed by related parties with a balance of $20 307 027 on the Company's statement of financial position. The amounts are owed by Companies that have since closed down. Management have failed to provide us with persuasive audit evidence on how and when these amounts would be recovered.

Consequently, we were unable to determine whether any adjustments to the above stated amounts were necessary.

Emphasis of Matter

Without further qualifying our opinion, we draw your attention to note 27 to the financial statements which indicates that the Company incurred a total comprehensive loss of $7 445 606 during the period ended 31 December 2016 and as of that date was in a net current liabilities position of $7 981 756 and negative equity of $7 445 576. The above referred matters cast doubt on the Company's ability to continue operating as a going concern for the foreseeable future. However, as explained in note 27, these financial statements are prepared on a going concern basis.

Key audit matters ("KAM")

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company's financial statements. These matters were addressed in the context of our audit of the Company's financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters noted during the audit are as follows:

Key audit matter	**How our audit addressed the key audit matter**
Occurrence and accuracy of revenue	
Revenue was considered to be a key audit matter because: • Revenue is a significant component of the Company's operations; • Inherent fraud risk embodied in all revenue transactions. In addition, fraud risk associated with sales of small high value items (diamonds); and • Significant Stakeholders' interest in the financial performance of the Company which may lead to financial statement fraud being perpetrated though revenue transactions.	Our audit procedures included the following: • Verifying the adequacy of the operating effectiveness of internal controls which ensure the validity, accuracy and completeness of sales transactions; • Detailed vouching of revenue transactions to supporting documents on a test basis ; and • Analytical reviews of sales quantities per the sales records against the production records. We were satisfied with the results of our audit procedures
Valuation, existence and rights to property, plant and equipment ("PPE")	
We considered PPE to be a key audit matter because for the following reasons: • The Company's PPE represent a significant portion of the Company's statement of financial position, as they make up 29% of total assets; and • The Company has significant plant and equipment which are prone to impairment as the Company's operations are capital intensive; and • The Company purchased the bulk of its fixed assets from former mining Companies.	Our audit procedures included the following procedures, amongst others: • We vouched additions to supporting documents on a test basis; • We reviewed and considered the appropriateness of the Company's accounting policies with regards to depreciation rates and residual values; • We recalculated the depreciation charge for the year on a test basis; • We physically verified the assets. We selected our samples from the floor to the asset register and vice versa; and • We critically examined and challenged management's impairment assessment as at 31 December 2016. We were satisfied with the results of our audit procedures.

Key audit matter	How our audit addressed the key audit matter
Valuation and completeness of mine rehabilitation provision	
Mine rehabilitation provision was considered to be a KAM because: • Mine rehabilitation provision is a significant portion of the Company's statement of financial position as it makes up 24% of total liabilities; • There is an obligation on the Company imposed by local legislation to restore/rehabilitate the environmental damage caused by mining activities upon the closure of the mine. The determination of this provision involves significant estimation and judgment, including the determination of the following assumptions amongst others: - Rehabilitation activities; - Inflation rates; - Discount rates; and - Life of mine projections. The degree of estimation involved creates room for error and/or financial statement fraud.	We obtained the mine rehabilitation provision report prepared by the Company's Geology department. We reviewed the reasonability of the assumptions and computations made based on our knowledge of the business, audit procedures performed in other sections as well as supporting documentation provided. We were not satisfied with the results of our audit procedures due the following : • The report provided to us only related to the areas mined by ZCDC and excluded the areas that were previously mined before the Company commenced its operations; and • Management failed to provide us with an expert report on the rehabilitation provision. The internal report actually has a disclaimer that an expert report is needed to assess adequacy of the provision. These matters have been described in detail in the ***Basis for Qualified Opinion paragraph.***

Directors' responsibility for the financial statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs, 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. The Directors are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

The objectives of our audit 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 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.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on other legal and regulatory requirements

In our opinion, the financial statements have been properly drawn up so as to comply, in all material respects, with the financial disclosure and presentation requirements of the Companies Act (Chapter 24:03) and section 82(3) of the Public Finance Management Act (Chapter 22:19).

AMG Global

Harare

Clyton Kazembe

Engagement Partner

Registered Public Auditor - PAAB Number 0372

11 August 2017

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

year ended 31 December 2016

	Note	2016
		$
Gross revenue		42 146 675
Direct selling costs	2	(8 157 407)
Net revenue		33 989 268
Cost of sales		(29 608 798)
Gross profit		4 380 470
Other income	3	204 768
Administration expenses		(10 649 636)
Selling and distribution		(100 000)
Other operating expenses		(69 929)
Operating loss	4	(6 234 327)
Net financing costs	5	(1 541 932)
Loss before tax		(7 776 259)
Taxation	6	330 653
Loss for the year		(7 445 606)
Other comprehensive income for the year net of tax		-
Total comprehensive loss for the year		(7 445 606)

STATEMENT OF FINANCIAL POSITION
as at 31 December 2016

ASSETS	Note	2016 $
Non-current assets		
Property, plant and equipment	7	10 998 343
Intangible assets	8	3 615
Exploration and evaluation assets	9	272 544
Deferred tax	15	330 653
		11 605 155
Current assets		
Inventories	10	2 315 832
Trade and other receivables	11	3 158 478
Amounts owed by related parties	12	20 307 027
Tax refundable		196 583
Cash and cash equivalents	13	357 626
		26 335 546
Total assets		37 940 701
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	14	30
Accumulated losses		(7 445 606)
		(7 445 576)
Non current liabilities		
Mine rehabilitation provision	16	11 068 975
Current liabilities		
Short-term loans	17	14 677 844
Trade and other payables	18	19 091 183
Provisions	19	548 275
		34 317 302
Total equity and liabilities		37 940 701

SG Chella
Acting Board Chairman

Dr. M. B. Mpofu
Chief Executive Officer

STATEMENT OF CHANGES IN EQUITY
year ended 31 December 2016

	Share capital $	Accumulated loss $	Total $
Balance as at 1 January 2016	30	-	30
Total comprehensive loss for the year	-	(7 445 606)	(7 445 606)
Balance as at 31 December 2016	30	(7 445 606)	(7 445 576)

STATEMENT OF CASH FLOWS

year ended 31 December 2016

	Note	2016
		$
NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating cash flows		
Operating loss		(6 234 327)
Adjustments for non-cash items:		
Depreciation on property, plant and equipment		490 416
Amortisation of intangible assets		93
Provision for rehabilitation costs - ZCDC operations		878 509
Operating cash flows before changes in working capital		(4 865 309)
Net effect of changes in working capital	20	4 048 587
Cash flows generated from operations		(816 722)
Returns on investments and servicing of finance		
Net finance costs	5	(1 541 932)
Taxes paid		
Income tax prepaid		(196 583)
Net cash flows from operating activities		(2 555 237)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of intangible assets		(3 708)
Investment in Gold Project		(272 544)
Acquisition of plant and equipment		(11 488 759)
Cash flows utilised in investing activities		(11 765 011)
Net cash flows before financing activities		(14 320 248)
Cash flows from financing activities		
Increase in short term loans		14 677 844
Proceeds from issue of shares		30
Cash flows generated from financing activities		14 677 874
INCREASE IN CASH AND CASH EQUIVALENTS		357 626
Cash and cash equivalents at beginning of the year		-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	13	357 626

Accounting Policies

GENERAL INFORMATION

Zimbabwe Consolidated Diamond Company (Private) Limited (ZCDC) is 100% owned by the Government of Zimbabwe through the Zimbabwe Mining Development Corporation (ZMDC). The Company was incorporated inJuly 2015. The Company conducts mining activities in Chiadzwa area under the Special Mining Grant 6026 issued by the Ministry of Mines and Mining Development.

ZCDC started mining following the Government of Zimbabwe's order to all diamond mining companies in Chiadzwa area to cease operations after their mining licenses had expired. ZCDC was then mandated to carry out mining activities in all concessions previously mined by the exited companies.

PRESENTATION CURRENCY

These financial statements are presented in United States Dollars being the functional and reporting currency of the primary economic environment in which the Company operates.

STATEMENT OF COMPLIANCE

The financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board (IASB), the International Financial Reporting Interpretations Committee (IFRIC) interpretations and the Zimbabwe Companies Act (Chapter 24:03) and related Statutory Instruments.

ADOPTIONS OF NEW AND REVISED STANDARDS

Standards issued but not yet effective as at the reporting date

The standards listed below were issued but not yet effective as at the date of issuance of the Company's financial statements but the Company reasonably expects them to be applicable at a future date and, as such, intends to adopt them when they become effective.

The Company expects that the adoption of these standards in most cases will not have a significant impact on the Company's financial position and performance in the period of initial application but additional disclosures will be required. The impact of these standards on the Company's financial statements on adoption in future is not known and cannot be reasonably estimated as of now.

IFRS 9 Financial Instruments

Sets out the principles for the recognition, derecognition, classification and measurement of financial assets and financial liabilities together with requirements relating to the impairment of financial assets and hedge accounting. The standard is applicable for financial periods beginning on or after January 2018.

IFRS 15 Revenue from Contracts with Customers

Establishes when revenue should be recognised, how it should be measured and what disclosures about contracts with customers are needed. The standard is applicable for financial periods beginning on or after 1 January 2018.

Clarifications to IFRS 15: Revenue from contract with Customers

Clarifies some requirements and provides additional transitional relief to reduce cost and complexity for entities applying the standard for the first time. Effective beginning on/or after 1 January 2018.

IFRS 16 Leases

Establishes principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. The standard is applicable for financial periods beginning on or after 1 January 2019.

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses

Clarifies how to account for deferred tax assets related to debt instruments measured at fair value. The amendments are applicable for financial periods beginning on or after 1 January 2017.

Amendments to IAS 7: Disclosure Initiative

Requires companies to disclose information about changes in their financing liabilities. The amendments are applicable for financial periods beginning on or after 1 January 2017.

SUMMARY OF ACCOUNTING POLICIES

OVERALL CONSIDERATIONS

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

REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, MMCZ Commission, royalties, depletion fees and discounts. Revenue is recognised as follows:

Sale of diamonds

Revenue from sale of diamonds is recognised when all the following conditions are satisfied:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the diamonds;

- The Company retains neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

- Amount of revenue can be measured reliably;

- It is probable that the economic benefit associated with the transaction will flow to the entity; and

- The cost incurred in respect of the transaction can be measured reliably.

Interest income

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts, through the expected life of the financial asset to that asset's net carrying amount.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are initially recorded at cost. Cost includes expenditure that is directly attributed to the acquisition of the items. Items of property, plant and equipment are subsequently stated at historical cost or revalued amounts less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to statement of comprehensive income during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to the revaluation reserve in equity. Decrease that offset previous increases of the same asset are charged against capital reserves directly in equity and all other decreases are charged to the statement of profit or loss and other comprehensive income. Each year the difference, between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost, is transferred from "capital reserves" to "retained earnings".

Depreciation

Land and capital work in progress are not depreciated. All other property, plant and equipment are depreciated on a straight line basis over their expected useful lives.

The expected depreciation rates are as follows:

Asset Class	Useful life	Depreciation rate
Land	Infinity	Nil
Residential buildings	50	2%
Commercial buildings	50	2%
Industrial buildings	20	5%
Infrastructure (roads, slimes dams)	20	5%
Software	10	10%
Furniture & fittings	10	10%
Plant & machinery	10	10%
Fencing	10	10%
Office equipment	5	20%
Computer equipment	5	20%
Motor vehicles	5	20%
Earth moving equipment	5	20%
Generators	5	20%
Surveillance equipment	5	20%
Camp equipment	5	20%
Electrical & mechanical equipment	5	20%
Air conditioning	3	33%
Exploration & development	tonnes ore mined	
Capital work in progress (CWIP)		Nil

Assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount.

Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The impairment loss is recognised in the statement of profit or loss unless it relates to a previously revalued asset in which case the impairment loss is recognised in other comprehensive income to the extent of the revaluation surplus.

INTANGIBLE ASSETS

Mining rights

Mining rights (in form of Special Grants) are initially recognised at cost/deemed cost. The rights have a finite useful life and are subsequently measured using the revaluation model. Amortisation is calculated using the straight line method to allocate the mining rights over the lifespan of the Grant.

Acquired software

Acquired software is capitalised on the basis of the costs incurred to acquire and install the specific software. Subsequent expenditure is expensed as incurred unless where the expenditure qualifies for capitalisation. Costs associated with maintaining software, i.e. expenditure relating to patches and other updates as well as their installation, are expensed as incurred.

Acquired software is amortised over its expected useful lives as follows:

Paywell payroll software	10 years

EXPLORATION AND EVALUATION ASSETS

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

Pre-licence costs

Pre-licence costs relate to costs incurred before the Company has obtained legal rights to explore in a specific area. Such costs may include the acquisition of exploration data and the associated costs of analysing that data. These costs are expensed in the period in which they are incurred.

Exploration and evaluation expenditure

One or more of the following facts and circumstances may indicate that the Company should test exploration and evaluation assets for impairment:

- The period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

FINANCIAL ASSETS

The Company classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term.

Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The Company's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statements of financial position.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is estimated when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

The carrying amount of the asset is reduced through the use of an allowance for credit losses account, and the amount of the loss is recognised in statement of profit or loss and other comprehensive income within "selling and marketing costs". When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against "selling and marketing costs" in statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, deposits held at call with banks, other short-term highly liquid investments and bank overdrafts. Bank overdrafts are included within borrowing under current liabilities on the reporting date.

FOREIGN CURRENCY TRANSLATION

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are premeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income, except when deferred as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash equivalents are presented in the statement of profit or loss and other comprehensive income within the net finance income or cost. All other foreign exchange gains and losses are presented in the statement of comprehensive income within other (losses)/gains.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security.

Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in statement of comprehensive income 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 the available-for-sale reserve in equity.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. The cost of consumables stores is determined using the weighted average cost method. The cost of finished goods is determined on an average cost of production basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

SHARE CAPITAL

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities. Incremental costs directly attributed to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

CURRENT AND DEFERRED INCOME TAX

The tax expense for the period comprised current and deferred tax. Tax is recognised in the statement of profit or loss and other comprehensive income, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in Zimbabwe. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss.

Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised.

Deferred income tax is provided on temporary differences arising on depreciation and capital allowances, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

The Company leases certain property, plant and equipment. Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the statement of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Leases of property, plant and equipment where the Company assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding.

The corresponding rental obligations, net of financial charges, are included in other long-term payables. The interest element of the finance charge is charged to the statement of profit or loss and other comprehensive income over the lease period. The property, plant and equipment acquired under finance leasing contracts is depreciated over the useful life of the asset.

Leases of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

DIVIDEND DISTRIBUTION

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

TRADE PAYABLES

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of the loan are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the facility to which it relates.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

EMPLOYEE BENEFITS

Pension and retirement schemes

The Company is a member of the Mining Industry Pension Fund which is independently administered as a defined contribution scheme. All full time permanent employees are members and the scheme provides for contributions by both the employer and employee.

The Company's contributions to the defined contribution pension plans are charged to statement of profit or loss and other comprehensive income in the year to which they relate. The Company and all employees must contribute to the National Social Security Authority statutory pension and benefits scheme, which is a defined contribution scheme.

PROVISIONS

Provisions are recognised when:

- The Company has a present legal or constructive obligation as a result of past events;
- It is probable that an outflow of resources will be required to settle the obligation; and
- The amount has been reliably estimated.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be remote.

Provisions are measured at the present value of the expenditures to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

REHABILITATION PROVISION

Description

The Company makes full provision for the future cost of rehabilitating mine sites and related production facilities on a discounted basis at the time of developing the mines and installing and using those facilities.

The rehabilitation provision represents the present value of rehabilitation costs relating to mine sites, which are expected to be incurred up to 2023, which is when the producing mine properties are expected to cease operations. These provisions have been created based on the Company's internal estimates. Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary rehabilitation works required that will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mines cease to produce at economically viable rates. This, in turn, will depend upon future diamond prices, which are inherently uncertain.

Mine rehabilitation costs will be incurred by the Company either while operating, or at the end of the operating life of the Company's facilities and mine properties. The Company assesses its mine rehabilitation provision at each reporting date. The Company recognises a rehabilitation provision where it has a legal and constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. The nature of these restoration activities includes: dismantling and removing structures; rehabilitating mines and tailings dams; dismantling operating facilities; closing plant and waste sites; and restoring, reclaiming and revegetating affected areas.

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the mining operation's location. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related mining assets to the extent that it was incurred as a result of the development/construction of the mine. Any rehabilitation obligations that arise through the production of inventory are recognised as part of the related inventory item. Additional disturbances which arise due to further development/construction at the mine are recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur. Costs related to restoration of site damage (subsequent to start of commercial production) that is created on an ongoing basis during production are provided for at their net present values and recognised in profit or loss as extraction progresses.

Changes in the estimated timing of rehabilitation or changes to the estimated future costs are dealt with prospectively by recognizing an adjustment to the rehabilitation liability and a corresponding adjustment to the asset to which it relates, if the initial estimate was originally recognised as part of an asset measured in accordance with IAS 16.

Any reduction in the rehabilitation liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to the statement of profit or loss and other comprehensive income.

If the change in estimate results in an increase in the rehabilitation liability and, therefore, an addition to the carrying value of the asset, the Company considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment. If, for mature mines, the estimate for the revised mine assets net of rehabilitation provisions exceeds the recoverable value that portion of the increase is charged directly to expense.

Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in the statement of profit or loss and other comprehensive income as part of finance costs.

For closed sites, changes to estimated costs are recognised immediately in the statement of profit or loss and other comprehensive income.

The Company recognises neither the deferred tax asset in respect of the temporary difference on the decommissioning liability nor the corresponding deferred tax liability in respect of the temporary difference on a decommissioning asset.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Accounting estimates and assumptions

The Company makes assumptions concerning the future. The resulting accounting estimate will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to be the carrying amounts of assets and liabilities within the next financial year are addressed below:

Current and deferred tax

The Company is subject to income tax, significant judgement is required in determining the provision. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax assessment based on estimates of whether additional taxes will be due. Where the final outcome of these matter is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Where the actual final outcome (on the judgement areas) differs from management estimates, the Company will need to increase the income and deferred tax liability if unfavourable or decrease the income and deferred tax liability if favourable.

Property, plant and equipment

Items of property, plant and equipment are depreciated over their estimated useful lives taking into account residual values where appropriate. The useful lives and the residual values are re-assessed annually and may vary due to factors such as technological innovation and maintenance programmes in place.

Allowances for credit losses

The Company considers changes in the credit quality of the respective accounts receivables from the date on which credit was granted up to the end of the reporting period before determining whether to provide for a debtor as doubtful.

Mine rehabilitation provision

The Company makes full provision for the future cost of rehabilitating mine sites and related production facilities on a discounted basis at the time of developing the mines and installing and using those facilities. These provisions are created based on the Company's internal estimates. Assumptions based on the current economic environment are made, which management believes are a reasonable basis upon which to estimate the future liability.

Notes on the financial statements

31 December 2016

1 INCORPORATION AND ACTIVITIES

The company was incorporated on 2 July 2015 and commenced operations in 2016. The Company is involved in the mining of diamonds and alluvial gold. The Company is wholly owned by the Government of Zimbabwe through the Zimbabwe Mining Development Corporation (ZMDC).

		2016
		$
2 DIRECT SELLING COSTS		
MMCZ commission		368 783
Royalties		6 322 001
Depletion fees		1 053 667
First Element Commission		412 956
		8 157 407
3 OTHER INCOME		
Sale of scrap		3 383
Sundry income		866
Export sales incentives		200 519
		204 768

4 OPERATING LOSS

4.1 Analysis

Operating loss was arrived at after including the following items:

		2016 $
Audit fees		47 150
Amortisation		93
Depreciation on property, plant and equipment		490 416
Directors' emoluments - non executive		128 050
Staff costs (note 4.2)	4.1	12 681 753

	2016 $
4.2 Staff costs	
Salaries and wages	9 463 494
Allowance and benefits	2 355 097
Contributions to pension fund	550 568
Contributions to National Social Authority	312 594
	12 681 753

5 NET FINANCING COSTS

Exchange loss	417 947
Finance charges	1 123 985
	1 541 932

6 TAXATION

6.1 Income tax	
Current tax	-
Deferred tax	330 653
	330 653

6.2 Tax reconciliation:	
Loss before tax	(7 776 259)
Notional tax thereon at a rate of 25.75%	2 002 387
Additional taxation resulting from:	
- Permanent differences	(1 671 734)
Tax credit	330 653

6.3 Assessed loss

The Company incurred a tax loss amounting to $6 172 179 for the financial year ended 31 December 2016. The accumulated assessed losses will provide income tax relief amounting to $1 589 336 in future years.

7 PROPERTY, PLANT AND EQUIPMENT

	Commercial Buildings	Infrastructure	Plant, machinery & Earthmoving equipment	Motor vehicles
	$	$	$	$
7.1 Cost				
Additions	226 049	278 370	4 903 612	856 385
As at 31 December 2016	226 049	278 370	4 903 612	856 385
7.2 Depreciation				
Charge for the year	1 884	5 799	330 374	101 878
As at 31 December 2016	1 884	5 799	330 374	101 878
7.3 Net book amount				
As at 31 December 2016	224 165	272 571	4 573 238	754 507

Office equipment	Camping & catering	Electrical & Mechanical equipment	Security equipment	Capital work in progress	Total
$	$	$	$	$	$
200 976	68 299	338 406	226 713	4 389 949	11 488 759
200 976	68 299	338 406	226 713	4 389 949	11 488 759
15 581	5 692	12 663	16 545	-	490 416
15 581	5 692	12 663	16 545	-	490 416
185 395	62 607	325 743	210 168	4 389 949	10 998 343

8 INTANGIBLE ASSETS

8.1 Analysis

	Software	Total
	$	$
Additions during the year (note 8.2)	3 708	3 708
Amortisation charge	(93)	(93)
Closing carrying amount	3 615	3 615

8.2 Software

Software includes Paywell Payroll Package. The useful life of the software is estimated at ten years and it is amortised on a straight line basis over its useful life.

9 EXPLORATION AND EVALUATION ASSETS

9.1 Analysis

	2016
	$
Gache Gache Gold Project	272 544

9.2 The Company has incurred expenditure in relation to a gold project at Gache Gache in Kariba. The Project is still in exploration phase of development.

10 INVENTORIES

10.1 Analysis

Work in progress	833 636
Finished goods	1 111 569
Consumables	370 627
	2 315 832

10.2 The market value of finished goods were estimated at US$2 261 172.

	2016
	$

11 TRADE AND OTHER RECEIVABLES

11.1 Analysis

Trade receivables	3 800
Other receivables	3 154 678
	3 158 478

11.2 All amounts receivable are short-term. The net carrying value of trade receivables is considered a reasonable approximation of their fair value. All trade and other receivables have been reviewed for indicators of impairment and none has been impaired.

12 AMOUNTS OWED BY RELATED PARTIES

12.1 Analysis

Zimbabwe Mining Development Corporation ("ZMDC")	6 325 030
Marange Resources (Private) Limited	7 326 182
Diamond Mining Corporation (Private) Limited ("DMC")	6 655 815
	20 307 027

12.2 Amounts owed by related parties are interest free, unsecured and have no fixed repayment terms.

12.3 During the year, the Company transacted and/or had outstanding balances with the following related parties:

	Related party	Relationship	Nature of transaction	Transactions Value DR/ (CR) $
12.3.1	Zimbabwe Mining Development Corporation (ZMDC)	Parent company	Guarantee of purchase of PureDiam shareholding in DMC.	6 325 000

	Related party	Relationship	Nature of transaction	Transactions Value DR/ (CR) $
12.3.2	Marange Resources (Private) Limited	Common shareholder	Payment of creditors	7 494 230
			Purchase of assets	(3 061 878)
			Lease of assets	(162 350)
			Mine rehabilitation costs	3 056 180
12.3.3	Diamond Mining Corporation (DMC) (Private) Limited	Common shareholder	Payment of creditors	590 508
			Lease of assets	(1 068 979)
			Mine rehabilitation costs	7 134 286

13 CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows can be reconciled to the related items on the statement of financial position as follows:

	2016 $
Cash on hand	1 572
Cash at bank	356 054
	357 626

14 SHARE CAPITAL

14.1 Authorised share capital

2 000 ordinary shares of $1.00 each	2 000

14.2 Issued

30 ordinary shares of $1.00 each	30

The unissued share capital is under the control of the directors subject to Section 183 of the Companies Act (Chapter 24:03).

	2016
	$

15 DEFERRED TAXATION

Opening balance	-
Movement for the year	330 653
Closing balance	330 653

16 MINE REHABILITATION PROVISION

16.1 Analysis

Opening carrying amount	-
Ex-Marange and DMC operations	10 190 466
Additions - ZCDC operations	878 509
Closing carrying amount	11 068 975

16.2 The Company has an obligation to undertake rehabilitation and restoration when environmental disturbance is caused by the on-going mining activities. The provision for rehabilitation costs recognised in these financial statements include costs relating to previously mined areas

16.3 The rehabilitation provision included in the financial statements is an estimate of the cost that will be incurred for the rehabilitation and restoration of the environment.

17 SHORT TERM LOANS

Reserve Bank of Zimbabwe	14 677 844

The facilities are not secured, and were meant to capitalise the business. The facilities accrue interest at a rate of 9% per annum. The facilities are payable through quarterly instalments.

	2016 $

18 TRADE AND OTHER PAYABLES

Trade	12 195 751
Payroll liabilities	2 499 024
Royalties payable	3 272 661
Depletion fees payable	879 575
MMCZ commission payable	219 542
Withholding tax	24 630
	19 091 183

19 SHORT-TERM PROVISIONS

Audit fee	47 150
Leave pay	501 125
	548 275

20 NET EFFECT OF CHANGES IN WORKING CAPITAL

20.1 Analysis

Increase in trade and other receivables	(3 158 478)
Increase in related party receivables (note 20.2)	(10 116 561)
Increase in inventories	(2 315 832)
Increase in trade and other payables	19 091 183
Increase in short term provisions	548 275
	4 048 587

20.2 Increase in related party receivables

Closing balance	(20 307 027)
Mine rehabilitation provisions	10 190 466
	(10 116 561)

21 PENSION AND RETIREMENT ARRANGEMENTS

Employees of the Company are members of a defined contribution plan, the Mining Industry Pension Fund. Total costs for the year 2016 amounted to $550 568.

22 NATIONAL SOCIAL SECURITY AUTHORITY SCHEME

All permanent employees are members of the National Social Security Authority Scheme. The cost of National Social Security Authority Scheme contributions during the year amounted to $312 594.

23 FINANCIAL INSTRUMENTS BY CATEGORY

	2016 $
Loans and receivables	
Trade and other receivables excluding prepayments	3 134 689
Cash and cash equivalents	357 626
Total	3 492 315
Liabilities as per statement of financial position	
Trade and other payables	19 091 183
Borrowings	14 677 844
Total	33 769 027

The financial liabilities are shown at amortized cost

24 FAIR VALUES OF FINANCIAL ASSSETS AND FINANCIAL LIABILITIES

The considered view of the Directors is that the fair values of the financial assets and financial liabilities of the Company as at 31 December 2016 approximates the values shown on the statement of financial position as at that date.

25 TREASURY AND FINANCIAL RISK MANAGEMENT

25.1 The main risks arising from the Company's financial instruments are currency rate risk, market risk, credit risk and liquidity and cash flow risk.

25.2 Currency risk

This is the risk that the Company is exposed to unfavourable exchange rates movements on mismatched spot or forward positions in a foreign currency deal.

The Company incurs foreign currency risk mainly through the acquisition of plant, equipment and inventories from foreign suppliers and the currency predominantly giving rise to foreign exchange risk is the South African Rand (ZAR).

The Company's exposure to foreign currency risk is monitored and managed by senior management who sets the parameters within which the Company transacts.

25.3 Interest rate risk

This is a risk arising from the adverse movement in the value of future interest receipts or commitments resulting from movements in interest rates.

The Company finances its operations through a mixture of own resources and borrowings at fixed interest rates.

The Company's exposure to interest risk is managed by senior management at head office. Any new borrowings are undertaken after careful consideration of economic conditions and expected movements in interest rates.

25.4 Market risk

The principal amounts of all monetary assets and liabilities are fixed and not subject to market related value adjustments.

25.5 Liquidity and cash flow risk

This is the risk of insufficient liquid funds being available to cover commitments.

The cash resources and facilities available to the Company were considered adequate to meet its short-term liquidity and cash flow requirements as at year end.

26 CONTINGENT LIABILITIES

Contingent liabilities represent items that, as at 31 December 2016, are not recognised in the financial statements because there is a significant uncertainty regarding the amount and/or existence of the related obligation.

Legal cases

Litigation is a common occurrence in the mining industry due to the nature of the business undertaken. The Company has formal controls and policies for managing claims.

Once professional advice has been obtained, and the amount of loss reasonably estimated, the Company makes adjustments to account for any adverse effect which claims many have on the financial statements.

At 31 December 2016, the Company had several unresolved legal claims arising from its current operations and also from former mining companies namely Marange Resources and DMC.

The Company has been advised by its legal advisors that it is possible, but not probable, that the legal actions against the Company will succeed. Accordingly, no provisions have been made in these financial statements for those claims where the Company has been advised that the legal claims are not probable to succeed. There is uncertainty regarding the measurement and/or timing of the possible payments, if any.

Statutory obligations

The company has a significant obligation arising from non-remittance of royalties to Zimbabwe Revenue Authority of $3 272 661. Royalties payable to Zimbabwe Revenue Authority are 15% of gross proceeds, which should be remitted upon every sale. In cases of non-remittance a penalty of 100% and interest are chargeable.

Guarantee of purchase and transfer of shares agreement

Pure Diam DMCC (“Pure Diam”) and Zimbabwe Mining Development Corporation (“ZMDC”) entered into an agreement, whereby Pure Diam was to sell its fifty percent shareholding, in Diamond Mining Corporation (Private) Limited (“DMC”) to ZMDC.

ZCDC interposed itself as surety and co-principal debtor for $19 500 000 in favour of Pure Diam in respect of all sums due and payable by ZMDC to Pure Diam on account of the share purchase price, the loan cession consideration and any interest accrued thereon in terms of the agreement.

27 GOING CONCERN

The Company recorded a loss of $7 445 606 for the year ended 31 December 2016. The Company was also in a net current liabilities position of $7 981 756 as at 31 December 2016 and in a net equity deficit of $7 445 576. In addition, the prevailing economic environment and some legal issues also negatively affect the Company’s operations.

The conditions and events detailed above may cast significant doubt on the Company’s ability to continue operating as a going concern and, therefore, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business.

The Directors believe that the Company is a going concern and will continue in business for the foreseeable future and, are implementing the following measures to ensure that the Company continue operating as a going concern in the foreseeable future:

- The Company has been capitalised by Government to the tune of $80 000 000 through Treasury Bills (TBs);
- The capitalisation has enabled the Company to purchase new equipment which will go a long way in reducing operating costs through increased efficiency and reduced hiring costs;
- The company has embarked on an exploration exercise which is expected to increase resource confidence and enable building a life of mine model; and
- For the year 2017, the Company has entered into an agreement with RBZ effective March 2017, whereby RBZ advances funds for working capital whilst accumulating diamond stocks. This is aimed at attracting better prices at international tenders through attracting competitive customers across the world.

Based on the aforementioned, the Directors believe that the preparation of these financial statements on a going concern basis is still appropriate.

28 EVENTS AFTER REPORTING DATE

28.1 Appointment of substantive Chief Executive Officer

Substantive Chief Executive Officer has since been appointed and assumed duty on 1 March 2017.

28.2 Expansion into the other Portals

The Company is now operating in Portal A following the court ruling granting access to the Portal. ZCDC has also reached an agreement with ex-DTZ shareholders and operations at Portal E have commenced.

28.3 Government capitalisation

The company has been capitalised by Government to the tune of $80 000 000 through Treasury Bills (TBs).

Notes