



OPERATING ENVIRONMENT

Notwithstanding the measures implemented by the authorities to stabilise exchange rates, the pricing of local inputs remained substantially high due to speculative tendencies. Local inputs continued to be pegged at nefarious prices in local currency which left the Company heavily reliant on importation of raw materials that require foreign currency. With the Company only retaining 60% of its export proceeds in USD, the Company continued to be short of foreign currency to meet all its operational and capital expenditure requirements.

Power supply challenges worsened during the quarter due to acute load shedding as the country battled with erratic local power generation coupled with inadequate supplementary power imports. Production was, therefore, significantly hampered during the quarter due to power supply challenges. Power outages are taking up to 30% of the available production time hence adversely affecting production in a very material way.

Dalny mine was placed under full care and maintenance due to inadequate foreign currency as it requires a huge capital investment to resuscitate underground operations. Power supply challenges, inadequate foreign currency and lack of production at Dalny mine resulted in a 6% decline in gold production for the Group compared to the same period last year. Power and access to foreign currency earnings are critical to the needs of the Company. Both of these continue to be extremely scarce. The Company has had to invest heavily in diesel generators which has required foreign currency and power generated by diesel costs is largely higher than normal power.

PRODUCTION PERFORMANCE

Gold Business

Cam & Motor Mine – The Mine focused on stabilising and optimising production at its recently commissioned Biological Oxidation (BIOX) plant post commissioning in April 2022. Production increased at a steady rate throughout the period and closed the quarter with an 83% growth from the prior year comparative period. The Mine operated its BIOX plant throughout the quarter and despite encountering some normal teething challenges, production steadily increased towards the optimal level. However, production at Cam & Motor was adversely affected by power outages.

Dalny Mine – Dalny Mine was placed under care and maintenance during the period due to lack of open pit ore sources with consistent grades as the current pits are showing low payability. In order to sustain care and maintenance costs, the Mine embarked on small scale mining activities as the available open pit resources are uneconomic to mine using traditional large scale mining methods.

Renco Mine – Production for the quarter declined by 15% compared to Q3 2021 mainly attributed to increased power supply challenges. The Mine has invested in additional generators to increase coverage of backup power in an effort to minimise production disruptions.

Base Metals Business

The Empress Nickel Refinery (ENR) remained under care and maintenance throughout the quarter.

Diamond Business

The Group's associate RZM Murowa (Private) Limited recorded a 24% growth in production compared to Q3 2021 at the back of the 500tph plant project which became operational at the beginning of the quarter. The Associate continued to process pre-mined low grade ores from its extensive stock piles albeit at increased volumes from the newly commissioned high volume 500tph plant.

OUTLOOK

Power supply challenges remain a key risk to the Group's operations as the current ongoing power cuts are set to worsen as a result of the approaching rainy season from Q4 2022. Even though the Company has put in place generators to lessen production stoppages, the Group remains reliant on the power utility for consistent power supply to run optimally. Engagements with the power utility are ongoing on the rehabilitation of the unreliable power infrastructure mainly at Renco mine.

The Group is also focused on ramping up production to optimal levels for its two key projects being, the BIOX plant project at Cam & Motor mine and the 500tph processing plant at RZM Murowa (Private) Limited which commenced production during the year and are earmarked to drive the Group to profitability.

The Company continues to engage the authorities in various capacities for an upward review of the foreign currency retention on export proceeds from the current 60% as this has proven to be inadequate considering the Group's foreign currency requirements.



By Order of the Board.
RioZim Management Services (Private) Limited (Secretaries)

Per T.A. Chiurayi

14 November 2022