ZMDC

ZIMBABWE MINING DEVELOPMENT CORPORATION

"Unearthing the future"

ANNUAL REPORT 2012

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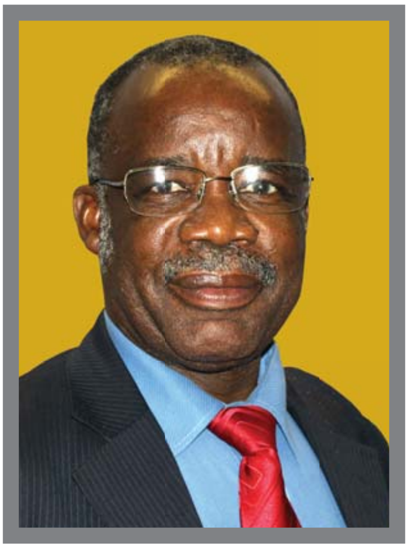
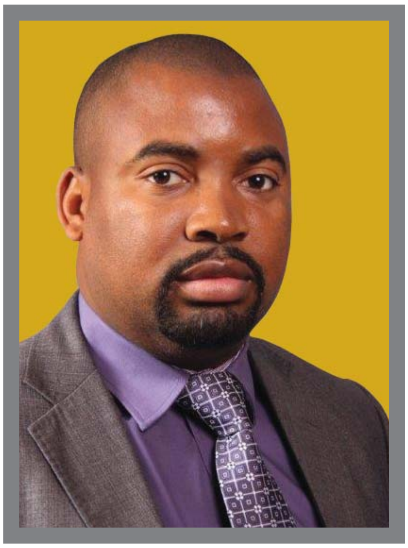
BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT



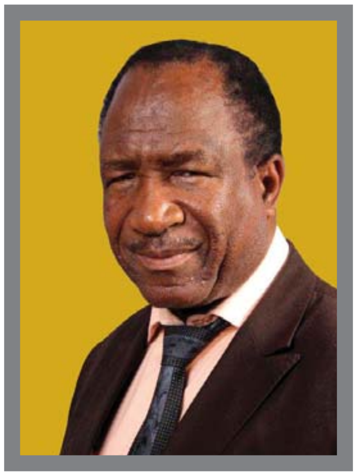
PROF. F. GUDYANGA
ZMDC Board Chairperson



W.H. CHINZOU
Acting General Manager

T. GORONGA
Acting Chief Finance Officer

B. MUZANGAZA
Corporate Secretary and Legal Advisor



C. MAKONESE
Human Resources Manager

C. ZISHUMBA
Acting Chief Operations Officer

D. CHATORA
Geological Manager.

THE CORPORATION'S BUSINESS

The Zimbabwe Mining Development Corporation (ZMDC) was established in 1982 by an Act of Parliament ZMDC Act [Chapter 21:08], with its mandate being:

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

* VISION	To be amongst the top 10 leading and most viable mining houses in Africa.
* CORE PURPOSE	To invest in the mining industry in Zimbabwe and contribute to the economic and social well being of the nation.
* MISSION STATEMENT	To engage in prospecting, exploration, mining and mineral beneficiation in a sustainable, viable and environmentally friendly manner for the benefit of the nation, the shareholder and posterity.
* VALUES Teamwork & Cooperation:	Caring for each others' success. We believe each one of us has something to contribute and therefore will allow individuals to be innovative
Commitment:	Dedication, putting the interests of ZMDC first.
Integrity:	We shall not compromise on honesty and integrity at all times and we will uphold professionalism, trust, honesty, transparency, responsibility and ensuring safety, security and environmental care.
Continuous Improvement:	Continuous, effective, competitive and innovative improvement of our operations, keeping abreast with technological improvements, and benchmarking best practices.
Results Oriented	Productive, meeting targets, passion, ambition, entrepreneurial, self driven, initiative, efficient and effectiveness.

PRECIOUS METALS

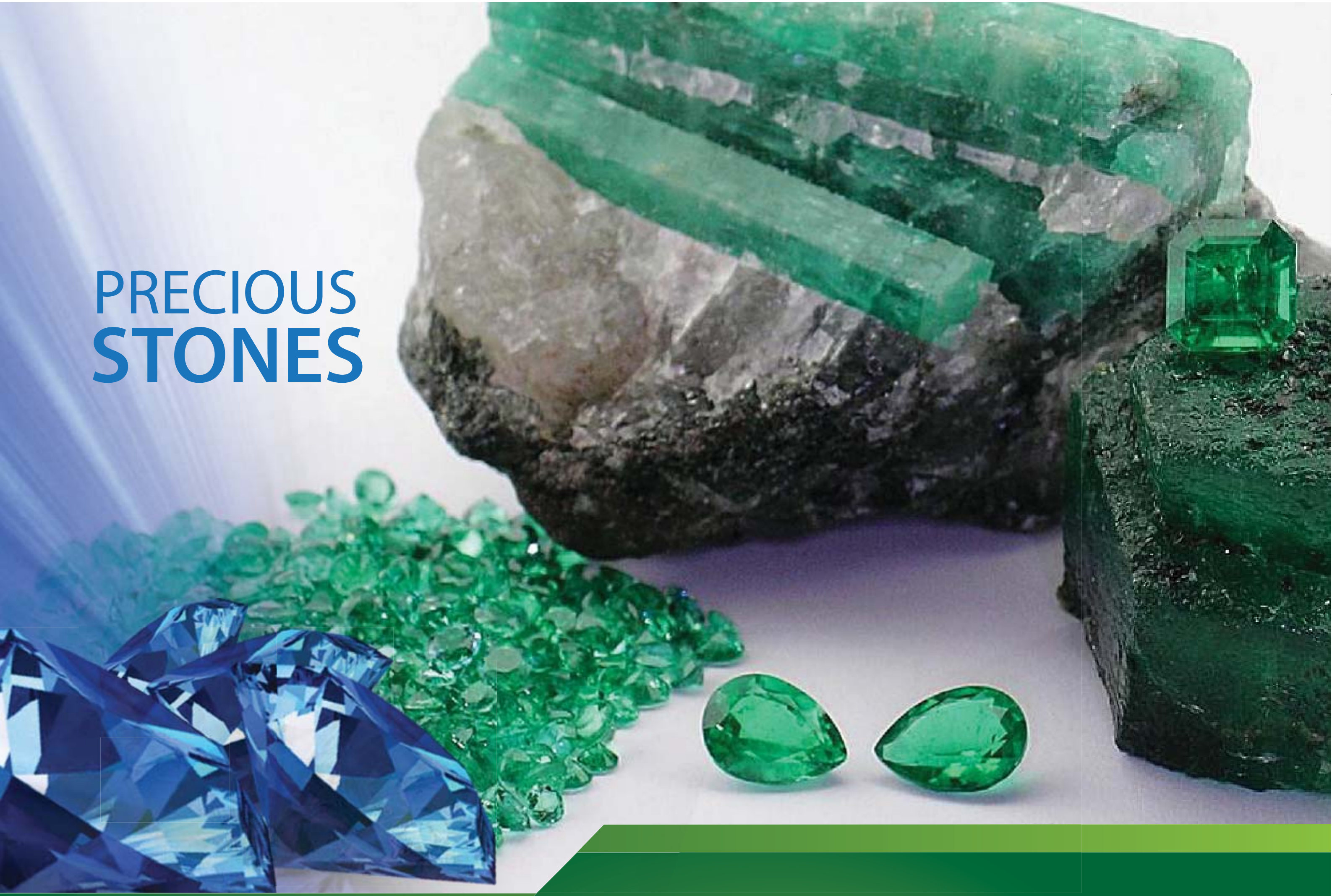
Gold

- Kimberworth Investments (Pvt) Ltd T/A **Sabi gold mine** -100% owned
- Mineral Development (Pvt) Ltd T/A **Elvington Gold mine -**100% owned
- **Jena Mines** (Pvt) Ltd -100% owned

PLATINUM GROUP OF METALS

Platinum

- **Todal Mining** (Pvt) Ltd -40% joint venture company with **Lefever** (CAMEC)



PRECIOUS STONES

Diamonds

- Marange Resources (Pvt) Ltd -100% owned
- Mbada Diamond Mining (Pvt) Ltd -50/50 joint venture between ZMDC and Grandwell Holdings.
- Jinan Mining (Pvt) Ltd- 50/50 joint venture between Marange and Anhui Foreign Economic Construction Company Ltd of China(AFECC).
- Anjin Investments (Pvt) Ltd -10% investment, with 40% held by Government of Zimbabwe and 50% by Anhui Foreign Economic Construction Company Ltd of China (AFECC).
- Diamond Mining Corporation (DMC)-50/50 joint venture between ZMDC and Pure Diam of Dubai.
- Kusena Diamonds (Pvt) Ltd -100% owned.
- Gye Nyame Resources (Pvt) Ltd -50/50 joint venture between ZMDC and Bill Minerals (Pvt) Ltd.

Emeralds

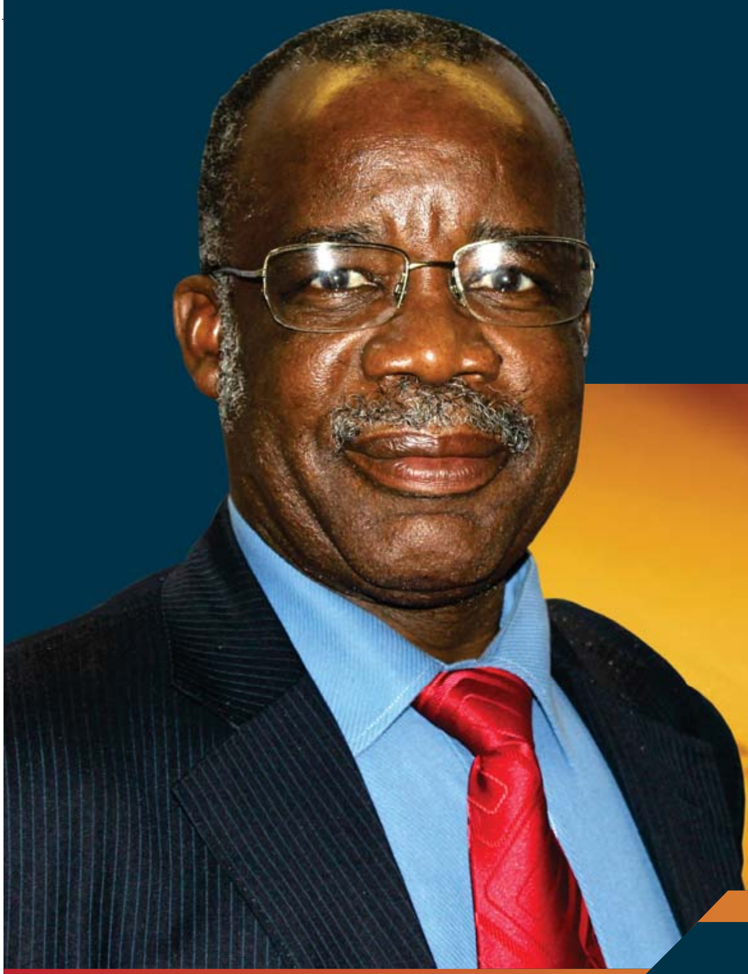
- Sandawana Mines -90% owned

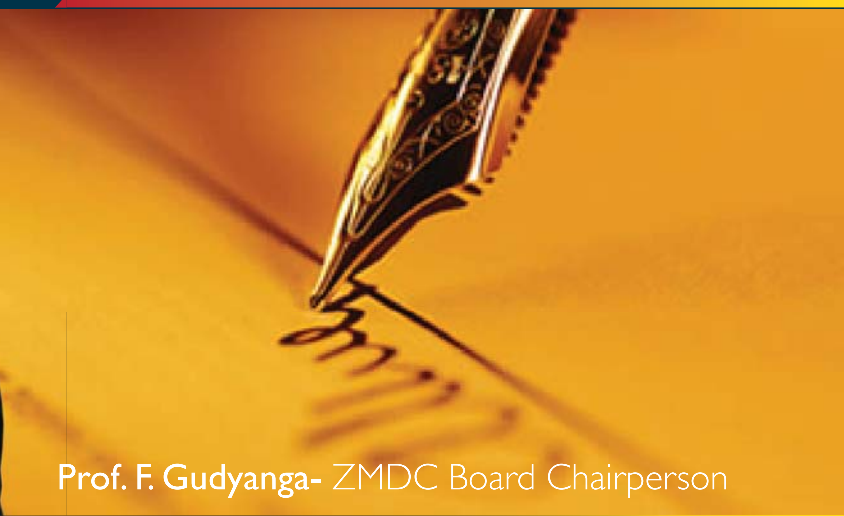
Industrial Minerals

Graphite

- Zimbabwe German Graphite Mine (Pvt) Ltd T/A Lynx Mine -50/50 joint venture with Graphit Kropfmuhl AG

Chairman's Statement





Prof. F. Gudyanga- ZMDC Board Chairperson

Operating Environment

The operating environment for the period under review was characterised by low inflation of below 5% throughout 2012. The signing of Global Political Agreement (GPA) ushered the Short Term Emergency Recovery Programme (STERP) initiatives that put to halt hyper- inflation through the introduction of multi currencies and the liberalization of the economy.

Revenue

Revenue increased by 10% from US$279.6 million to $307.4 million mainly due to improved gold price, marginal growth in gold output and increased diamond sales from Diamond Mining Corporation(DMC) and Mbada Diamonds. Jena Mines contributed positively towards revenue growth. There were no sales from Sandawana Mines and Elvington Mine due to emeralds market constraints and non production of gold respectively.

Operating Results

Operating expenses increased by 42% from $152.6 million to $217.3 million. This was mainly attributed to increased operating costs at Marange Resources and Jinan Mining (Pvt) Ltd during the year under review. Net profit after tax decreased from $98.6 million to $66.6 million compared to the same period last year.

Capital Expenditure

In line with the Corporation's mandate to invest in the mining sector on behalf of the state, the Group invested $92.7 million in capital expenditure compared to $100.9 million invested in the previous year. The capital expenditure was mainly incurred on mining assets, property, plant and equipment and exploration work.

Dividend

The Corporation paid a dividend of $19.3 million for the year ended 31 December 2012.

Outlook

The performance of the group has been satisfactory considering the challenges that were encountered during the period. The favourable operating environment is expected to continue into 2013 and the Corporation is expected to realise better results from increased capital expenditure incurred in the past two years. The removal of ZMDC from EU sanctions at the end of 2013 is expected to result in better pricing for Chiyadzwa diamonds going forward.

Board

The whole Mining Development Board retired on 13 December 2013.

A new board will be appointed in due course and is expected to strengthen the Board's capacity to deal effectively with strategic, financial and corporate governance issues as the corporation forges forward.

I would like to thank my fellow Board members for their unwavering dedication to the Corporation and management and staff for their commitment towards our shared values and the vision of our business. On behalf of the Board, I wish to thank the Government and Ministry of Mines and Mining Development officials for their valued support on the Corporation's activities.

Prof. F. Gudyanga
Harare
10 February 2014

General Manager's Statement

W.H. Chinzou -Acting General Manager

INTRODUCTION

Operating Environment

The operating environment for the year ended 31 December 2012 inhibited growth in a number of ways. The fragmented statutory and fiscal charges to the industry were a major issue that affected viability and growth. The high rates of royalties for Gold (7%), Platinum (10%) and Diamonds (15%) increased total operating costs for mining operations. In early 2012, there was a steep increase in mining fees and charges relating mostly to acquisition and maintenance of mining title.

The charges include Rural District Council(RDC) unit tax, Environmental Management Agency (EMA) discharge fees, Minerals Marketing Corporation of Zimbabwe (MMCZ) levy, Mandata levy, National Social Security Authority (NSSA), Standards Development levy.

The challenges of electricity supply and access to long-term capital were major constraints faced by the mining industry.
The Chamber of Mines of Zimbabwe, in conjunction with the Confederation of Zimbabwe Industries (CZI), worked together in making representations to the Zimbabwe Energy Regulatory Agency(ZERA) and ZESA with the objective of lowering the punitive ring-fenced electricity supply charges which throttled the industry. The mining industry like all other industries, failed to attract long-term capital. This resulted in a number of mining houses utilizing expensive short-term capital affecting their ability to fund growth and operations.

Due to limited mineral exploration activities conducted during the year, due to shortage of capital no Exclusive Propective Orders (EPOs) were granted in 2011 and 2012 and this reflects through reduced activities in 2013.

In 2012, inflation averaged about 5%. Under the multi-currency regime, inflationary developments, in the short to medium term, continued to be influenced by the USD/Rand exchange rate, international oil prices and local utility charges.

The economy continued to experience structural challenges emanating from limited resources and high cost of capital; uncertainties arising from policy inconsistencies, especially with respect to economic empowerment and indigenization regulations; dilapidated infrastructure and obsolete technologies.

Strategic Thrust

The 2011 financial year saw Zimbabwe Mining Development Corporation achieve notable progress in the achievement of its key strategic objectives which are:

- Quantifying and unlocking the mineral value base for the nation and resource exploitation for posterity.
- Initiation, review and implementation of investment structures to ensure viability.
- Improving operational profitability and sustainability through adequate mineral resource generation, development exploration, beneficiation and use of appropriate technology.
- Corporate Social Responsibility – Collaboration with communities around mining activities and other stakeholders.
- Compliance with applicable legislation, regulations and best practice.
- Safety and proper environment protection.

Financial Performance

Revenue increased by 10% from $279.6 million in 2011 to $307.4 million in 2012. Revenue contribution per mineral is as shown below

	USD
Diamonds	272,259,400
Gold	26,137,079
Graphite	2,656,464
Copper reverts	77,363
Other	62,980,19
TOTAL	307,428,325

The group has two operating gold mines Jena Mines and Sabi Gold Mine. Gold production for 2012 was 500 kgs compared to 516 kgs in 2011. Jena Mines produced 309 kgs of gold and realized revenue of $16.1 million compared to 297 kgs and revenue of $14.2 million in 2011. Sabi Gold Mine produced 191 kgs and revenue of $9.9 million compared to production of 220 kgs and revenue of $10.5 million in 2011.

The group realized $272 million in diamond revenue in 2012 with Marange Resources contributing $65,6 million and 50% share of Mbada Diamonds and Diamond Mining Corporation revenues contributed $156 million and $56 million respectively.

The Corporation's 2012 profitability took a dive of about 32% from the 2011 position mainly due to high costs of production and limited reserves available for mining. The Corporation was under sanctions which affected the marketing of its minerals and this negatively affected the price realized for its diamonds. The tight liquidity and absence of long term funding is delaying the implementation of the Corporation's objective of fully exploiting the country's mineral resources.

The group recorded profit before tax of $66.6 million during the year compared to $98.5 million in 2011. The decrease in profit was attributed to new ventures, which had high start up costs but did not make sales as they were yet to be Kimberely

GOLD SEGMENT

Jena Mines (Private) Limited

Production at Jena mines was 309 kgs compared to 297 kgs in 2011. The company achieved a marginal increase in production. The mine operated at 65% of capacity due to funding constraints to recapitalize the mine. Ore mining has remained a challenge due to the low grades and lack of development. Production was further affected by machinery breakdowns which were experienced throughout the year. Machinery such as compressors, mills and crushers continuously unavailable during the year adversely affecting production. A recapitalization exercise was carried out during the year with $3.5 million being injected. The company posted a loss before tax of $4.4 million. Recapitalization is necessary for better performance in 2013.

Sabi Gold Mine (Private) Limited

Production at Sabi Gold was 191 kgs in 2012 compared to 220 kgs in 2011. The company continued to face capacity utilization challenges in 2012 due to lack of developed reserves. Ageing plant and equipment was continuously breakingdown. The company posted a loss before tax of $0,9 million.

Elvington Mine (Private) Limited

There was no Gold production for the period under review. The mine is evaluating the resources following the collapse of the shaft in 2003 albeit at a reduced pace due to funding challenges.

PRECIOUS STONES SEGMENT

The diamond division comprises of Marange Resources, Mbada Diamonds and Diamond Mining Company which together contributed sales of $272 million during 2012. Jinan Mining (Pvt) Ltd and Kusena did not sale during the year since they were yet to be Kimberley Process Certified.

Marange Resources Pvt(Ltd)

Marange Resources realized $65.7 million from diamond sales in 2012 compared to $103.24 million in 2011. The mine posted a loss before tax of $16.1 million compared to a profit before tax of $41.8 in 2011.The loss position was attributed to diminishing alluvial diamonds, high operational costs and inadequate capitalization.

Mbada Diamonds (Private) Limited

The Corporation owns 50% of Mbada Diamonds. Mbada Diamonds contributed $155.4 million in diamond sales in 2012 and $28 million net profit after tax compared to 2011 sales $145 million and net profit after tax of $55 million.

Diamond Mining Corporation (Private) Limited

The Corporation owns 50% of Diamond Mining Corporation which contributed sales of $51.2 million and profit after tax of $36 million during the year.

Anjin Investments (Private) Limited

The Corporation has a 10% interest in Anjin Investments (Pvt) Limited. Its contribution to revenue in 2012 amounted to $6.2 million

Sandawana Mines (Private) Limited

The Corporation owns 90% of Sandawana Mines which was previously mining emeralds.The market for emeralds remained depressed and no sales were recorded during the year. The group has suspended emerald mining and is concentrating on evaluation of the Sandawana mine resources for tantalite, gold, chrome and iron ore.

THE GRAPHITE DIVISION

The Zimbabwe German Graphite Mine (Private) Limited

The Corporation has a 50% shareholding in Zimbabwe German Graphite (Private) Limited. The mine produced 7,022 tonnes of graphite during the year against 7,250 tonnes for 2011. The Company realized revenue of $2,7 million 2012. The major challenge being faced by the company is marketing of its products.

Efforts are being made to secure new markets in South Africa and the European Union.

PLATINUM GROUP MINERALS (PGM)

Platinum Group Minerals (PGMs) Deposits

The Corporation holds approximately 26.000 hectares of claims in both the Hartley and the Shurugwi sub-chambers of the Great Dyke.

The following platinum joint ventures are currently working on resource establishment activities.

- Global Platinum Resources (Pvt) Ltd: Pre-feasibility studies underway
- Todal Mining: Feasibility done,awaiting special mining licence from Ministry of Mines and Mining Development.
- Shin-Zim Global PS: At pre-feasibility stage.

Outlook

Business environment in 2013 is likely to mirror the 2012 business environment. The macro-economic fundamentals remain stable but industry continues to grapple due to high utility charges and unreliable power supply. Diamond prices were subdued due to economic sanctions imposed on Zimbabwe by the West. However, 2014 has far much better prospects due to the lifting of sanctions in the fourth quarter of 2013 providing better market in Antwerp for diamonds due to increased competition. Average gold price for 2012 was $1,669 per ounce. It dropped to an average price of $1,411 per ounce in 2013 which equated to a 15% decrease. Gold price is expected to hover around $1,200 per ounce in 2014 which will threaten the viability of gold mines .

The key focus area in the following year will be:

- Increasing investment in the diamond sector and improving ZMDC presence in strategic and operational decision making.
- Improving ore reserve generation in the operating mines through increase in exploration work.
- Continuous improvement in business processes, culminating in our business processes being ISO certified.

We expect the results of the capital expenditure incurred during the year to improve the financial results for the group.

Appreciation

I would like to thank the Honourable Minister of Mines and Mining Development, Honourable Walter Chidhakwa, Honourable Deputy Minister of Mines and Mining Development, Honourable Fred Gandiwa Moyo, The Permanent Secretary, Prof. Francis Gudyanga, who is also the current Chairman of Mining Development Board, management and staff and other stakeholders for their valuable support.

W.H. Chinzou
Acting General Manager
Harare
Date: 10 February 2014

INTRODUCTION

The Zimbabwe Mining Development Corporation (ZMDC) is committed to high standards of corporate governance and principles of openness, integrity and accountability in its dealings with all its stakeholders. Its governance strategy, objectives and structures have been designed to ensure that it complies with the Zimbabwe Mining Development Act [Chapter 21:08], any other relevant legislation and a number of best practise codes. ZMDC is further committed to managing risk to protect its employees, the environment and its assets. In its activities, ZMDC has incorporated competitive governance and compliance practices for sustainable development.

INTERNAL OVERSIGHT FUNCTIONS

To meet its responsibility with respect to providing reliable financial information, ZMDC maintains and strives to improve financial and operational systems. These systems are designed to provide reasonable assurance that transactions are concluded in accordance with the law and approved policies and procedures.

The development and implementation of an adequate and sound system of internal control is ordinarily the responsibility of senior management.

Senior management is also responsible for the integrity of the Corporation's financial reporting system. It is senior management's responsibility to put in place and supervise the operation of systems that allow the Corporation to produce financial statements that fairly present the Corporation's financial position and thus permit investors to understand the business and financial soundness and risks of the Corporation.

The internal control system at ZMDC is dynamic and continuously improved upon. It includes a documented organisation structure indicating division of responsibilities. Various policies and procedures have already been established and communicated throughout the Corporation.

The Mining Development Board has overall responsibility for ensuring that the Corporation maintains an effective system of internal control. As part of this responsibility, the Board regularly, reviews the system of internal control in order to determine that it works as expected and that it remains appropriate and effective.

FINANCIAL CONTROL AND REPORTING

The Mining Development Board is responsible for ensuring that the Corporation maintains adequate records for reporting on the financial position of the Corporation and the results of its activities with accuracy and reliability. International Financial Reporting Standards and procedures are consistently applied within the Corporation. While financial reports are primarily the responsibility of management, the Board through its Finance and Investment Committee and Legal, Risk and Audit Committee takes steps to obtain the assurance that the Corporation's financial statements and other disclosures accurately present the Corporation's financial position. In order to do this, the Board, through the said Committees has a broad understanding of the Corporation's financial statements, including why the accounting principles critical to the Corporation's business were chosen, what key judgments and estimates were made by management, and how the choice of principles, and the making of such judgments and estimates, impacts the reported financial results of the Corporation.

THE MINING DEVELOPMENT BOARD

The Mining Development Board comprise nine directors who pocess the balance of skills, experience and demographic diversity required to provide effective leadership and control. Directors are appointed by the Minister in accordance with the Zimbabwe Mining Development Act [Chapter 21:08]. The Board is responsible for the overall effective management of the Corporation. It seeks to ensure that its activities conform to the legal and ethical requirements of its business affairs by establishing policies and controls to monitor the Corporation's long-term strategic direction and financial decision making. The Board aims to create sustainable value for the Shareholder and act in the best interests of its stakeholders, including employees, suppliers and the communities in which it operates.
There is a division of responsibilities between the Chairman and executive management, led by the General Manager as clearly defined below:

- The Chairman, is responsible for leadership of the Board ensuring its members receive accurate, timely and clear information in order to facilitate effectiveness of its role. He sets the Board's agenda, conducts its meetings and facilitates effective communication with the Ministry of Mines and Mining Development.
- The General Manager, has responsibility for the management of the Corporation and leads executive management. He has been delegated responsibility by the Board for the day-to-day operation and administration of the Corporation.

CONSTITUTION OF THE BOARD

On, 28 December 2012, four (4) Board Members retired from the Mining Development Board namely, Mr. M.B Mpofu, Mr. F.G. Moyo, Mrs. B. Moyo and Mr. A.D. Ncube. On the same date, four (4) new members were appointed to the Board namely Mr. S. Mandiwanzira, Mr. P. Maziwisa, Ms. E.E Maravanyika and Mrs. N.D. Masuku.

As at 31 December 2012 the Mining Development Board was constituted as follows:

Mr. G. Masimirembwa	Non-Executive Chairman
Mrs. F. Gowora	Non-Executive Vice-Chairman
Mr. S. Mandiwanzira	Non-Executive Director
Mr. A.S.Ndlovu	Non-Executive Director
Mrs. N.D. Masuku	Non-Executive Director
Mr. M.C. Sibanda	Non-Executive Director
Mr. T.Dhlakamah	Non-Executive Director
Mr. P. Maziwisa	Non-Executive Director
Ms. E.E. Maravanyika	Non- Executive Director
Eng. J.N. Ndlovu	General Manager
Mrs. B. Muzangaza	Company Secretary & Legal Advisor

BOARD MEETINGS

In order to retain full and effective control over the Corporation and monitor the executive management team, the Board meets regularly and at least on a quarterly basis. The Board has four scheduled ordinary meetings a year and also meets on an ad hoc basis as and when required, to deal with specific matters requiring consideration.

The Mining Development Board established and appointed Board Committees in accordance with the Zimbabwe Mining Development Act [Chapter: 21:08]. Each committee has at least four scheduled ordinary meetings a year and also meet on an ad hoc basis as and when required, to deal with specific matters requiring consideration.

The Board and Committee meetings were well attended. The detailed attendance schedule for the Corporation are disclosed in the tables hereunder.

ZMDC BOARD COMMITTEE AND BOARD ATTENDANCE REGISTER FOR 2012

	Legal, Risk & Audit	Technical	Finance & Investment	Human Resources	Combined Committees	Main Board
Masimirembwa, G	N/A	N/A	2	N/A	1	9
Moyo. B**	2	N/A	N/A	6	8	8
Ndlovu. AS	1	6	7	1	4	3
Gowora. F	N/A	6	10	3	9	9
Sibanda. MC	2	N/A	3	9	11	7
Dhlakamah. T	2	N/A	10	8	12	8
Ncube. AD**	1	N/A	3	7	10	9
Mpofu, MB**	1	6	10	1	10	9
F.G Moyo**	N/A	2	N/A	5	4	5
Mandiwanzira. S	0	0	0	0	0	0
Maziwisa. P*	0	0	0	0	0	0
Masuku, T.D*	0	0	0	0	0	0
Maravanyika. E.E*	0	0	0	0	0	0

* These members were appointed to the Board on 28 December 2012.

** These members retired from the Board on 28 December 2012

NUMBER OF MEETINGS HELD IN 2012

Committee/Board Meetings Held Legal, Risk & Audit	3
Technical	3
Finance & Investment	12
Human Resources	12
Combined Committees Meetings	12
Main Board	10

BOARD COMMITTEES' COMPOSITION AS AT 28/12/2012 AND FUNCTIONS

Committee	Committee Members
Legal, Risk & Audit	A.D Ncube (Chairman) M.C Sibanda M.B Mpofu B. Moyo

Main Function

i. Oversees legal and other compliance issues including the appointment of external auditors and other external counsel and the review of contracts entered into by the Corporation and ensuring compliance with the ZMDC Act. The Committee shall identify legal risk areas and report thereon to the Board.

ii. Notwithstanding the fact that the Auditor General is responsible for the appointment of the group's external auditors the committee annually assesses the independence and objectivity of the external auditors taking into account the relevant professional and regulatory requirements and the relationship with the auditor including the provision of non-audit services and satisfying itself that there are no relationships between the external auditor and the company other than in the ordinary course of business.

iii. Monitors the external auditors' compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the company Corporation to the overall fee income of the firm, office and partner and other related requirements.

iv. Reviews and approves the annual audit plan and ensures it is consistent with the scope of the audit engagement and reviews the findings of the audit with the external auditor to discuss any major issues that arose during the audit and any accounting and audit judgements made and level of errors identified during the audit.

v. Reviews and recommends to the Board the Corporation's quarterly, half yearly and annual financial statements taking cognisance of any changes in accounting policies, major judgemental areas, significant adjustments made, going concern assumptions made, and compliance with accounting standards and other legal requirements.

vi. Reviews the effectiveness of the Group's systems of internal control i.e financial, operational, administrative encompassing information technology systems, business risk management and internal audit compliance with the ZMDC Internal Audit Charter.

vii. Reviews the corporate governance report to ensure that it appropriately reflects the position on internal controls.

Committee	Committee Members
Technical	A.S Ndlovu (Chairman) A.D Ncube B. Moyo F.G Moyo

Main Function

(i) Identification of enhancements beneficial to the Corporation's mining output.

(ii) Efficiency improvements through product enhancements

(iii) Identifying and addressing errors and omissions.

(iv) To ensure that long term planning and forecasting are undertaken to enable informed decisions on major technical initiatives and outcomes.

(v) To influence the Corporation in the development of and validation of an efficient operational mining system.

(vi) To initiate studies, where appropriate, in areas of Mine development and exploration to increase lifespan and ore grade enhancement.

(vii) To address questions of technical nature and recommend changes in the technical policy from time to time.

(viii) To ensure that timely, accurate and useful technical information is presented to the Board.

(ix) To assume such other responsibilities as from time to time may be delegated by the Board.

Committee	Committee Members
Finance & Investment	M.B Mpofu (Chairman) A.S Ndlovu F. Gowora T. Dhlakamah

Main Function

i. To advise the Board on all financial matters affecting the Corporation

ii. To receive and review all audited financial statements of the Corporation prior to presentation to the Board.

iii. To consider and recommend the Corporation's budgets before submission to the Board.

iv. To determine whether revised budgets are necessary and to recommend accordingly to the Board.

v. To monitor the financial status of the specific activities or projects as the need to monitor as determined from time to time by the Board.

vi. to provide financial advice and information to the Board to enable it to fulfil its obligations pursuant to financial provisions of the ZMDC Act [Chapter 21:08] Public Finance Management Act [Chapter 22:19] and any other relevant statutory regulations.

vii. To review on behalf of the Board all contracts agreements, deeds or other instruments involving the financial affairs of the Corporation and which are to be presented to the Board and to make recommendations to the Board regarding appropriate action.

viii. To consider and recommend the opening of new bank accounts, the persons to act as the authorised signatories and the authority limits on all bank accounts.

ix. To consider and review treasury and investment activities of the Corporation.

x. To review and evaluate at least quarterly financial plans and results in comparison to stated strategies, objectives and plans.

xi. To address questions of financial policy and recommend changes in the financial policy from time to time.

xii. To ensure that timely, accurate and useful financial information is presented to the Board.

xiii. To assume such other responsibilities as from time to time may be delegated by the Board.

Committee	Committee Members
Human Resources	M.C Sibanda(Chairman) F. Gowora F.G Moyo T. Dhlakamah

Main Function

i. Determining the Corporation's remuneration policy including, but not limited to pension rights and oversee its implementation.

ii. Determining the conditions of employment of the General Manager in consultation with the Minister of Mines and Mining Development.

iii. Considering and recommending the recruitment, appointments and remuneration of the General Manager.

iv. To review annually the staffing establishment of ZMDC and consider any proposals for significant change.

v. To review staff remuneration packages and benefits as necessary taking into account changes within or outside existing budget.

vi. To review annually staff training, learning and development arrangements including performance management systems.

vii. To review Human Resources policies and procedures manual as the need arises taking into account developments in good practice, employment legislation, and business and Corporation mandate.

viii. To set, monitor and evaluate an ongoing programme of training and development for Board members.

GROUP CORPORATE SECRETARY & LEGAL ADVISOR

The Group Corporate Secretary & Legal Advisor, is responsible for supporting the effectiveness of the Board by monitoring that Board policy and procedures are complied with, coordinating the flow of information within the Corporation and the completion and despatch of items for the Board and briefing materials. The Corporate Secretary & Legal Advisor is accountable to the Board on all governance matters. All directors have access to the services of the Corporate Secretary & Legal Advisor.

STATEMENT OF COMPLIANCE

Based on the information set out in this corporate governance statement, the Board believes that throughout the accounting period under review, the Corporation complied with the Zimbabwe Mining Development Act[Chapter 21:08].

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are required by the Zimbabwe Mining Development Corporation Act [Chapter 21:08] (ZMDC Act), to maintain adequate accounting records and are responsible for the content and integrity of the consolidated financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated financial statements fairly present the state of affairs of the Group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

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

The external auditors are responsible for independently auditing and reporting on the Group's consolidated financial statements. The consolidated financial statements and related notes have been examined by the Group's external auditors and their report is presented on pages 18 to 19.

The consolidated financial statements and the related notes set out on pages 20 to 57, which have been prepared on the going concern basis, were approved by the Board and were signed on its behalf by:

PROF. F. GUDYANGA
CHAIRMAN

W.H. CHINZOU
ACTING GENERAL MANAGER

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INDEPENDENT AUDITORS' REPORT

TO THE HONOURABLE MINISTER OF MINES AND MINING DEVELOPMENT AND THE DIRECTORS OF THE ZIMBABWE MINING DEVELOPMENT CORPORATION AND ITS SUBSIDIARIES

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of **ZIMBABWE MINING DEVELOPMENT CORPORATION AND ITS SUBSIDIARIES** set out on pages 20 to 57 which comprise the consolidated statement of the financial position as at 31 December 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, which include a summary of the significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The Group's directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and in the manner required by the ZMDC Act. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards of Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risks assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our modified audit opinion.

Basis for Qualified Opinion

i. **Non compliance with International Accounting Standard 27 (IAS 27): Consolidated and Separate Financial Statements and International Accounting Standard 31 (IAS 31): Interests In Joint Ventures**

   The Group has not consolidated financial statements of its subsidiary Shabani and Mashava Mines (Private) Limited (76%) as disclosed in Note 33 to the financial statements, and joint ventures namely, Todal Mining (Private) Limited (40%) and Gye Nyame Resources (Private) Limited (50%) due to the non availability of financial statements. International Financial Reporting Standards require that subsidiaries and joint ventures should be consolidated. Had these subsidiaries and joint ventures been consolidated, elements in the accompanying consolidated financial statements would have been materially different.

ii. Mining right

International Accounting Standard 38 (IAS 38), Intangible Assets, requires an entity to recognize its intangible assets, such as mining rights at cost of fair value. The Corporation transferred its mining rights to its joint ventures in consideration for 50% shareholding in the entities, the value of which has not been included in these financial statements. The joint ventures are Mbada Diamonds (Private) Limited, Diamond Mining Corporation (Private) Limited and Jinan Mining (Private) Limited. This constitutes a departure from International Financial Reporting Standards. The effect of non compliance has not been established.

iii. Valuation and existence of inventories

We were appointed as auditors for one of the consolidated joint ventures, Jinan Mining (Private) Limited, after 31 December 2012 and thus did not observe the counting of inventories. We were unable to satisfy ourselves by alternative means as to the valuation and existence of inventories held at 31 December 2012 which are included in the consolidated statement of financial position at US$10,677,271.

iv. Valuation of property, plant and equipment

Included in property, plant and equipment is equipment valued at US$33,456,046 belonging to a consolidated joint venture Jinan Mining (Private) Limited components of which were carried both at cost and fair value for the same class of assets. This contravenes the requirements of International Accounting Standard 16 (IAS 16), which requires that entire class of property, plant and equipment should be valued on the same basis. Additionally, the valuation report on which the values of property, plant and equipment was based comprised items which do not meet the definition of assets per IAS 16. As at reporting date, the process of establishing a complete and accurate asset register was underway. There were no satisfactory alternative audit procedures which we could perform to verify whether any adjustments to the recorded values were necessary.

Qualified opinion

In our opinion, except for the effects of the matters described in paragraphs (i) to (iV) above, the consolidated financial statements give true and fair view of the position of **ZIMBABWE MINING DEVELOPMENT CORPORATION AND ITS SUBSIDIARIES** as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter on significant subsidiaries that have been consolidated

Without further qualifying our opinion, we draw attention to Note 32 to the consolidated financial statements which describes the going concern uncertainty for three significant subsidiaries and a joint venture which has been consolidated, namely, Marange Resources (Private) Limited, Jena Mines (Private) Limited, Kimberworth investments (Private) Limited and Mbada diamonds (Private) Limited. Marange Resources (Private) Limited incurred a loss before tax of US$24, 387, 958 (2011 profit before tax: US$41, 840,803) and its current liabilities exceeded its current assets by US$52,598, 293 (2011: US$16, 417, 227), Jena Mines (Private) Limited incurred a loss before tax of US$1, 856, 548 (2011: US$2, 284, 068) and its current liabilities exceeded its current assets by US$7,629,939 (2011: US$3, 570,824). Kimberworth Investments (Private) Limited incurred a loss before tax of US$5, 877,630 (2011: US$3, 373,668) and its current liabilities exceeded its current assets by US$10, 018,284 (2011: US$4,039,313). Mbada Diamonds (Private) Limited's current liabilities exceeded its current assets by US$71, 395,606 (2011: US$35, 379,050). These conditions along with other matters as set forth under Note 32 to the consolidated financial statements indicate the existence of a material uncertainty that may cast significant doubt about the ability of the subsidiaries and joint venture to continue as going concerns.

Report on legal and regulatory requirements

The Corporation had not redenominated its share capital from Zimbabwe dollars to United States dollars which is the functional and presentation currency. In our opinion, except for the matter above, the consolidated financial statements have been properly prepared in compliance with requirements of the ZMDC Act (Chapter 21:08)

bdo zimbabwe

BDO Zimbabwe
Chartered Accountants

Harare
10 February 2014

ZIMBABWE MINING DEVELOPMENT CORPORATION AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December, 2012

	Note	2012 US$	Restated 2011 US$
ASSETS			
Non current assets			
Property, plant and equipment	4	189,259,091	127,798,328
Exploration and evaluation assets	5	20,777,728	10,866,568
Intangible assets	6	1,728,178	2,085,963
Investment in subsidiary	8	2,000,000	-
Available for sale investments	9	10,234,609	10,222,763
Deferred tax	10.1	1,563,141	-
Long term receivables	11	1,462,737	353,201
		227,025,484	151,326,823
Current assets			
Inventories	12	29,248,828	17,448,019
Accounts receivable	11	60,606,812	55,152,727
Related party receivables	13.2	33,081,513	848,590
Bank and cash balances		3,310,354	7,168,933
		126,247,507	**80,618,269**
TOTAL ASSETS		**353,272,991**	**231,945,092**
EQUITY AND LIABILITIES			
Equity and reserves			
Share capital	14	-	-
Non distributable reserve		32,039,841	32,039,841
Retained earnings		102,439,804	54,976,743
Mark to market reserve		229,198	217,945
		134,708,843	**87,234,529**
Non controlling interests		549,467	767,312
		135,258,310	**88,001,841**
Non current liabilities			
Long term loans	15.1	5,864,855	3,439,880
Environmental rehabilitation provision	16	16,899,333	7,214,964
Deferred tax	10.2	22,759,878	18,192,668
Post employment defined benefit liability	17	544,533	544,533
		46,068,599	29,392,045
Current liabilities			
Accounts payable	18	101,480,926	68,565,842
Related party payables	13.3	16,135,893	10,817,673
Short term loans	15.2	29,575,900	15,226,252
Income tax payable		16,345,049	9,341,080
Bank overdrafts		8,408,314	10,600,359
		171,946,082	**114,551,206**
Total liabilities		**218,014,681**	**143,943,251**
TOTAL EQUITY AND LIABILITIES		**353,272,991**	**231,945,092**

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BOARD CHAIRMAN GENERAL MANAGER

10 February 2014

ZIMBABWE MINING DEVELOPMENT CORPORATION AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December, 2012

	Note	2012 US$	Restated 2011 US$
Revenue	19	307,428,325	279,609,796
Cost of sales		(132,269,635)	(68,268,534)
Gross profit		**175,158,690**	**211,341,262**
Other income	20	58,525,910	21,179,399
Operating expenses	21	(147,476,047)	(101,713,399)
Operating profit		**86,208,553**	**130,807,262**
Net finance income/(cost)	22	3,867,315	(3,851,491)
Profit before tax	23	**90,075,868**	**126,955,771**
Income tax expense	24	(23,486,332)	(28,333,269)
Profit for the year		**66,589,536**	**98,622,502**
Other comprehensive income			
Fair value adjustment on available-for-sale investments		11,845	217,945
Tax effect on fair value adjustments		(592)	-
Prior year adjustments (note 26):			
Defined benefit plan actuarial losses		-	(544,533)
Tax effect on defined benefit plan actuarial losses		-	140,217
Other comprehensive income for the year, net of tax		11,253	(186,371)
Total comprehensive income for the year		**66,600,789**	**98,436,131**
Profit attributable to:			
Owners of the parent		66,807,381	99,124,297
Non controlling interest		(217,845)	(501,795)
		66,589,536	**98,622,502**
Total comprehensive income attributable to:			
Owners of the parent		66,818,634	98,937,926
Non controlling interest		(217,845)	(501,795)
		66,600,789	**98,436,130**

ZIMBABWE MINING DEVELOPMENT CORPORATION AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December, 2012

	Share capital US$	Non distributable reserve US$	Mark to market reserve US$	Retained earnings US$	Total US$	Non controlling interest US$	Total US$
Balance as at 31 December 2010	-	**32,082,181**	**-**	**28,943,390**	**61,025,571**	**1,269,107**	**62,294,678**
	-	-	217,945	98,719,981	98,937,926	(501,795)	98,436,130
Total comprehensive income for the year as previously stated	-	-	217,945	99,124,297	99,342,242	(501,795)	98,840,446
Prior year adjustment (Note **26**)	-	-	-	(404,316)	(404,316)	-	(404,316)
Prior year adjustment (Note **26**)	-	(42,340)	-	-	(42,340)	-	(42,340)
Dividends paid	-	-	-	(72,686,628)	(72,686,628)	-	(72,686,628)
Restated balance as at 31 December 2011	**-**	**32,039,841**	**217,945**	**54,976,743**	**87,234,529**	**767,312**	**88,001,841**
Total comprehensive income for the year	-	-	11,253	66,807,381	66,818,634	(217,845)	66,600,789
Dividends paid	-	-	-	(19,344,320)	(19,344,320)	-	(19,344,320)
Balance as at 31 December 2012	-	**32,039,841**	**229,198**	**102,439,804**	**134,708,843**	**549,467**	**135,258,310**

ZIMBABWE MINING DEVELOPMENT CORPORATION AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December, 2012

	Note	2012 US$	Restated 2011 US$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**90,075,868**	**126,955,771**
Adjustments for:			
Loss/(profit) from disposal of property, plant and equipment		98,069	(20,926)
Depreciation of property, plant and equipment		28,567,525	14,575,970
Amortisation of exploration and evaluation assets		2,631,181	41,980
Impairment of exploration and evaluation assets		129,014	-
Amortisation of intangible assets		354,240	49,779
Impairment of intangible assets		434,580	-
Provision for obsolescence		240,985	21,927
Fair value adjustment		(92,573)	-
Equipment donated		(20,967)	-
Cash flows before working capital changes		**125,366,265**	**149,804,212**
Working capital changes			
Decrease/(increase) in inventories		(11,800,809)	3,350,387
Increase in accounts receivable		(5,454,086)	(31,936,959)
Increase in related party receivables		(32,232,923)	(255,442)
Increase in accounts payable		32,915,084	13,756,398
Increase in related party payables		5,318,220	10,745,977
Increase in short term loans		14,349,648	2,196,501
Net cash flow from operations		**128,461,399**	**147,661,074**
Tax paid		(10,985,302)	(16,787,065)
Net cash flow from operating activities		**117,476,097**	**130,874,009**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(92,702,515)	(86,470,740)
Proceeds from disposal of property, plant and equipment		271,538	93,237
Improvements to property and equipment		(402,563)	-
Increase in long term other receivables		(1,109,536)	24,693
Acquisition of intangible assets		(9,507,986)	(12,407,242)
Increase in investments in subsidiaries		(2,000,000)	-
Net cash utilised in investing activities		**(105,451,062)**	**(98,760,052)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in long term loans		2,424,975	205,704
(Decrease) in shareholders' loans		(639,538)	-
Dividends paid		(19,344,320)	(72,686,628)
Net financing (costs)/income		3,867,315	(3,851,491)
Net cash outflow from financing activities		**(13,691,568)**	**(76,332,415)**
NET DECREASE IN CASH AND CASH EQUIVALENTS		(1,666,534)	(44,218,458)
CASH AND CASH EQUIVALENTS AT 31/12/11		(3,431,426)	40,787,032
CASH AND CASH EQUIVALENTS AT 31/12/12	**25**	**(5,097,960)**	**(3,431,426)**

1. GENERAL INFORMATION

1.1 Incorporation and nature of business

Zimbabwe Mining Development Corporation is wholly owned by the Government of Zimbabwe. The main business of the Corporation and its subsidiaries, which are incorporated in Zimbabwe, is that of mineral extraction and sales. Its registered office is MMCZ Building, 90 Mutare Road, Msasa Harare.

1.2 Currency

The consolidated financial statements are expressed in United States dollars which is both the functional and presentation currency of the group.

2. ACCOUNTING POLICIES

2.1 Basis of preparation

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below.

The policies have been consistently applied to all the years presented, unless otherwise stated. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (Collectively IFRS) issued by the International Accounting Standards Board (IASB).

The preparation of consolidated financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the group's accounting policies. The areas where significant judgments and estimates have been made in preparing the consolidated financial statements and their effect are disclosed in note 3.

2.2 Changes in accounting policies

a) **New standards, interpretations and amendments effective from 1 January 2012;**

The following new standards, amendments and interpretations are effective for the first time in these consolidated financial statements but have not had a material effect on the Group:

- Disclosures Transfers of financial Assets (Amendment to IFRS 7)
- Deferred Tax: Recovery of underlying assets (Amendment to IFRS 12)
- Financial Statement Presentation(Amendment to IAS 1)

b) **New standards, interpretations and amendments not yet effective.**

The following new standards, interpretations and amendments, which have not been applied in these consolidated financial statements, will or may have an effect on the Group's future consolidated financial statements:

-IFRS 7 Amendment to IFRS 7 Financial Instruments:

Disclosure - Offsetting financial assets and financial liabilities: Additional disclosures required in relation to information about rights of offset and related arrangements for financial instruments under an enforceable master netting arrangement (or similar arrangement).

Applicable for annual reporting periods commencing on or after 1 January 2013.

Currently, the group does not have (and is unlikely to have) any enforceable master netting (or similar) arrangements in place, and therefore the amendment will not add any additional quantitative and qualitative disclosures.

IFRS 9 Financial Instruments

Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in IAS 39 have been eliminated. Under IFRS 9, there are three categories of financial assets:

- Amortised cost
- Fair value through profit or loss
- Fair value through other comprehensive income.

Adoption of IFRS 9 is only mandatory for the year ending 31 December 2015.

The Group has not yet made an assessment of the impact of these amendments.

IFRS 10 (issued May 2011)-Consolidated Financial Statements

Introduces a single 'control model' for all entities, including special purpose entities (SPEs), whereby all of the following conditions must be present:

- Power over investee (whether or not power used in practice)
- Exposure, or rights, to variable returns from investee
- Ability to use power over investee to affect the entity's returns from investee.
- When this standard is first adopted for the year ended 31 December 2013, there will be no impact on transactions and balances recognised in the consolidated financial statements because the Group does not have any special purpose entities.

IFRS 11 (issued May 2011)- Joint Arrangements

Joint arrangements will be classified as either 'joint operations' (where parties with joint control have rights to assets and obligations for liabilities) or 'joint ventures' (where parties with joint control have rights to the net assets of the arrangement).

Applicable for annual reporting periods commencing on or after 1 January 2013.

Joint arrangements structured as a separate vehicle will generally be treated as joint ventures and accounted for using the equity method (proportionate consolidation no longer allowed).

When this standard is first adopted for the year ended 31 December 2013, the following joint ventures will be equity accounted for in the consolidated financial statements instead of being consolidated by proportionate consolidation:

a) Mbada Diamonds (Private) Limited
b) Diamond Mining Corporation (Private) Limited
c) Zimbabwe German Graphite Mines (Private) Limited
d) Jinan Mining (Private) Limited
e) Gye Nyame (Private) Limited
f) Todal Mining (Private) Limited.

IFRS 13 Fair Value Measurement- *Currently, fair value measurement requirements are included in several Accounting Standards. IFRS 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value in the consolidated statement of financial position or disclosed in the notes in the consolidated financial statements.*

Application date is for annual reporting periods commencing on or after 1 January 2013.

The group has yet to conduct a detailed analysis of the differences between the current fair valuation methodologies used and those required by IFRS 13. As the revised fair value measurement requirements apply prospectively from 1 January 2013, when this standard is adopted for the first time for the year ended 31 December 2013, the effect of any changes in fair value methodology will be applied solely to this reporting period (i.e. no retrospective application).

IAS 1 Presentation of Financial Statements- Amendments to align the presentation of items of other comprehensive income (OCI) with US GAAP. Amendments applicable to annual periods commencing on or after 1 July 2012. Proposes various name changes of statements in IAS 1 as follows:

- statement of comprehensive income – to be referred to as 'statement of profit or loss and other comprehensive income'
- statements – to be referred to as 'statement of profit or loss' and 'statement of comprehensive income'.

IAS 19 Employee Benefits- Main changes include:

1) Elimination of the 'corridor' approach for deferring gains/losses for defined benefit plans.

2) Actuarial gains/losses on remeasuring the defined benefit plan obligation/asset to be recognised in other comprehensive income rather than in profit or loss, and cannot be reclassified in subsequent periods.

3) Subtle amendments to timing for recognition of liabilities for termination benefits.

4) Employee benefits expected to be settled (as opposed to due to be settled under current standard) wholly within 12 months after the end of the reporting period are short-term benefits, and therefore not discounted when calculating leave liabilities. Annual leave not expected to be used wholly within 12 months of end of reporting period will in future be discounted when calculating leave liability.

Applicable for annual periods commencing on or after 1 January 2013.

When this standard is first adopted for the year ended 31 December 2013, there will be impact on transactions and balances recognised in the consolidated financial statements because the group has a defined benefit plan.

IAS 32 Amendment to IAS 32 Financial Instruments: Presentation -Offsetting financial assets and financial liabilities - The amendment has clarified and expanded the application guidance in relation to the offsetting of financial assets and financial liabilities in respect of:

- The meaning of 'currently has a legally enforceable right of set-off'
- The application of simultaneous realisation and settlement
- The offsetting of collateral amounts
- The unit of account for applying the offsetting requirements

The group has not yet established the impact of the adoption of the amendment.

IAS 32 Financial Instruments: Presentation- Clarifies that the following are required to be accounted for under IAS 12 Income Taxes:

- Income tax relating to distributions to holders of equity instruments
- Income tax relating to transaction costs of an equity instrument.

This means that depending on the circumstances, income tax might be recognised in either profit or loss or equity.

Applicable to periods commencing on or after 1 January 2013.

There is no impact when this amendment is first adopted because the group has always accounted for income taxes relating to distributions to holders of equity instruments and transaction costs of issuing an equity instrument consistent with this clarification.

IFRS 12: *Disclosure of Interests in Other Entities- applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity.*

The IFRS requires an entity to disclose information that enables users of its financial statements to evaluate:

(a) the nature of, and risks associated with, its interests in other entities; and
(b) the effects of those interests on its financial position, financial performance and cash flows.

Applicable to periods beginning on or after 1 January 2013.

There will be an impact on disclosures when this amendment is first adopted because the group has interests in joint arrangements and subsidiaries.

None of the other new standards, interpretations and amendments, which are effective for period beginning after 1 January 2012 and which have not been adopted early, are expected to have a material effect on the group's future consolidated financial statements.

2.3 Basis of consolidation

Where the Group has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the Corporation and its subsidiaries ("the group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

2.4 Non-controlling interests

For business combinations completed prior to 1 January 2010, the group initially recognised any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets.

For business combinations completed on or after 1 January 2010 the group has the choice, on a transaction by transaction basis, to initially recognise any non-controlling interest in the acquiree which is a present ownership interest and entitles its holders to a proportionate share of the entity's net assets in the event of liquidation at either acquisition date fair value or, at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. Other components of non-controlling interest such as outstanding share options are generally measured at fair value. The group has not elected to take the option to use fair value in acquisitions completed to date.

From 1 January 2010, the total comprehensive income of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests. Before this date, unfunded losses in such subsidiaries were attributed entirely to the group. In accordance with the transitional requirements of IAS 27 (2008), the carrying value of non-controlling interests at the effective date of the amendment has not been restated.

2.5 Goodwill

Goodwill represents the excess of the cost of a business combination over, in the case of business combinations completed prior to 1 January 2010, the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired and, in the case of business combinations completed on or after 1 January 2010, the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

For business combinations completed prior to 1 January 2010, cost comprised the fair value of assets given, liabilities assumed and equity instruments issued, plus any direct costs of acquisition. Changes in the estimated value of contingent consideration arising on business combinations completed by this date were treated as an adjustment to cost and, in consequence, resulted in a change in the carrying value of goodwill.

For business combinations completed on or after 1 January 2010, cost comprises the fair value of assets given, liabilities assumed and equity instruments issued, plus the amount of any non-controlling interests in the acquiree plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree. Contingent consideration is included in cost at its acquisition date fair value and, in the case of contingent consideration classified as a financial liability, remeasured subsequently through profit or loss. For business combinations completed on or after 1 January 2010, direct costs of acquisition are recognised immediately as an expense.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated statement of comprehensive income on the acquisition date.

2.6 Revenue recognition

Revenue which excludes value added tax, comprises the invoiced value of goods and services supplied. The sale of metals is recognised when shipment is made to customers. Revenue from services is recognised when the service is rendered.

2.7 Intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives. Impairment assessments are done at least annually on the intangible assets. Estimated discounted cash flow method is used when assessing the assets for impairment.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques.

In-process research and development programmes acquired in such combinations are recognised as an asset even if subsequent expenditure is written off because the criteria specified in the policy for development costs are not met.

SAP software is the intangible asset recognised by the Group which has a useful economic life of 10 years.

2.8 Financial Instruments

Non-derivative financial instruments carried in the financial statements comprise: cash and cash equivalents, short term investments, loans, trade and other receivables, trade and other payables and amounts owing to and from related parties. These instruments are recognised initially at fair value plus, for instruments not at fair value through profit and loss, any directly attributable transaction costs.

(i) Financial assets

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading and those designated as at fair value through profit or loss at inception. A financial asset is classified into this category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit-taking, or if so designated by management in terms of the group's long term investment strategy. Financial assets designated as at fair value through profit or loss at inception are those that are managed and whose performance is evaluated on a fair value basis.

Information about these financial assets is provided internally on a fair value basis to the group's key accounting policies of financial assets in which there is evidence of short profit-taking, or if so designated by management in terms of the group's long term investment strategy.

Changes in the fair value of the financial assets at fair value through profit or loss category are included in the consolidated statement of comprehensive income in the finance income or expense line item in the period in which they arise. The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active or if they are unquoted, the group establishes fair value by using valuation techniques. These include discounted cash flow analysis, use of recent arm's length transactions, and reference to other instruments that are substantially the same, discounted cash flow analysis, price earnings valuations and net asset values basis. Financial assets at fair value through profit or loss are subsequently carried at fair value.

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.
Available-for-sale financial assets are subsequently carried at fair value and where it is difficult to estimate fair value, unquoted equity investments are measured at cost. Changes in the fair value are recognised in other comprehensive income and accumulated in the available for sale reserve; exchange differences on corporate bonds denominated in a foreign currency and interest calculated using effective interest rate method is recognised in profit or loss. Where there is significant or prolonged decline in the fair value of an available for sale financial asset (which constitute objective evidence of impairment), the full amount of impairment,

including any amount previously recognised in other comprehensive income, is recognised in profit or loss. Purchases and sales of available for sale financial assets are recognised on settlement date with any changes in fair value between trade date and settlement date being recognised in the available for sale reserve.

On sale, the cumulative gain or loss recognised in other comprehensive income is reclassified from available for sale reserve to profit or loss.

De-recognition of financial assets

Investments are derecognised when the rights to receive cash flows from the investments have expired or where they have been transferred and the group has also transferred substantially all risks and rewards of ownership. Gains and losses are recognised in consolidated statement of comprehensive income when the financial assets are derecognised or impaired, as well as through the amortization process.

Impairment of financial assets

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

Impairment of other non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment i.e. intangible assets and equipment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognised in the consolidated statement of comprehensive income.

When an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit) in prior years.

A reversal of the impairment loss is recognised as income immediately unless the relevant asset is carried at a revalued amount in which case the reversal of the impairment loss is treated as an increase in the revaluation reserve.

Cash and cash equivalents

For the purpose of the consolidated statement of cashflows, cash and cash equivalents comprise of bank balances, cash on hand, deposits held on call with banks and bank overdrafts.

(i) **Financial liabilities**

The group classifies its financial liabilities into one category. Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method.

Fair value measurement hierarchy

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

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2)

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

2.9 Employee benefits

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

Short term benefits

Short term benefits are employee benefits (other than termination benefits) which fall due wholly within twelve months after the end of the period in which the employees render related services.

When an employee has rendered services during an accounting period, the Group recognizes the undiscounted amount of the short-term employee benefits expected to be paid in exchange for that service as an expense in the profit or loss account.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Employee benefits are provided for employees through the ZMDC Pension Fund and the National Social Security Authority (NSSA), Mining Industry Pension Fund and Marsh Employee Benefits Zimbabwe (Private) Limited. For defined retirement benefit plans with ZMDC Pension Fund, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at intervals not exceeding three years.

Actuarial gains and losses that exceed 10 percent of the greater of the present value of the Group's defined benefit obligation and the fair value of plan assets are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognized immediately to the extent that the benefits are already vested and otherwise is amortised on a straight line basis over the average period until the benefits become vested.

The cost of retirement benefits applicable to NSSA is determined by the systematic recognition of legislated contributions. Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

The Mining Industry Pension Fund and Marsh Employee Benefits Zimbabwe (Private) Limited are accounted for as defined contribution plans. Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

2.10 Property, plant and equipment

Property, plant and equipment are initially recorded at cost. Their useful lives and residual values are assessed annually. Annual depreciation is charged proportionately over the remaining useful life of an asset where its carrying amount is higher than its residual value. If the carrying amount is lower than the residual value, no depreciation is charged.

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

The Corporation and its subsidiaries acquire their computers, furniture and fittings and office equipment with the intention to use them for their entire useful lives.

Subject to the above, items of property, plant and equipment are depreciated on a straight line basis over the remaining useful lives as follows:

Buildings	40 years
Mining assets	10 years
Capital improvements	10 years
Furniture, fittings and office equipment	10 years
Aircraft	5 years
Motor vehicles	5 years
Laboratory equipment	5 years
Computer equipment	3 years

Land not and Capital work in progress not depreciated

The assets' residual values and useful lives are reviewed at each statement of financial position date and adjusted if appropriate.The residual value of an asset is the estimated amount that would currently be obtained from disposal of the asset, after deducting the estimated costs of disposal, if the asset was already of the age and in condition expected at the end of its useful life.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amounts. These gains and losses are included in the consolidated statement of comprehensive income.

Impairment of property, plant and equipment

The carrying amount of property, plant and equipment is reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Impairment loss is recognised directly through the statement of comprehensive income when the carrying amounts of the assets exceed the fair values of the respective assets.

Calculation of recoverable amount

The recoverable amount of items of property, plant and equipment is the greater of the fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

De-recognition of property, plant and equipment

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from use or disposal.

2.11 Mining assets

Mining assets are initially measured at cost. Mining and exploration assets for subsidiary companies not involved in mining are not depreciated until transferred to a mining company as they are projects under development. Mining plant and equipment for mining companies are depreciated over the expected life of the mine.

Mining assets include:

1. Mining equipment
2. Mine development
3. Mine infrastructural development
4. Processing plant and equipment

Subsequent to initial recognition mining assets are measured at cost less accumulated amortisation and impairment losses.

Mining assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration asset and evaluation asset may exceed its recoverable amount.

2.12 General provisions

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

2.13 Environmental rehabilitation obligations

Provision for rehabilitation costs is recognised when the group has a present obligation under current Environmental Laws and its social responsibility programme. These long term obligations result from environmental disturbances associated with the group's mining operations. Estimates are determined by environmental specialists in accordance with environmental regulations.

Decommissioning costs

These costs relate to the cost of dismantling the permanent and non permanent structure and rectifying environmental damage that may have been caused by the erection of those structures. The net present value of future decommissioning cost estimates have been recognised against the respective assets and provided for in full in the financial statements. The estimates are reviewed annually to take into account the effects of changes in the estimates. The changes to these estimates are charged in the profit or loss as they occur

Ongoing rehabilitation costs

The cost of the ongoing programmes to prevent and control pollution and rectify environment damage is charged against income when incurred.

2.14 Foreign currency transactions

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

2.15 Borrowing costs

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

2.16 Income tax

i) **Current tax**

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

ii) Deferred tax Deferred income tax is provided using the liability method on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except: Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither the accounting profit nor taxable profit or loss; and in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures where the timing of the reversal of the temporary differences can be controlled and it is probable that reversal of the temporal differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except: "where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither the accounting profit nor taxable profit or loss; and in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures. Deferred tax assets are recognised only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets at each statement of financial position date are reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each statement of financial position date and recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date. Income tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets

against current tax liabilities and the deferred tax relate to the same taxable entity and the same taxation authority. Deferred capital gains tax arises on the revalued property.
The capital gains tax liability is computed on the revaluation adjustment based on rates ruling on the statement of financial position date.

2.17 Inventories

Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion for mined minerals and other costs incurred in bringing the inventories to their present location and condition. Inventories are stated at the lower of cost and net realisable value, after making allowance for obsolete inventory. Net realisable value is the estimate of the selling price in the ordinary course of business, less the applicable selling expenses. The accounting policies for inventory are as follows:

- Diamonds, emeralds, and graphite are accounted for on first in first out basis
- Raw materials and consumables are accounted for on weighted average cost basis

2.18 Leases

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

2.19 Joint venture arrangements

Jointly controlled entities are included in the consolidated financial statements using proportionate consolidation method. The share of each of the jointly controlled entity's assets, liabilities, income and expenses are combined on a line-by-line basis with those of the Group. Profits and losses arising on transactions between the Corporation and jointly controlled entities are recognised only to the extent of unrelated investors' interests in the entity.

The investor's share in the jointly controlled entity's profits and losses resulting from these transactions is eliminated against the asset or liability of the jointly controlled entity arising on the transaction.

The Group includes the assets it controls, its share of any income and the liabilities and expenses of jointly controlled operations and jointly controlled assets in accordance with the terms of the underlying contractual arrangement.

2.20 Exploration and evaluation assets

The Group recognize costs incurred directly in carrying out exploration and evaluation of the mineral resources as exploration and evaluation assets. In determining exploration and evaluation costs that can be capitalized, the Group considers the degree to which the expenditure can be associated with finding specific mineral resources.

The assets are initially recognised at cost and subsequently amortised over the life of the mine based on proven and probable ore reserves of the mine.

Exploration and evaluation assets shall be assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, an entity shall measure, present and disclose any resulting impairment loss.

3 CRITICAL JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

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

(a) Trade receivables

The Group and its subsidiaries assess trade receivables for impairment at each statement of financial position date. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Corporation and its subsidiaries make judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

(b) Impairment testing

The Corporation and its subsidiaries review and test the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

(c) Residual values

The Corporation and its subsidiaries are required to assess residual values and the remaining useful lives of property, plant and equipment on an annual basis. This affects the amount of depreciation that is recognised in the consolidated statement of financial position. Management assessed residual values at nil for all assets as it intends to use the assets until the end of their economic useful lives.

(d Fair values

The Corporation and its subsidiaries determine the fair values of financial instruments that are not quoted, using valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. In that regard, the derived fair value estimates cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realized immediately.

(e) Post-employment benefits

The costs, assets and liabilities of the defined benefit scheme operated by the Group are determined using methods relying on actuarial estimates and assumptions. Details of the key assumptions are set out in note 18. The Group takes advice from independent actuaries relating to the appropriateness of the assumptions. Changes in the assumptions used may have a significant effect on the consolidated statement of comprehensive income and the consolidated statement of financial position.

(f) Provisions and contingency liabilities

In accordance with IFRSs the Group recognises a provision where there is a present obligation from a past event, a transfer of economic benefits is probable and the amount of costs of the transfer can be estimated reliably. In instances where the criteria are not met, a contingent liability may be disclosed in the notes to the financial statements. Obligations arising in respect of contingent liabilities that have been disclosed, or those which are not currently recognised or disclosed in the financial statements could have a material effect on the Group's financial position. Application of these accounting principles to legal cases requires the Group's management to make determinations about various factual and legal matters beyond its control.

The Group reviews outstanding legal cases following developments in the legal proceedings and at each reporting date, in order to assess the need for provisions and disclosures in its financial statements. Among the factors considered in making decisions on provisions are the nature of litigation, claim or assessment, the legal process and potential level of damages in the jurisdiction in which the litigation, claim or assessment has been brought, the progress of the case (including the progress after the date of the financial statements but before those statements are issued), the opinions or views of legal advisers, experience on similar cases and any decision of the Group 's management as to how it will respond to the litigation, claim or assessment.

(g) Life of mine

The Group assesses the remaining useful lives of its mines. This affects the amount of depreciation that is recognised in the financial statements.

(h) Provision for rehabilitation costs

The Group's is required to estimate a liability relating to cost of environmental and other remedial work such as reclamation, close down, restoration and pollution control.

(i) Exploration and evaluation expenditure

Exploration expenditure which meets the asset recognition criteria is capitalised and amortised over the life of the mine. This affects the amount of assets and armotisation expense that are recognised in the financial statements.

The carrying value of capitalised exploration and evaluation expenditure is also assessed for impairment at the cash generating unit level whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

The recoverable amount of capitalised exploration and evaluation expenditure is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

ZIMBABWE MINING DEVELOPMENT CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
for the year ended 31 December, 2012

4 PROPERTY, PLANT AND EQUIPMENT

	Mining assets US$	Land & buildings US$	Capital improvements US$	Aircraft US$	Motor vehicles US$	Capital work in progress US$	Laboratory equipment US$	Computer equipment US$	Furniture, fittings & office equipment US$	Total US$
Carrying amount at 31 December 2010	**19,546,726**	**24,821,998**	**934,118**	**375,226**	**1,999,706**	**1,952,755**	**9,394**	**2,831,096**	**1,114,046**	**53,585,065**
Gross carrying amount - cost	25,545,495	43,891,750	958,194	551,474	2,666,686	1,952,755	49,120	3,300,366	1,319,635	80,235,475
Accumulated depreciation	(5,998,769)	(19,069,752)	(24,076)	(176,248)	(666,980)	-	(39,726)	(469,270)	(205,589)	(26,650,410)
Additions	59,745,069	1,266,662	613,505	-	5,257,060	30,788,801	-	2,145,494	4,654,376	104,470,967
Prior period adjustments:										
Adjustment for additions	(2,169,447)	(104,420)	-	-	-	(15,726,360)	-	-	-	(18,000,227)
Reclassified assets	(62,107)	-	-	-	-	-	-	2,178	8,747	(51,182)
Cost	(60,265)	-	-	-	-	-	-	17,118	(9,461)	(52,608)
Accumulated depreciation	(1,842)	-	-	-	-	-	-	(14,940)	18,208	1,426
Decommissioning and restoration costs	2,474,521	-	-	-	-	-	-	-	-	2,474,521
Transfer from work in progress	1,500,035	74,150	-	-	-	(1,575,810)	-	1,625	-	-
Disposals	(9,390)	-	-	-	(73,531)	-	-	-	-	(82,919)
Cost	(17,176)	-	-	-	(156,734)	-	-	-	-	(173,910)
Accumulated depreciation	7,787	-	-	-	83,204	-	-			90,991
Impaired buildings	-	(21,927)	-	-	-	-	-	-	-	(21,927)
Cost	-	(33,800)	-	-	-	-	-	-	-	(33,800)
Accumulated depreciation	-	11,873	-	-	-	-	-	-	-	11,873
Depreciation charge for the year	(8,824,432)	(1,947,887)	(119,911)	(109,993)	(1,272,238)	-	(5,476)	(1,237,246)	(1,058,787)	(14,575,970)
Restated carrying amount at 31 December 2011	**72,200,976**	**24,088,576**	**1,427,712**	**265,233**	**5,910,998**	**15,439,386**	**3,918**	**3,743,147**	**4,718,382**	**127,798,328**
Gross carrying amount -cost	87,018,232	45,094,342	1,571,699	551,474	7,767,012	15,439,386	49,120	5,464,603	5,964,550	168,920,418
Accumulated depreciation	(14,817,256)	(21,005,766)	(143,987)	(286,241)	(1,856,014)	-	(45,202)	(1,721,456)	(1,246,168)	(41,122,090)

IBABWE MINING DEVELOPMENT CORPORATION AND SUBSIDIARIES
TES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
he year ended 31 December, 2012

PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	Mining assets US$	Land & buildings US$	Capital improvements US$	Aircraft US$	Motor vehicles US$	Capital work in progress US$	Laboratory equipment US$	Computer equipment US$	Furniture, fittings & office equipment US$	Total US$
Restated carrying amount at 31 December 2011	**72,200,976**	**24,088,576**	**1,427,712**	**265,233**	**5,910,998**	**15,439,386**	**3,918**	**3,743,147**	**4,718,382**	**127,798,328**
Gross carrying amount -cost	87,018,232	45,094,342	1,571,699	551,474	7,767,012	15,439,386	49,120	5,464,603	5,964,550	168,920,418
Accumulated depreciation	(14,817,256)	(21,005,766)	(143,987)	(286,241)	(1,856,014)	-	(45,202)	(1,721,456)	(1,246,168)	(41,122,090)
Additions	56,827,205	21,105,049	1,625,888	-	2,440,210	8,561,702	4,067	1,793,641	344,753	92,702,515
Transfer from work in progress	-	-	-	-	-	(3,539,088)	-	-	3,539,088	-
Reclassifications	(532,352)	2,090,588	-	-	11,553	-	-	(819,789)	-	750,001
Improvements	-	402,563	-	-	-	-	-	-	-	402,563
Decommissioning and restoration costs	2,868,711	-	-	-	-	-	-	-	-	2,868,711
Transfer to exploration and evaluation assets	(1,086,487)	-	-	-	-	(2,171,965)	-	-	-	(3,258,452)
Assets adjustment	(1,146,277)	29,819	-	-	-	-	-	-	-	(1,116,458)
Disposals	-	(273,241)	-	-	(96,366)	-	-	-	-	(369,607)
Cost	-	(319,511)	-	-	(177,652)	-	-	-	-	(497,163)
Accumulated depreciation	-	46,270	-	-	81,286	-	-	-	-	127,556
Impairment loss	(1,898,760)	(10,000)	-	-	(12,318)	-	(7,873)	(757)	(21,276)	(1,950,984)
Depreciation charge for the year	(20,763,702)	(3,175,459)	(108,391)	(99,464)	(2,130,525)	-	-	(1,462,361)	(827,623)	(28,567,525)
Carrying amount at 31 December 2012	**106,469,314**	**44,257,895**	**2,945,209**	**165,769**	**6,123,552**	**18,290,035**	**112**	**3,253,881**	**7,753,324**	**189,259,091**
Gross carrying amount -cost	143,949,032	68,402,850	3,197,587	551,474	10,041,123	18,290,035	53,187	6,438,455	9,848,391	260,369,572
Accumulated depreciation	(37,479,718)	(24,144,955)	(252,378)	(385,705)	(3,917,571)	-	(53,075)	(3,184,574)	(2,095,067)	(71,513,043)

ZIMBABWE MINING DEVELOPMENT CORPORATION AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
for the year ended 31 December, 2012

5 EXPLORATION AND EVALUATION ASSETS

	US$
Carrying amount as at 31 December 2010	**498,943**
Cost	541,034
Accumulated amortisation and impairment	(42,091)
Additions	10,280,342
Amortisation	(41,980)
Prior year reclassifications adjustments:	
Cost	129,263
Accumulated amortisation	-
Restated carrying amount as at 31 December 2011	**10,866,568**
Cost	10,950,639
Accumulated amortisation and impairment	(84,071)
Additions	9,254,121
Cost adjustment	158,782
Transfer from property plant and equipment	3,258,452
Amortisation charge for the year	(2,631,181)
Impairment loss	(129,014)
Carrying amount as at 31 December 2012	**20,777,728**
Cost	23,621,994
Accumulated amortisation and impairment	(2,844,266)

The assets relate to the exploration and evaluation costs incurred on the areas that are currently being mined by the group.

ZIMBABWE MINING DEVELOPMENT CORPORATION AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
for the year ended 31 December 2012

6 INTANGIBLE ASSETS

	Goodwill US$	Computer software US$	Total US$
Carrying amount as at 31 December 2010	**-**	**-**	
Cost	-	-	-
Accumulated amortisation and impairment	-	-	-
Additions	-	2,126,900	2,126,900
Amortisation	-	(49,779)	(49,779)
Prior year reclassifications adjustments:			
Cost		10,268	10,268
Amortisation		(1,426)	(1,426)
Restated carrying amount as at 31 December 2011	**-**	**2,085,963**	**2,085,963**
Cost	-	2,137,168	2,137,168
Accumulated amortisation and impairment	-	(51,205)	(51,205)
Additions	-	253,865	253,865
Acquired through business combination	177,170	-	177,170
Amortisation charge for the year	-	(354,240)	(354,240)
Impairment loss	-	(434,580)	(434,580)
Carrying amount as at 31 December 2012	**177,170**	**1,551,008**	**1,728,178**
Cost	177,170	2,391,033	2,568,203
Accumulated amortisation and impairment	-	(840,025)	(840,025)

ZIMBABWE MINING DEVELOPMENT CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
for the year ended 31 December, 2012

7 INVESTMENT IN SUBSIDIARIES AND JOINT VENTURES

	Operating status	2012 Percentage holding	2011 Percentage holding
7.1 Subsidiaries			
Sandawana Mines (Private) Limited	Operating	90%	90%
Jena Mines (Private) Limited	Operating	100%	100%
Kimberworth Investments (Private) Limited	Operating	100%	100%
Marange Resources (Private) Limited	Operating	100%	100%
Protea Court (Private) Limited	Operating	100%	100%
Mineral Development (Private) Limited	Operating	100%	100%
Kusena Diamonds (Private) Limited	Operating	100%	100%
Primcon Enterprises (Private) Limited	Operating	100%	100%
Kamativi Mines (Private) Limited	Dormant	91.30%	91.30%
Lomagundi Smelting and Refinery (Private) Limited	Dormant	65%	65%
Mhangura Copper Mine (Private) Limited	Dormant	54.56%	54.56%
Shabani and Mashava Mines (Private) Limited	Operating	76%	-
7.2 Joint ventures			
Mbada Diamonds (Private) Limited	Operating	50%	50%
Zimbabwe German Graphite Mine (Private) Limited	Operating	50%	50%
Gye Nyame (Private) Limited	Operating	50%	50%
Global Platnum (Private) Limited	Operating	50%	50%
Jinan Mining (Private) Limited	Operating	50%	50%
Diamond Mining Corporation (Private) Limited	Operating	50%	50%
Todal Mining (Private) limited	Operating	40%	40%

	2012 US$	2011 US$
8 INVESTMENT IN SUBSIDIARIES		
Opening balance	-	-
Additions	2,000,000	-
Closing balance	**2,000,000**	-
Analysed as follows:		
Shabani and Mashava Mines (Private) Limited	2,000,000	-

The investment is unlisted and measured at cost.

	2012 US$	2011 US$
9 AVAILABLE FOR SALE INVESTMENTS		
Quoted equity investments		
Opening balance	222,763	4,819
Fair value adjustment	11,846	217,944
Closing balance	**234,609**	**222,763**
Unqouted equity investment		
10% investment in Anjin Investments (Private) Limited	10,000,000	10,000,000
Total	**10,234,609**	**10,222,763**

ZIMBABWE MINING DEVELOPMENT CORPORATION AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
for the year ended 31 December 2012

		2012 US$	2011 US$
10	**DEFERRED TAX**		
10.1	**Asset**		
	Analysis of deferred tax		
	Assessed loss	8,890,894	-
	Temporary differences on property, plant and equipment	(10,454,035)	-
		(1,563,141)	-
	Deferred tax reconciliation		
	Opening balance	-	-
	Movement through profit or loss	(1,563,141)	-
	Closing balance	**(1,563,141)**	-
10.2	**Liability**		
	Analysis of deferred tax;		
	Assessed loss	(5,555,208)	(2,469,493)
	Prepayments	160,018	-
	Provision for mine rehabilitation	(1,483,671)	(1,082,055)
	Post employment defined benefit liability	(140,217)	(140,217)
	Leave pay provision	(107,702)	-
	Unrealised exchange differences	1,608,132	(215,478)
	Temporary differences on property, plant and equipment	28,278,526	22,099,911
		22,759,878	**18,192,668**
	Deferred tax reconciliation		
	Opening balance	18,192,668	10,046,713
	Prior year over provision (note **26**)	-	(260,630)
	Movement through other comprehensive income	592	-
	Movement through profit or loss	4,566,618	8,406,585
	Closing balance	**22,759,878**	**18,192,668**
11	**ACCOUNTS RECEIVABLE**		
	Trade	933,199	1,495,891
	Prepayments	19,422,565	18,859,719
	VAT receivable	4,994,440	8,330,130
	Staff loans	2,136,952	1,162,594
	Other	75,783,372	66,159,092
		103,270,528	96,007,426
	Provision for credit losses	(41,200,979)	(40,501,498)
	Fair value of accounts receivable	62,069,549	55,505,928
	Less long term receivables	(1,462,737)	(353,201)
	Short term receivables	**60,606,812**	**55,152,727**

The fair value of trade and other receivables classified as loans and receivables are as follows:

	2012 US$	2011 US$
Trade	933,199	1,495,891
Other	61,136,350	54,010,037
	62,069,549	55,505,928

As at 31 December 2012, trade receivales of US$27,530,427 (2011:US$28,685,740) were past due but not impaired. They relate to clients with no default history. The aged analysis of these receivables is shown below:

	2012 US$	2011 US$
up to 3 months	256,489	8,330,130
3 to 6 months	4,552,813	1,495,891
9 to 12 months	22,721,125	18,859,719
	27,530,427	**28,685,740**

ZIMBABWE MINING DEVELOPMENT CORPORATION AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
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11 ACCOUNTS RECEIVABLE (Cont'd)

	2012 US$	2011 US$
As at 31 December 2012, trade receivables that were past due and impaired are as follows:		
3 to 6 months	1,200,979	501,498
9 to 12 months	40,000,000	40,000,000
	41,200,979	40,501,498
Movement on the group provision for impairment of trade receivables is as follows:		
Balance at the beginning of the year	40,501,498	40,115,669
Provided for during the year	699,481	385,829
Balance at the end of the year	41,200,979	40,501,498

The increase in allowances for credit losses has been included in the other operating and administrative expenses line item in the consolidated statement of comprehensive income. Other classes of financial assets included within trade and other receivables do not contain impaired assets.

12 INVENTORIES

	2012 US$	2011 US$
Emeralds	10,000	10,000
Diamonds	9,689,071	10,993,620
Graphite	170,097	215,247
Work in progress	396,973	535,140
Spares and consumables	18,982,687	5,694,012
	29,248,828	17,448,019

13 RELATED PARTY INFORMATION

13.1 Volume of transactions with related parties

The aggregate amount brought to account in respect of the following types of transactions and each class of related party involved were:

Name of other related party	Transaction Type	2012 US$	2011 US$
Receipts			
Anjin Investments (Private) Limited	- Management fee income	6,298,019	7,403
	- Receipts in advance	1,000,000	-
Lomagundi Smelting & Mining (Private) Limited	- Rental income	926	-
Kamativi Tin Mines (Private) Limited	- Rental income	5,825	-
Pure Diam	- Receipts in advance	13,420,090	-
	- Management fee income	1,279,725	-
Diamond Mining Corporation (Private) Limited	- Receipts in advance	12,746,933	-
Payments			
ZMDC Pension Fund	- Employee pensions	92,874	60,534
Primcon Enterprises (Private) Limited	- Financing	2,458,168	-
Zimbabwe German Graphite Mines (Private) Limited	- Purchase of inventories	14,229	7,403
Shabani and Mashava Mines (Private) Limited	- Financing	11,544,234	944,759
Grandwell Holdings Limited	- Management fee expense	15,540,446	14,584,829
	- Dividend paid	39,233,635	44,954,624

ZIMBABWE MINING DEVELOPMENT CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
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		2012 US$	2011 US$
13.2	**Related party receivables**		
	ZMDC Pension Fund	26,016	21,691
	Shabani and Mashava Mines (Private) Limited	11,544,234	-
	Mbada Diamonds (Private) Limited	5,530,896	475,897
	Zimbabwe German Graphite Mine (Private) Limited	22,127	351,002
	Kamativi Tin Mine (Private) Limited	5,825	-
	Pure Diam	13,420,090	-
	Anjin Investments (Private) Limited	2,532,325	-
		33,081,513	848,590
13.3	**Related party payables**		
	Lomagundi Smelting and Mining (Private) Limited	926	-
	Mhangura Copper Mines (Private) Limited	6,744	-
	Zimbabwe German Graphite Mines (Private) Limited	14,283	7,142
	Grandwell Holdings Limited	3,367,007	-
	Diamond Mining Corporation (Private) Limited	12,746,933	-
	Mbada Diamonds (Private) Limited	-	10,805,044
	The Reclamation Group (Proprietary) Limited	-	5,487
		16,135,893	10,817,673

Related party balances are unsecured, interest free and have no fixed terms of repayment.

13.4 Compensation to key management

Key management personnel are employees who have authority, are responsible for planning, directing and controlling the activities of the group.

	2012 US$	2011 US$
Short term employee benefits	4,994,654	1,455,257
Long term benefits	112,068	680,879
	5,106,722	2,136,136

	2012 US$	2011 US$
13.5 Loans to key management	206,272	150,323

Loans to key management are secured with benefits accruing to the employees and they accrue interest at a rate of 6% per annum and have fixed repayment terms.

14 SHARE CAPITAL

	2012 US$	2011 US$
Authorised share capital		
180,000,000 ordinary shares ZWD$1 each	-	-
Issued share capital		
54,000,000 issued ordinary share capital of ZWD$1 each	-	-

The share capital for the Corporation has not been redenominated from Zimbabwe dollars to United States dollars which is the functional and reporting currency.

ZIMBABWE MINING DEVELOPMENT CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
for the year ended 31 December, 2012

	2012 US$	2011 US$
15 LOANS		
15.1 Long term		
ZB Bank Limited	568,000	-
Less current portion	(142,000)	-
	426,000	-
Banc ABC Zimbabwe Limited	2,422,580	-
Graphit Kropfmuhl AG	3,016,275	3,439,880
	5,864,855	3,439,880

ZB Bank Limited

The loan is secured by notarial general covering bond number 6496/2011 for US$400,000 and bond number 3043/2012 for US$200,000 over the company's movable assets incorporating a cession of book debts and cession of assets all risk insurance policy number P/4105/103/11/401/50012. It expires on 31 April 2016 and accrues interest at 23% per annum.

Banc ABC Zimbabwe Limited
The loan has a limit of $5,000,000 at an interest rate of 11%. It is unsecured, payable over two years and expires on 4 December 2014.

Graphit Kropfmuhl AG

The balance is unsecured, interest free and will not be repaid in the short term.

	2012 US$	2011 US$
15.2 Short term		
Pure diam	350,000	-
Core Mining and Mineral Resources (Private) Limited	10,959,220	10,959,220
Sino-Zim (Private) Limited	4,267,032	4,267,032
FBC Building Society	3,200,000	-
FBC Bank Limited	8,277,839	-
Banc ABC Zimbabwe Limited	2,379,809	-
ZB Bank Limited (Note **15.1**)	142,000	-
	29,575,900	15,226,252

Pure diam
The amounts outstanding are unsecured and will be settled in cash within the normal course of business. The loans are interest free and no guarantees have been given or received.

Core Mining and Mineral Resources (Private) Limited
The loan of US$10,959,220 was advanced to Canadile Miners (Private) Limited by Core Mining and Mineral Resources (Private) Limited, a former joint venture partner with the Corporation in Canadile Miners (Private) Limited. The joint venture was terminated in 2010 and the business of Canadile Miners (Private) Limited was taken over by Marange Resources (Private) Limited. The loan is unsecured, interest free and has no fixed repayment terms.

Sino-Zim (Private) Limited
The loan of US$4,267,032 was advanced to Kusena Diamonds (Private) Limited by Sino-Zim (Private) Limited, a former joint venture partner with the Corporation. Sino-Zim (Private) Limited pulled out of the joint venture in 2011 and the company is now a 100% owned subsidiary of the Corporation.

The loans are unsecured, interest free and have no fixed repayment terms.

ZIMBABWE MINING DEVELOPMENT CORPORATION AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
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15 LOANS (Cont'd)

FBC Building Society

The loan of US$3,200,000 attracts interest at the rate of 18% per annum and expires on 31 October 2013. The loan is unsecured.

FBC Bank Limited

The loan of US$5,375,000 attracts interest at the rate of 18% per annum and expires on 31 October 2013. The loan is unsecured.

Banc ABC Zimbabwe Limited

The loan of US$2,379,809 attracts interest at the rate of 11% per annum and expire on 4 December 2013. The loan is unsecured.

16 ENVIRONMENTAL REHABILITATION PROVISION

	2012 US$	2011 US$
Balance at the beginning of the year	**7,214,964**	**412,223**
Movement capitalised to non current assets	2,868,711	2,474,521
Movement through profit or loss	6,815,658	4,328,220
Balance at the end of the year	**16,899,333**	**7,214,964**

17 POST EMPLOYMENT BENEFIT PLANS

17.1 Defined benefit plan

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

The assets and liabilities of the fund relating to the individual subsidiaries cannot be separated from the total for the whole group. The most recent actuarial valuation carried out on 31 December 2011 for the whole group fund revealed that the fund was adequately funded.

Actuarial assumptions

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

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

Contributions during the year were as follows:

	2012 US$	2011 US$
Employee benefit expenses	92,874	60,534

Liability recorded in the statement of financial position

	2012 US$	2011 US$
Present value of obligation	3,595,759	3,595,759
Fair value of plan assets	(3,051,226)	(3,051,226)
	544,533	**544,533**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
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		2012	2011
17	**POST EMPLOYMENT BENEFIT PLANS (Cont'd)**	**US$**	**US$**
	Reconciliation of defined benefit obligation		
	Opening balance	**3,595,759**	**937,051**
	Interest cost	-	93,705
	Current services costs	-	2,479,976
	Pensions in payment	-	214,115
	Pending exits	-	(35,394)
	Benefits paid	-	(51,027)
	Actuarial gain	-	(42,667)
		3,595,759	**3,595,759**
	Reconciliation of defined benefit assets		
	Opening balance	**3,051,226**	**1,902,210**
	Expected return on assets	-	1,149,016
	Contributions received	-	139,506
	Benefits paid	-	(51,027)
	Actuarial loss	-	(88,479)
		3,051,226	**3,051,226**
	Plan assets comprise		
	Ordinary shares	339,627	339,627
	Fixed property	1,574,000	1,574,000
	Old Mutual Flex Fund	1,245,432	1,245,432
	Cash on short notice	40,558	40,558
	Net current and other assets	(148,391)	(148,391)
		3,051,226	**3,051,226**
	Expenses recognised in staff costs		
	Current services cost	-	2,479,976
	Interest cost	-	93,705
	Expected return on assets	-	(1,149,016)
17.2	**Other pension funds (defined contribution plans)**		
	Mining Industry Pension Fund	635,039	529,704
	Marsh Employee Benefits Zimbabwe (Private) Limited	584,348	-
		1,219,387	**529,704**

17.3 National Social Security Authority Scheme

Employees are also members of the National Social Security Authority Scheme which is a statutory scheme providing for contribution by both employer and employee at 3% of pensionable emoluments monthly to a maximum of $6 per month per employee.

	2012	2011
Contributions for the year	**300,403**	**234,209**

ZIMBABWE MINING DEVELOPMENT CORPORATION AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
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		2012 US$	2011 US$
18	**ACCOUNTS PAYABLE**		
	Trade	85,947,714	45,420,004
	Other	15,533,212	23,145,838
		101,480,926	**68,565,842**
19	**REVENUE**		
	From trading activities:-		
	Gold sales	26,063,020	24,606,511
	Silver sales	74,059	98,254
	Graphite sales	2,656,464	2,311,923
	Diamond sales	272,259,401	252,063,707
	Emerald sales	-	2,071
	Copper reverts sales	77,362	527,330
	Management fees	6,298,019	-
		307,428,325	**279,609,796**
20	**OTHER INCOME**		
	Sale of mining rights	56,241,956	15,781,422
	Rental income	114,668	112,504
	Profit on disposal of assets	200,344	20,926
	Sundry	1,968,942	5,264,547
		58,525,910	**21,179,399**
21	**OPERATING EXPENSES**		
	Zimbabwe Mining Development Corporation	17,932,906	13,823,006
	Protea Court (Private) Limited	93,473	94,027
	Kimberworth Investments (Private) Limited	6,117,499	10,233,512
	Jena Mines (Private) Limited	7,110,264	8,187,533
	Mineral Development (Private) Limited	1,793,259	2,106,158
	Sandawana Mines (Private) Limited	2,221,334	5,844,161
	Marange Resources (Private) Limited	27,115,495	20,668,329
	Kusena Diamonds (Private) Limited	1,022,321	134,150
	Primcon Enterprises (Private) Limited)	15,027	-
	Mbada Diamonds (Private) Limited	63,799,135	39,337,622
	Zimbabwe German Graphite Mines (Private) Limited	774,446	646,491
	Diamond Mining Corporation (Private) Limited	10,888,325	638,410
	Jinan Mining (Private) Limited	8,592,563	-
		147,476,047	**101,713,399**
22	**NET FINANCE (COST)/INCOME**		
	Net interest payable/(receivable)	(3,457,575)	(3,760,286)
	Interest receivable	120,693	186,100
	Interest payable	(3,578,268)	(3,946,386)
	Unrealised exchange gains/(loss)	7,324,890	(91,205)
		3,867,315	**(3,851,491)**

ZIMBABWE MINING DEVELOPMENT CORPORATION AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
for the year ended 31 December, 2012

		2012 US$	2011 US$
23	**PROFIT BEFORE TAX**		
	Profit before tax has been arrived at after charging the following items:		
	Expenses:-		
	Staff costs	57,410,856	28,034,142
	Contractor costs	11,276,150	8,648,863
	Prospecting and commissioning	142,099	-
	Villagers relocation costs	3,661,968	3,094,605
	Auditors' remuneration	400,763	519,509
	Depreciation of property, plant and equipment	28,504,117	14,575,970
	Amortisation of exploration and evaluation assets	2,631,181	41,980
	Impairment loss on exploration and evaluation assets	129,014	-
	Amortisation of intangible assets	354,240	49,779
	Impairment loss on intangible assets	434,580	-
	Directors' emoluments -for services as directors	997,838	498,200
	-for other services	416,568	156,213
	Corporate social responsibility	4,659,199	1,218,242
	Consulting fees	439,807	204,757
	Legal fees	85,640	179,271
	Marketing fees	1,359,789	1,276,173
	Mineral Marketing of Zimbabwe's royalties and commission	31,436,375	21,877,244
	Environmental rehabilitation costs	6,815,658	4,328,220
	Provision for obsolescence on emeralds	240,985	1,673,444
	Impairment loss on property, plant and equipment	1,944,267	21,927
	Bad debts written off	-	42,288
	Provision for credit losses	699,481	501,498
24	**INCOME TAX EXPENSE**		
	Current	20,650,230	19,926,684
	Deferred	2,836,102	8,406,585
		23,486,332	**28,333,269**
	Tax rate reconciliation		
	Accounting profit before tax	90,075,868	126,955,771
	Tax @ 25.75%	**23,194,536**	**32,691,111**
	Net tax effect of :		
	Non taxable income	(24,554,106)	-
	Non deductable expenses	24,845,902	(4,357,842)
		23,486,332	**28,333,269**
			-

ZIMBABWE MINING DEVELOPMENT CORPORATION AND ITS SUBSIDIARIES
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	2012 US$	2011 US$
25 CASH AND CASH EQUIVALENTS		
Bank and cash	3,310,354	7,168,933
Bank overdraft	(8,408,314)	(10,600,359)
	(5,097,960)	(3,431,426)

Bank overdraft balance relates to the following facilities;

(i) US$1,720,709 relates to an overdraft facility from FBC Bank. The terms of the facility are as follows:

- Overdraft limit of $2,000,000.
- Floating interest rate.

(ii) US$2,024,425 relates to an overdraft facility from BancABC. The terms of the facility are as follows:

- Overdraft limit of USD6 000 000.
- Interest of 11% per annum.
- The loan is unsecured.

(iii) US$4, 463, 889 relates to an overdraft facility from CBZ Bank Limited. The terms of the facility are as follows:

- Overdraft limit of USD5 000 000.
- Interest of 12% per annum.
- The loan is unsecured.

(iv) US$200,000 ZB Bank Limited facility on which interest is charged at the time of drawdown in line with structured deal transactions. As at 31 December 2012, US$199,291 was drawn from the facility.

26 PRIOR YEAR ADJUSTMENTS

(a) Mbada Diamonds (Private) Limited made some payments in advance to a supplier for assets which were meant to be delivered on a later date. The advance payments were erroneously recorded under property, plant and equipment in the prior year. At year end, these assets had not been delivered by the supplier and have been adjusted for retrospectively. The reported balances at 31 December 2011 relating to this error were restated as follows:

(i) Property, plant and equipment balance was reduced by US$15,726,360 and accounts receivable balance was increased by the same amount.

(ii) Property, plant and equipment were further decreased by US$2,169,447, with a resultant decrease in accounts payable with the same amount. This was done to eliminate an additional amount accrued for assets which were not delivered by the supplier.

(b) Mbada Diamonds (Private) Limited's property, plant and equipment was also adjusted by the value of materials delivered to construct bungalows that had been capitalised as land and buildings. The materials should have been recorded as inventory. The effect of the adjustment was to decrease property, plant and equipment by US$104,420 and increase inventory by the same amount.

(c) Exploration costs amounting to US$129,263 incurred at Kusena Diamonds (Private) Limited have been reclassified from cost of inventory to exploration and evaluation assets in order to comply with IFRS 6. requirements.

(d) Marange Resources (Private) Limited reclassified intangible assets relating to SAP software with a carrying amount of US$8,842 which were previously recognised under property, plant and equipment.

(e) The Corporation's Defined benefit plan liability amounting to US$544,533 was omitted in the prior period and has been adjusted for retrospectively.

(f) Assets with a value of US$42,340 were duplicated at Mineral Development (Private) Limited. The error was corrected by decreasing property, plant and equipment and decreasing non distributable reserves by the same amount.

ZIMBABWE MINING DEVELOPMENT CORPORATION AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
for the year ended 31 December, 2012

26 PRIOR PERIOD ADJUSTMENT (Cont'd)

The reported balances at 31 December 2011 relating to the errors above were restated as follows:

Description	As previously reported US$	Adjustment US$	Restated balance US$
Property, plant and equipment	145,849,737	(18,051,409)	127,798,328
Accounts receivable	39,426,367	15,726,360	55,152,727
Accounts payable	70,735,289	(2,169,447)	68,565,842
Inventories	17,472,862	(24,843)	17,448,019
Intangible assets	12,814,426	138,105	12,952,531
Post employment defined benefit liability	-	544,533	544,533
Retained earnings	55,260,646	(544,533)	54,716,113
Non distributable reserve	32,082,181	42,340	32,039,841
Effect on deferred tax	18,453,298	(260,630)	18,192,668
Effect on income tax	28,593,899	(260,630)	28,333,269

27 JOINT VENTURES

27.1 Mbada Diamonds (Private) Limited

The Corporation has a 50% (2011: 50%) interest in a jointly controlled entity, Mbada Diamonds (Private) Limited, which has been accounted for by proportionate consolidation. The following amounts have been recognised in the Group's consolidated statement of financial position and consolidated statement of comprehensive income.

	2012 US$	2011 US$
Non-current assets	65,784,478	56,567,144
Current assets	29,392,374	33,930,735
Current liabilities	(65,090,177)	(51,620,260)
Non-current liabilities	(10,653,701)	(8,218,833)
Net assets	**19,432,974**	**30,658,786**
Income	155,604,804	145,848,290
Expenses	(113,710,529)	(76,376,528)
Profit before tax	41,894,275	69,471,762
Income tax	(13,886,452)	(14,910,217)
Profit after tax	**28,007,823**	**54,561,545**

27.2 Zimbabwe German Graphite Mines (Private) Limited

The Corporation has a 50% (2011:50%) interest in a jointly controlled entity, Zimbabwe German Graphite Mine (Private) Limited which has been accounted for by proportionate consolidation. The following amounts have been recognised in the Group's consolidated statement of financial position and consolidated statement of comprehensive income.

	2012 US$	2011 US$
Non-current assets	1,771,488	3,848,116
Current assets	554,020	581,236
Current liabilities	(252,151)	(377,392)
Non-current liabilities	(426,601)	(496,924)
Net assets	**1,646,756**	**3,555,036**
Income	2,662,569	2,325,991
Expenses	(2,809,862)	(2,341,219)
Loss before tax	(147,293)	(15,228)
Income tax	368,776	37,017
Profit after tax	**221,483**	**21,789**

ZIMBABWE MINING DEVELOPMENT CORPORATION AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
for the year ended 31 December, 2012

27 JOINT VENTURES (Cont'd)

	2012 US$	2011 US$

27.3 Diamond Mining Corporation (Private) Limited

The Corporation has a 50% (2011: 50%) interest in a jointly controlled entity, Diamond Mining Corporation (Private) Limited, which has been accounted for by proportionate consolidation. The following amounts have been recognised in the Group's consolidated statement of financial position and consolidated statement of comprehensive income.

	2012 US$	2011 US$
Non-current assets	14,846,823	12,154,984
Current assets	32,932,369	5,096,972
Current liabilities	(5,137,271)	-
Non-current liabilities	(5,500,824)	-
Net assets	**37,141,097**	**17,251,956**
Income	51,192,374	310
Expenses	(27,199,965)	(638,410)
Profit/(loss) before tax	23,992,409	(638,100)
Income tax	(5,907,114)	90,886
Profit/(loss) after tax	**18,085,295**	**(547,214)**

27.4 Jinan Mining (Private) Limited

The Corporation acquired 50% interest in a jointly controlled entity, Jinan Mining (Private) Limited, on incorporation in 2012 which has been accounted for by proportionate consolidation. The following amounts have been recognised in the Group's consolidated statement of financial position and consolidated statement of comprehensive income.

	2012 US$	2011 US$
Non-current assets	40,747,013	-
Current assets	8,939,180	-
Current liabilities	(612,450)	-
Non-current liabilities	-	-
Net assets	**49,073,743**	**-**
Income	-	-
Expenses	(8,592,563)	-
Loss before tax	(8,592,563)	-
Income tax	1,824,972	-
Loss after tax	**(6,767,591)**	**-**

The venturers injected capital of US$109,095,318 in 2012. The money was injected principally to acquire mining equipment and to meet working capital needs of the company. However, no revenue was generated during 2012 since the company had not been certified to sell its diamonds.

28 CONTINGENT LIABILITIES

28.1

Marange Resources (Private) Limited, a subsidiary of Zimbabwe Mining Development Corporation, is involved in a legal dispute with African Consolidated Resources Limited (ACR) regarding the diamond mining operations in Marange District in Manicaland. The dispute is over ownership of 2000 hectares of mining claims. At reporting date, the matter was pending at the Supreme Court of Zimbabwe. Management has not been able to reliably estimate a provision of potential financial losses arising from the pending legal case.

ZIMBABWE MINING DEVELOPMENT CORPORATION AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
for the year ended 31 December, 2012

28 CONTINGENT LIABILITIES (Cont'd)

28.2 On 5 October 2010, the joint venture agreement between Marange Resources (Private) Limited (100% owned by Zimbabwe Mining Development Corporation) and Core Mining and Mineral Resources (Private) Limited was terminated. Subsequently Marange Resources took over Core Mining's 50% shareholding in Canadile Miners (Private) Limited due to a material breach of terms contained in the shareholders' agreement. Thus, Marange Resorces (Private) Limited became the sole operator of the mining activities.

On 18 November 2010, the directors of Core Mining and Mineral Resources (Private) Limited filed a lawsuit against Marange Resources (Private) Limited (formerly Canadile Miners (Private) Limited) challenging the joint venture termination. At reporting date the case was pending at the High Court of Zimbabwe.

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

28.3 The Corporation cancelled the joint venture agreement with Amari due to alleged misrepresentations made by Amari. Amari has invoked the dispute resolution clause and referred the matter for arbitration by the International Court of Arbitration in Paris. The outcome of the matter cannot presently be determined, and management has not been able to reliably estimate a provision of potential financial losses arising from the pending legal case.

28.4 Three former employees filed a case against the Corporation for unfair dismissal in 2010. At reporting date the case was pending at the Labour Court of Zimbabwe. The outcome of the matter cannot presently be determined, and management has not been able to reliably estimate the extent of the potential financial loss arising from the pending legal case.

28.5 Mbada Diamonds (Private) Limited has an outstanding tax liability due to the Zimbabwe Revenue Authority (ZIMRA) for the period ended 31 December 2011 amounting to US$14,090,356. Management is currently negotiating with ZIMRA and, if successful, the Company will not be charged interest on the outstanding balance.

There is a contingent liability in respect of the interest amounting to US$1,520,668 if the outcome of the negotiations is unfavourable.

29 MANAGEMENT OF CAPITAL

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders.

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

30 FINANCIAL RISK MANAGEMENT

30.1 Financial risk management

The main risks facing the Group are interest rate risk, credit risk, liquidity and cash flow risk.

ZIMBABWE MINING DEVELOPMENT CORPORATION AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
for the year ended 31 December, 2012

30 FINANCIAL RISK MANAGEMENT (Cont'd)

30.2 Credit risk

Financial assets which potentially subject the Group to concentrations of credit risk consists primarily of cash and trade receivables. The Group's cash and cash equivalents are placed with high quality financial institutions. The credit risk with respect to trade receivable is limited to contractual obligations by the debtors.

30.3 Interest rate risk

This is the risk that arises from the adverse movement in the value of future interest receipts resulting from movements in interest rates.

This is the risk of insufficient liquid funds being available to cover commitments. In order to mitigate any liquidity risk that the Group faces, the Group's policy has been throughout the year ended 31 December 2012, to maintain significant liquid resources.

30.4 Market risk sensitivity

The Board of Directors manages and controls market risk exposures of the equity market within acceptable parameters by ensuring optimum return on risk.

A summary of the financial instruments held by category is provided below:

Financial assets

	Loans and receivables		Available for sale	
	2012 USD$	2011 USD	2012 USD$	2011 USD$
Available for sale investments	-	-	10,234,609	10,222,763
Bank and cash balances	3,310,354	7,168,933	-	-
Related party receivables	33,081,513	848,590	-	-
Accounts receivables	60,606,812	55,152,727	-	-
Other receivables	1,462,737	353,201	-	-
Total financial assets	**98,461,416**	**63,523,451**	**10,234,609**	**10,222,763**

Financial Liabilities

	At amortised cost	
	2012 US$	2011 US$
Accounts payable	101,480,926	68,565,842
Related party payables	16,135,893	10,817,673
Short term loans	29,575,900	15,226,252
Bank overdraft	8,408,314	10,600,359
	155,601,033	**105,210,126**

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. Financial assets which potentially subject the Group to concentrations of credit risk consist primarily of cash and trade receivables. The Group's cash and cash equivalents are placed with high quality financial institutions. The credit risk with respect to trade receivables is limited to contractual obligations by debtors.

ZIMBABWE MINING DEVELOPMENT CORPORATION AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
for the year ended 31 December, 2012

30 FINANCIAL RISK MANAGEMENT (Cont'd)

Financial assets	Carrying amount		Maximum Exposure	
	2012 US$	2011 US$	2012 US$	2011 US$
Available for sale investments	10,234,609	10,222,763	10,234,609	10,222,763
Long term receivables	1,462,737	353,201	1,462,737	353,201
Accounts receivables	60,606,812	55,152,727	101,807,791	95,654,225
Related party receivables	33,081,513	848,590	33,081,513	848,590
Cash and cash equivalents	3,310,354	7,168,933	3,310,354	7,168,933
	108,696,025	**73,746,213**	**149,897,004**	**114,247,712**

Liquidity risk
This is the risk of insufficient liquid funds being available to cover commitments. In order to mitigate any liquidity risk that the Group faces, the Group's policy has been throughout the year ended 31 December 2012, to maintain significant liquid resources and unutilised facilities.

At 31 December 2012	Up to 3 months	Between 3 and 12 months	Between 12 and 24 months	Over 2 years
	2012 US$	2012 US$	2012 US$	2012 US$
Accounts payable	-	101,480,926	-	-
Related party payables	-	16,135,893	-	-
Short term loans	-	29,575,900	-	-
Bank overdraft	-	8,408,314	-	
	-	**155,601,033**	-	-

31 SEGMENTAL PERFORMANCE

Basis of segmentation
The Corporation has interests in gold, diamonds and graphite mining companies in Zimbabwe. The Group generates revenue from one principal business activity which is mining and mine development.

The Corporation has three main business segments: -

Corporate services
This division is involved in providing administrative and management services to the Group subsidiaries and joint ventures. The segment generated about 2.05.% (2011: 0.19%) of the group's external revenue.

Precious metals
This division is involved in a number of mines that are involved in gold mining. The segment generated about 8.53% (2011: 8.83%) of the group's external revenue.

Precious stones
This division is made up of diamonds and emerald mining companies. It generated 88.56% (2011: 90.15%) of the Group's external revenue. The segment has experienced rapid growth over the past year mainly due to increased diamond sales.

ZIMBABWE MINING DEVELOPMENT CORPORATION AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
for the year ended 31 December, 2012

31 SEGMENTAL PERFORMANCE (Cont'd)

Industrial minerals

This division involves graphite mining. It accounted for 0.86% (2011: 0.83%) of the Group's external revenue. The segment has experienced steady growth over the past year.

Measurement of operating segment profit or loss, assets and liabilities

Management has determined the operating segments based on the reports reviewed by the General Manager, who is responsible for allocating resources to the reportable segments and assesses their performance. The General Manager assesses the performance of the operating segments based on a measure of profit or loss.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. The Group's performance evaluation excludes the effect of non recurring expenditure from the operating segments such as restructuring costs and legal fees. The measure also excludes the effects of unrealised gains or losses on financial instruments.

Statement of comprehensive income

	Corporate services 2012 US$	Precious metals 2012 US$	Precious stones 2012 US$	Industrial minerals 2012 US$	Total 2012 US$
Revenue	72,111,673	26,214,441	272,259,400	2,656,464	373,241,978
Inter-segmental revenue	(65,813,653)	-	-	-	(65,813,653)
Total revenue from external customers	6,298,020	26,214,441	272,259,400	2,656,464	307,428,325
Segment result before finance charges and tax	**45,596,851**	**(6,457,161)**	**47,216,157**	**(147,294)**	**86,208,553**
Finance income					120,693
Finance expense					(3,578,268)
Unrealised exchange gains					7,324,890
Group profit before tax					**90,075,868**
Income tax					(23,486,332)
Group profit after tax					**66,589,536**
Statement of financial position					
Assets					
Non-current	24,291,691	32,021,895	168,940,409	1,771,489	227,025,484
Current	51,559,996	4,318,739	69,814,752	554,020	126,247,507
Segment assets	**75,851,687**	**36,340,634**	**238,755,161**	**2,325,509**	**353,272,991**
Liabilities					
Non-current	2,292,216	11,581,279	32,024,704	170,400	46,068,599
Current	36,738,112	8,635,842	126,334,252	237,876	171,946,082
Segment liabilities	**39,030,328**	**20,217,121**	**158,358,956**	**408,276**	**218,014,681**

ZIMBABWE MINING DEVELOPMENT CORPORATION AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
for the year ended 31 December, 2012

31 SEGMENTAL PERFORMANCE(Cont'd)

Statement of comprehensive income

	Corporate services 2011 US$	Precious metals 2011 US$	Precious stones 2011 US$	Industrial minerals 2011 US$	Total 2011 US$
Revenue	33,916,865	24,704,764	252,065,778	2,311,923	312,999,330
Inter segment revenue	(33,389,534)	-	-	-	(33,389,534)
Total revenue from external customers	527,331	24,704,764	252,065,778	2,311,923	279,609,796
Segment result before finance charges and tax	**31,002,560**	**(8,102,367)**	**107,922,297**	**(15,228)**	130,807,262
Finance income					5,643
Finance expense					(3,857,134)
Group profit before tax					126,955,771
Income tax					(28,333,269)
Group profit after tax					98,622,502
Statement of financial position					
Assets					
Non-current	21,061,013	26,034,712	102,307,040	1,924,058	151,326,823
Current	31,602,065	4,801,533	43,633,435	581,236	80,618,269
Segment assets	**52,663,078**	**30,836,245**	**145,940,475**	**2,505,294**	**231,945,092**
Liabilities					
Non-current	1,996,889	6,902,529	19,995,702	496,925	29,392,045
Current	19,153,692	8,228,481	86,791,641	377,391	114,551,206
Segment libilities	**21,150,581**	**15,131,010**	**106,787,343**	**874,316**	**143,943,251**

ZIMBABWE MINING DEVELOPMENT CORPORATION AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
for the year ended 31 December, 2012

32 GOING CONCERN

Marange Resources (Private) Limited

Marange Resources (Private) Limited which has been consolidated incurred a loss before tax of US$24,387,958 (2011 profit before tax: US$41,840,803). The company's current liabilities exceeded its current assets by US$52,598,293 as at 31 December 2012 (2011: US$16,417,227).

Mbada Diamonds (Private) Limited

Mbada Diamonds (Private) Limited which has been consolidated had its current liabilities exceeding its current assets by US$71,395,606 as at 31 December 2012 (2011: US$35,379,050).

Jena Mines (Private) Limited

Jena Mines (Private) Limited which has been consolidated, incurred a loss before tax of US$1,938,339 (2011: US$2,222,616). The company`s current liabilities exceeded its current assets by US$7,816,459 (2011: US$3,157,621).

Kimberworth Investments (Private) Limited

Kimberworth Investments (Private) Limited which has been consolidated incurred a loss before tax of US$5,877,630 (2011: US$3,373,668) The company`s current liabilities exceeded its current assets by US$10,018,284 as at 31 December 2012 (2011: US$4,039,313).

The loss making positions for Marange Resources (Private) Limited, Jena Mines (Private) Limited and Kimberworth Investments (Private) Limited were due to low production and unreliable equipment.

The negative working capital positions for Mbada Diamonds (Private) Limited, Marange Resources (Private) Limited, Jena Mines (Private) Limited and Kimberworth Investments (Private) Limited were due to increased borrowings to fund capital expenditure to increase production capacity.

The Corporation is embarking on expanding its mining operations through investment in new plant, exploration work and courting strategic partners, to inject capital in the gold mines.
Negotiations which started in 2013 with potential investors who are willing to inject capital into Kimberworth Investments (Private) Limited and Jena Mines (Private) Limited are in progress and are likely to be finalised in 2014 .

The ability of the subsisidiaries and joint venture to continue operating as going concerns is dependent on improved output from the expansion programmes underway and continued support from suppliers and bankers, and ability to attract potential investors. The directors have confidence that these initiatives will result in improved profitability and cashflows. It is on this basis that the directors have prepared the financial statements on a going concern basis.

33 UNCONSOLIDATED SUBSIDIARY

Shabani and Mashava Mines (Private) Limited

The Corporation acquired a 76% shareholding in Shabani and Mashava Mines (Private) Limited on 10 July 2012. The subsidiary has been accounted for at cost as there is a dispute over the ownership of the shares with the former shareholder. The case is pending in the High Court of Zimbabwe and the directors have decided to defer the consolidation of the subsidiary until the case has been finalised.

ZIMBABWE MINING DEVELOPMENT CORPORATION AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
for the year ended 31 December, 2012

34 EVENTS AFTER THE REPORTING PERIOD

34.1 Approval of financial statements

The consolidated financial statements were approved by the Board of Directors for issue on 10 February 2014.

NOTES

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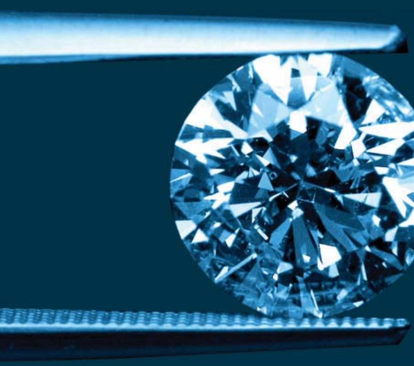

ANNUAL REPORT 2012

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