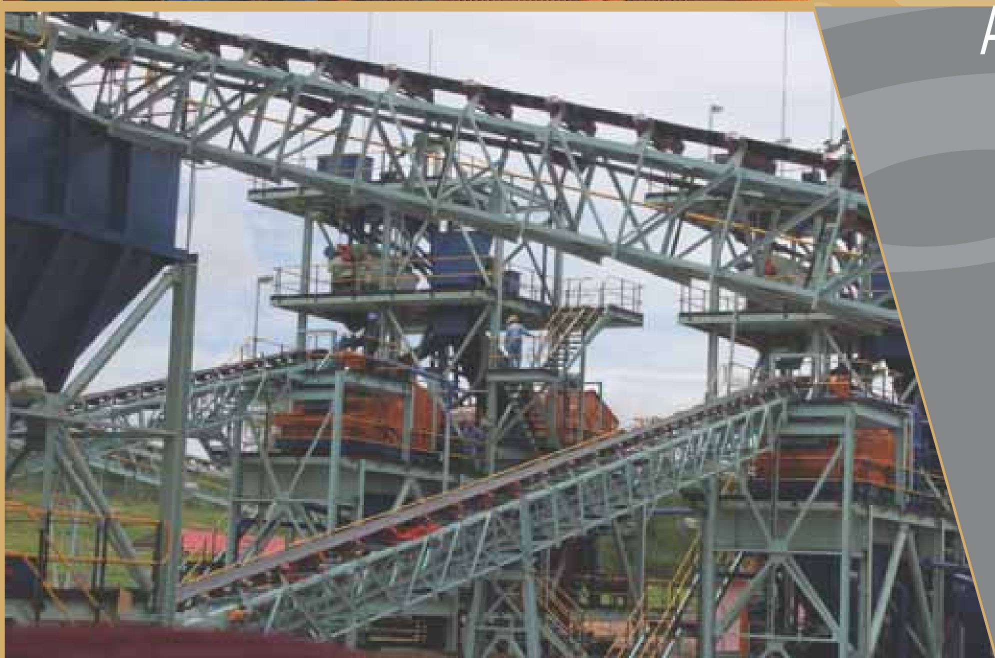

ZMDC

ZIMBABWE MINING
DEVELOPMENT CORPORATION

"Unearthing the future"

ZIMBABWE MINING DEVELOPMENT CORPORATION

Annual Report 2011

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Designed & Printed by Sable Press tel: (04) 331658

ZMDC
MMCZ BULDING
90 MUTARE ROAD
MSASA
HARARE

31 December 2011

The Honourable Minister of Mines and Mining Development.

Dear Sir,

As required by subsection (1) of section 49 of the Public Finance Management Act, Chapter 22:19 and read with section 40 of the ZMDC Act Chapter 21:08, I have the pleasure of presenting the Annual Report and Financial Statements of the Zimbabwe Mining Development Corporation for the year ended 31 December 2011.

Yours Faithfully

G. Masimirembwa
Chairman, Mining Development Board.
18th September 2012


TUNISIA
MOROCCO
ALGERIA
LIBYA
EGYPT
SAUDI
ARABIA
IRAN
MAURITANIA
MALI
NIGER
CHAD
SUDAN
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NIGERIA
ETHIOPIA
CENTRAL AFRICAN REP
DEMOCRATIC REP of CONGO
Congo Basin
TANZANIA
ANGOLA
ZAMBIA
NAMIBIA
Namib Desert
SOUTH
AFRISINO
LYNX
GRAPHITE MINE
MHANGURA
ALASKA
CHINHOYI
SANYATI
GOLD MINE
ELVINGTON
HARARE
CHEGUTU
KAMATIVI
TIN MINE
HWANGE
GOLD MINE
KADOMA
JENA
KWEKWE
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MUTARE
DIAMOND MINE
GWERU
MARANGE
BULAWAYO
ZVISHAVANE
MASVINGO
SABI
GOLD MINE
TOWN
OPERATING MINE
MINING PROJECT
NON OPERATIONAL MINE

ZIMBABWE MINING DEVELOPMENT CORPORATION AND ITS SUBSIDIARIES

BUSINESS

The main business of the Group is mining and mine development on behalf of the Government of Zimbabwe.

DIRECTORS

Mr G. Masimirembwa	(Board Chairperson)
Mr F.G. Moyo	(Non Executive)
Mr M. C. Sibanda	(Non Executive)
Mr M.B Mpofu	(Non Executive)
Mr A. D. Ncube	(Non Executive)
Mrs F. Gowora	(Non Executive)
Mr T. Dhlakamah	(Non Executive)
Mr A.S Ndlovu	(Non Executive)
Eng. J.N Ndlovu	(General Manager)*

*Executive

REGISTERED OFFICE

MMCZ Building
90 Mutare Road
Msasa
Harare

AUDITORS

BDO Zimbabwe Chartered Accountants
3 Baines Avenue
Harare

MAIN BANKERS

BancABC Limited
Mount Pleasant Branch
Harare

CBZ Bank
4th Floor South Wing, Beverly Court,
100 Nelson Mandela Avenue
Harare

LEGAL ADVISORS

Sawyer and Mkushi
Legal Practitioners
11th Floor
Social Security Centre
Harare

Mutamangira and Associates
Legal Practitioners
2nd Floor Travel Plaza
Mazowe Street/J. Chinamano Avenue
Harare

Mr. Godwills Masimirembwa - Chairman

Mr. G. Masimirembwa is a seasoned lawyer by profession. He holds the following qualifications: Bachelor of laws degree (1988), Bachelor of law (Honours) degree (upper second class) (1987), Magistrate and Prosecutors Certificate (1981) and Advanced Certificate in Public Administration Royal Society of Arts (1981). He has vast experience in the legal, private and public sector. Founder and Executive Chairman of the Zimbabwe Institute of Legal Studies; He has the following experience; General Counsel – Wedzera Petroleum (Pvt) Ltd, Gope Investments, Gope Construction, Tuvigari Investments, Royal Trucking and Wedzera Investments (Pvt) Ltd (1994 -1999), Legal & Corporate Services Director Wedzera Petroleum (Pvt) Ltd, Gope Investments, Gope Construction, Tuvigari Investments, Royal Trucking and Wedzera Investments (Pvt) Ltd, Partner – Masimirembwa, Gula-Ndebele & Manase Legal Practitioners (1993-1994),Partner – Masimirembwa Chitiyo & Associates (1992), Partner – Mugabe, Mutezo & Partners (1991), Professional Assistant Mugabe Mutezo & Partners (1989 -1990), Public Prosecutor – Ministry of Justice, Legal & Parliamentary Affairs (1984 -1988), Appointed Chairman of the National Incomes and Pricing Commission in 2007.

Mrs. Beauty Moyo - Deputy Chairperson

Mrs. B. Moyo holds the following qualifications: Diploma in Banking -IOBZ, Leadership Certificate – NUST, Certificate in Mining Operation – Zimbabwe School of Mines, Farm Management Certificate – Hlekweni College. She has the following experience in the private sector; Time Bank of Zimbabwe Limited (1998 -2004) – Operations Manager, Branch Manager, Retail Banking Manager, Barclays Bank of Zimbabwe (1977 -1997) – Accountant/Operations Manager, Assistant Manager – Operations Control Unit, Risk Management Division, Assistant Manager, Pickpar Petroleum Company (2008 -2009) Director Southern Region, Women In Business and Skills Development – National Coordinator, Other Directorships – Jinan Mining (Pvt) Ltd, Kimberworth Investments (Pvt) Ltd t/a Sabi Gold Mine, Canadile Miners (Pvt) Ltd, Solusi University, Director Allandale Farm, Entembeni Old Peoples' Home.

Mr. Mutabu Cephas Sibanda - Non-Executive Director

Mr. M.C. Sibanda holds the following qualifications: B.Sc. (Soc) London -1972, IPMZ Training Diploma – 1989, Fellow of the Zimbabwe Institute of Management, Associate Member of the Institute of Personnel Management Zimbabwe. He has vast experience in human relations spanning more than 25 years. He held the following posts, Human Resources Manager for Monarch Steel 1984-2006, Group Human Resources Officer - Human Resources Manager AA mines 1982 -1984, Assistant Personal Officer to Personnel Officer Zimalloys 1975 -1981, Community Development Government Officer – 1973 -1975, Lecturer – NUST 1997-2005, IPMZ, Institute of Credit Management. Other directorship- Director Helpage.

Mr. Alvin Dumisani Ncube - Non-Executive Director

Mr. A. D. Ncube holds the following qualifications: Bachelor of Business Studies (Honours) degree (upper second class) (UZ 1984), Master of Business Studies degree (upper second class) (UZ 1995). He is also a Managing Consultant – Primac Management Consultants (June 2003 to date), Lecturer – University of Zimbabwe Graduate School of Management (MBA) programme (2002 -2003), 1991-2001 – various portfolios at the Forestry Commission ranging from Marketing Executive, Corporate Services Manager to Acting General Manager, Marketing Assistant – Southampton Assurance Company (1987 -1991),Trainee Bank Manager – Barclays Bank (1985 -1986).

Mr. Freddy Gandiwa Moyo - Non-Executive Director

Mr. F. G. Moyo holds the following qualifications: B. Sc. (Honours) Mining Engineering – Leeds University, U.K. He is a seasoned mining guru with the following experience, Anglo American/Hwange Colliery – Senior Management, Executive Director – SMM Group, Managing Director - Bindura Nickel/ Mwana Africa Zimbabwe, Managing Director – Hwange Colliery Company Limited, Board Member – Ziscosteel, Clay Products, Zimchem Refiners, Bindura University, Monarch Steel (Zambia), Hwange Coal Gasification Company.

Mrs. Florence Gowora - Non-Executive Director

Mrs. F. Gowora holds the following qualifications: Master of Science in Strategic Management from the University of Derbyshire U.K. She holds a Diploma in Business Leadership. She is an executive business director in ZABG bank. She has vast experience in the banking sector spanning for more than 15 years. She worked for Standard Chartered Bank and rose through the ranks to the position of Regional Manager. She was appointed General Manager SME Banking in 2006.

Mr A.S. Ndlovu - Non-Executive Director

Mr A.S. Ndlovu holds the following qualifications: B.Sc. Hons. Chemical Engineering (Aston University Birmingham -1984), Management Development Programme (UNISA – 1996), Postgraduate Diploma in Marketing (IMM South Africa -2001). He also has the following experience, Managing Director Rio Zim (Pvt) Ltd 2012 to date, Executive Chairman of Drilling Resources Zimbabwe, Non Executive Chairman Redan Petroleum (Pvt) Ltd,Non Executive Chairman Pan African Mining Corporation (Pvt) Ltd, SMM Group (2003-2005) – Managing Director of Cernol Chemicals and Schweppes Zimbabwe Limited, Barco Chemicals (2001-2002) – General Manager, Standard Chartered Bank (2000) – Head Electronic Banking, Chemplex Corporation (1984-1999) – rose through the ranks from Process Engineer to Group Marketing Manager.; held Directorships in Zimglass, SFG Insurance Company (Pvt) Ltd and TH Zimbabwe.

Mr. Togarmah Dhlakamah - Non-Executive Director

Mr. T. Dhlakamah holds the following qualifications: B.Sc. Honours (Financial Services – University of Manchester (1999), U.K., Associate of the Chartered Institute of Financial Services (1999),Associate of the Institute of Bankers of Zimbabwe (1989),Diploma (Advanced credit management- RSA Damelin school of Banking) 2000. He has vast experience in banking, financial and mining sector. He has the following experience, Executive Director - FAAS Financial Advisors (Pvt) Ltd (2002 to date), Executive Director – Makomo Resources (Pvt) Ltd, Non Executive Director – ZABG Bank, ZB Bank Limited – Senior Manager Credit Support, Committee member – I.T Development, Products Development, Retail Banking; Project Manager “Process Realignment Projects”.

Mr. Moris Bekezela Mpofu - Non-Executive Director

Mr. M.B. Mpofu holds a Bachelor of Science (Honours) in Economics from the University of Zimbabwe (1990) and a Master of Science degree in International Economics, Banking and Finance from Cardiff Business School (1995), University of Wales (UK). The Dissertation for the MSc Course was a study on Zimbabwe's Export Sector.

Mr Moris Mpofu has spent 21 years at the Reserve Bank of Zimbabwe where he has gained considerable senior management experience and advisory expertise in the financial sector, foreign exchange, foreign investment deals, exports and imports, structured trade and investment finance and international banking. He is also Non-Executive Director and Chairman of Finance and Investments Committee for Zimbabwe Mining and Development Corporation (ZMDC), Non-Executive Director and Chairperson of Finance and Audit Committee for ZIMTRADE, Non-Executive Director and member of Finance and Audit Committee of Cairns Holdings (Pvt) Ltd, Homelink (Pvt) Ltd Boards and Tuli Coal, and the Chairman of Bio-Diesel Company of Zimbabwe (Transload Enterprises). He was also part of the Government Team working on the resuscitation of ZISCOSTEEL, investment into ZMDC, and visited Steel Plants in India, Belgium, South Africa and China conducting a due diligence for potential investors.

Profiles of ZMDC's Executives

ZMDC's Executive Team

Engineer Jetro Ndombondayi Ndlovu - General Manager.

Eng J. N. Ndlovu is an Engineer by profession. He graduated with an MBA from National University of Science and Technology, a BSc in Aeronaurotical Engineering from Cairo Military Technical College and several post graduate diplomas. He is currently reading for a PhD in Business Development with the National University of Science and Technology. He is a member of Royal Aeronautical Society and the Zimbabwe Institute of Engineers. Prior to his appointment as General Manager at ZMDC on 1 January 2012, he had served the Civil Aviation Authority of Zimbabwe as the Director of Airports and Business Development. He brings in to ZMDC vast experience in technical and corporate management spanning over 28 years.

Mr Archibald Tadiwa Muradzikwa - Chief Operations Officer.

Mr A.T. Muradzikwa holds a Mine Managers Diploma. He has 40 years experience in the mining industry with 23 years at senior managerial level. He started as a trainee overseer miner, then overseer miner, mine captain, underground manager and mine manager. Prior to his appointement as chief operations officer, he was a business development executive at ZMDC head office. He brings into ZMDC vast experience in technical and corporate management spanning over forty years.

Mr Tapiwa Goronga – Acting Chief Finance Officer.

Mr T. Goronga has a B. Acc Hons (UZ), is an ACCA affiliate - U.K and an MBA student with MSU. He has 18 years experience in technical and corporate management in the mining industry. He rose from graduate trainee accountant to accounting manager where he has worked in copper mines, gold mines, platinum mines and diamond mines. He is passionate about mining.

Mr Cleopas Makonese– Group Human Resources Manager

Mr C. Makonese joined the then Messina Transvaal Development company (MTD) in 1976 as a Senior Clerk. He rose through the ranks to Personnel Officer, Senior Personnel Officer, Assistant Personnel Manager and Personnel Manager culminating in his promotion and transfer to ZMDC head office as Group Human Resources Manager in 2004, a position he currently holds. He has 36 years experience within the Group. He holds a certificate and diploma in personnel management.

Mr Shepherd Gaihai – Acting Business Development Manager.

Mr S. Gaihai is in possession of B.Sc. General, University of Rhodesia in Chemistry and Geology (1979); B.Sc. Special Hons. (Geology) UZ (1980); M.Sc. (Industrial and Administrative Sciences) - The City University, London (1985); Full Blasting Licence and Mine Manager's Diploma – Zimbabwe Ministry of Mines (1989); Advanced Mining Certificate - Sweden (1990); and Executive MBA - National University of Science and Technology (2003).

Shepherd has worked at senior management levels for various multinational and large local corporations in the mining industry. During his 32 year career in mining, he has been involved with the exploitation of a wide range of minerals throughout the country and has acquired operational and leadership experiences in several roles from technical, commercial, developmental, management, academic tutorship and consultancy. Shepherd joined ZMDC business development department in 2011.

Mr Daniel Chatora – Geological Manager

Mr D. Chatora is a Geologist by profession. He graduated with B.Sc. General, Geology & Physics and B.Sc. Honours Geology from the University of Zimbabwe. He also holds Masters of Business Administration from Africa University. He is a registered Professional Natural Scientist in the field of Geological Science with the South African Council for Natural Scientific Professions (SACNASP). He is also Executive Committee Member of the Geological Society of Zimbabwe. He has 26 years of professional experience both in government department and the private sector where he gained significant experience in economic mineral deposits target generation activities and the designing and managing of the follow-up exploration programs as well as the reporting of the results to international standards and guidelines.

Mr Joel Mashamba - Chief Internal Auditor

Mr J. Mashamba joined ZMDC Management Services as the Group Chief Accountant in 1999 having trained and obtained experience from his previous engagement in the mining sector where he worked in accounts and finance at senior management level. He worked at ZMDC Head Office in that capacity until 2002 when he assumed the position of Audit Manager for the group, a position that he holds to date.
He is a holder of a Bachelor of Accountancy Honors Degree from the University of Zimbabwe. He is a member of the Institute of Internal Auditors (IIA).

Mr Tinashe Collins Chiparo

Mr T.C. Chiparo joined ZMDC in 2009 as a legal manager and was appointed acting company secretary and Legal Advisor in 2010. Before joining ZMDC, he practiced law with M. S. Musemburi and Associates and also Sinyoro & Partners as a legal practitioner. Mr Chiparo briefly worked as a legal officer for the Zimbabwe Revenue Authority in 2006-7. He also worked with the Ministry of Justice, Legal and Parliamentary Affairs as a Senior Law Officer from 2002 -2006.
He is a holder of Bachelor of Laws Degree (LLBS) from the University of Zimbabwe (2002).He also holds a Certificate of participation in legislative drafting course with Judicial College of Zimbabwe , Certificate in Commercial Law Training Programme (2011), Certificate in Commercial Contract Interpretation, Drafting & Management (South Africa 2011). He is currently studying towards a diploma in Mineral Resources Management with the Zimbabwe Institute of Management.

ZMDC COMPANY

THE ORGANIZATIONS BUSINESS

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

Mandate

- 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
- To carry out any other functions and duties which may be imposed upon the Corporation by any Act of Parliament.

VISION, PURPOSE, MISSION AND VALUES

Vision

To be amongst the top ten 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 wellbeing 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 other's 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.

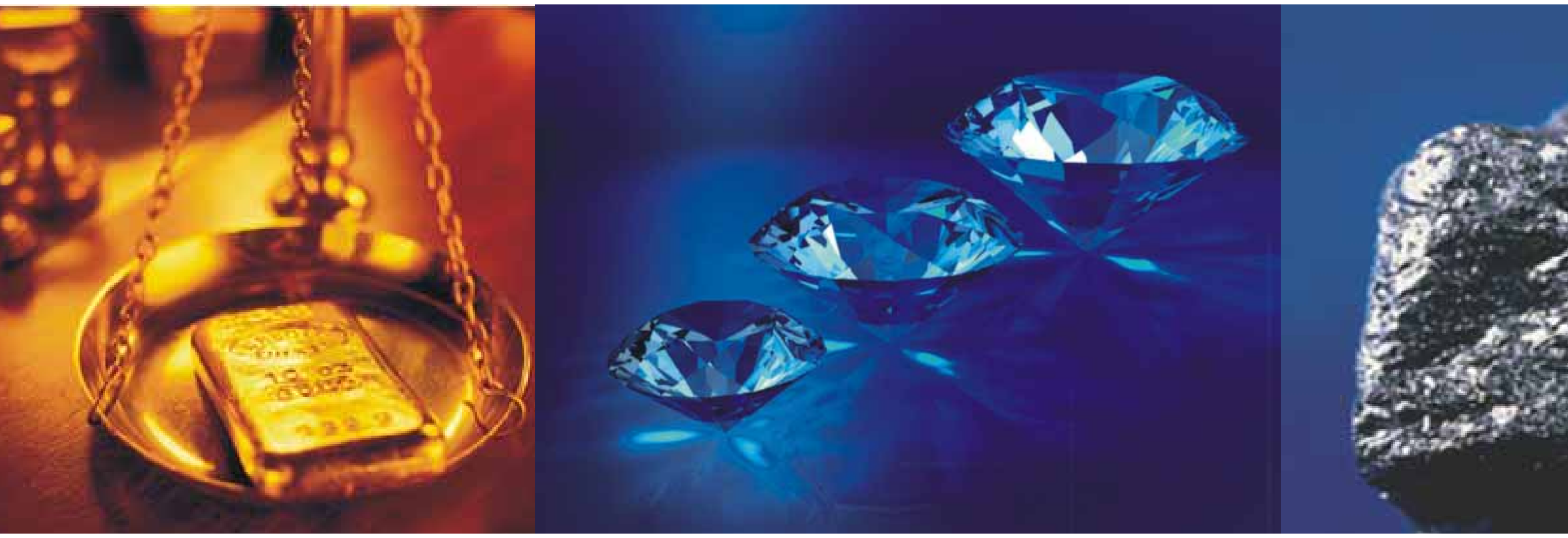
Continuous Improvement

Continuous, effective, competitive and innovative improvement of our operations, keeping abreast with technological improvements, benchmarking, best practices

Results Oriented

Productive, meeting targets, passion, ambition, entrepreneurial, self driven, initiative, efficient, effectiveness

OPERATING SEGMENTS



Precious metals

Gold

- Kimberworth Investments (Private) Limited T/A Sabi Gold Mine – 100% owned subsidiary
- Mineral Development (Private) Limited T/A Elvington Gold Mine – 100% owned subsidiary
- Jena Mines (Private) Limited – 100% owned subsidiary

Platinum Group Metals

Platinum

- Todal Mining (Private) Limited – 40% joint venture with Lefever (CAMEC)

Precious Stones

Diamonds

- Marange Resources (Private) Limited – 100% owned subsidiary
- Mbada Diamond Mining (Private) Ltd - 50/50 joint venture between ZMDC and Grand well Holdings
- Anjin Investments (Private) - 10% investment, with 40% held by Zimbabwe Government and

50% by Anhu Foreign Economic Construction Company limited of China
- Diamond Mining Corporation - 50/50 joint venture between ZMDC and Pure Diam of Dubai.
- Kusena Diamonds (Private) Limited – 100% owned subsidiary

Emeralds
Sandawana Mines 90% owned subsidiary.


Industrial Minerals

Graphite

- Zimbabwe German Graphite Mine (Private) Limited T/A Lynx Mine – 50/50 joint venture with a Graphit Kropfmuhl AG and ZMDC.

G. Masimirembwa
Chairman of the Board

CHAIRMAN'S STATEMENT

Introduction

It is my pleasure to present on behalf of the board my report for Zimbabwe Mining Development Corporation for the year ended 31 December 2011. The financial year has been rewarding with remarkable financial performance despite the harsh economic environment characterized by low liquidity levels, high cost of borrowing and depressed consumer demand. The Corporations' performance defied the negative effects of sanctions imposed on the entity. Had it not been for the sanctions which made it difficult for the Corporation to realize the full market value for its minerals the results would have been better than those realized in 2011. The improved performance was due to Kimberley Process Certification in August 2010 for our diamond mining joint ventures and subsidiary.

Operations review

The economic environment remained challenging characterized by the absence of long term funding which negatively impacted on long term capital development projects. In view of the shortage of internal resources and long term funding, the Corporation signed joint venture agreements with partners who have the capacity to fund mine developments. A number of non-disclosure agreements were signed for possible joint ventures for the mining of diamonds, platinum, tantalite and tin. These initiatives will improve the performance of the group in the near future.

The expansion programme continued with the resuscitation of the Mining Promoton Corporation (MPC) which is the corporation's exploration subsidiary which will focus on resource establishment activities. To date, $4 million has been invested in the acquisition

of exploration equipment. Once the resource has been established we will have the capacity to have bankable plans.

Production from the group's mines for the year was as follows:

	2011	2010
Gold (Kg)	516.54	283.94
Diamonds (Carats)	4,502,739	8,105,201
Graphite (tonnes)	7,250	3,967
Emeralds (carats)	768,200	665,400

The group is working on improving production capacity and reduction of production costs. Investments in plant and equipment amounted to $104 million within the group during the period and will improve efficiencies and reduce the unit production cost which will result in improved profitability.

The prices of the commodities have been favourable during the period with gold and diamonds averaging USD1600 per ounce and $50 per carat respectively. We expect the prices of most of our products to remain firm and the group has the capacity to exploit our resources safely and efficiently.

Financial review

The group recorded turnover of US$279.6 million, a growth of 95% over the same period last year and profit before tax of USD 127 million from USD 120 million in 2010. Cash generated from operations was US$ 147 million which was largely used to re capitalize operations, with overall capital expenditure amounting to USD 116 million. Accelerated mine development activities throughout the group resulted in reduction in cash and cash equivalents by USD 44 million, bank borrowings of USD 11 million and increase in financing from our suppliers.

Safety, Health and Environment

The Corporation's key strategic focus is to ensure maximum safety for our workers and during the year under review, there was one fatality at the Zimbabwe German Graphite Mine (ZGGM). The ZMDC mines are practicing the Quebec Five Point safety system. The Corporation will in 2012 adopt the International Standards Organization certificated system namely ISO 14001:2004 on Environmental Management and ISO 18001:2007 on Occupational Health and Safety Management following the strategic decision to appoint a Safety Health & Environment (SHE) Manager at Head Office. This will enhance the administration of safety, health and environmental management. The following are the advantages of adopting the ISO 14001:2004 on Environmental Management and ISO 18001:2007 on Occupational Health and Safety Management

- It gives the Corporation strong values by eliminating negative environmental impacts and occupational hazards
- The Corporation will be able to balance between making profits and promoting environmental and safety responsibility. A certified company has obligation to be compliant with legislation and other requirements to which the company subscribes, as a minimum requirement.
- Reducing operational costs through conservation of energy and resources via sustainable resource utilization.
- The Corporation will have well defined and documented procedures that improve output among other benefits.

Corporate Social Responsibility

Zimbabwe Mining Development Corporation (ZMDC) continues to acknowledge its national role as a critical player in the social, economic and environmental development spectrum of the country. As such, its Corporate Social Responsibility (CSR) strategy is oriented towards supporting a community-centred development process which will see significant needs-driven investment in communities which reside around our operational areas and also those from disadvantaged backgrounds.

The Corporation is involved in the following areas:

- Provision of medical facilities and medication,
- Provision of clean water facilities and boreholes,
- Building of clinics, schools and modern accommodation,
- Sponsoring of various sports facilities,
- Donations to charitable organizations,
- Upgrading of roads,
- Sponsoring disadvantaged children.

Dividend

The Corporation declared and paid a dividend of US$ 72,686,628 for the year ended 31 December 2011 to the Government of Zimbabwe.

Outlook

The performance of the group has been satisfactory considering the delays in obtaining the Kimberly Process Certification and liquidity challenges that prevailed during the period. The favourable

operating environment of 4.1% inflation rate per annum and good metal prices are expected to continue persist into 2012; and this with the increased capital expenditure should result in improved performance in the ensuing year. The group will continue to look for new opportunities in the exploitation of mineral resources.

Directorate

In order to have effective board oversight, the following committees have been put into place:

- Human Resources Committee
- Audit, Legal and Risk Committee
- Finance and Investment Committee
- Technical Committee

Retirement

Mr O. Chimuka retired from the Board during the year and I would like to thank him for his contribution to the Group during his tenure.

Appointments

I wish to welcome Mr. M.B. Mpofu, Mr T. Dhlakamah and Mrs F. Gowora who joined the Board as non-executive directors during the year. The new appointments are expected to strengthen the Board's capacity to deal effectively with strategic, financial and corporate governance issues as the Corporation forges forward.

Appreciation

I would like to thank my fellow Board members for the unwavering dedication to the Corporation, 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 the Ministry of Mines and Mining Development officials for their valued support to the group.

On the 1st January 2012, Eng. J.N. Ndlovu joined the Corporation as General Manager. I wish him success as he undertakes the execution of the Corporation's growth strategy.

G. Masimirembwa
Harare
01/ 10/ 2012

Ballmill Marange Diamonds

GENERAL MANAGER'S STATEMENT

Eng. J. N. Ndlovu

Introduction

Operating Environment

The operating environment for the year ending 31 December 2011 was fairly conducive for business setting the platform for consolidating the growth achieved in 2010. Economic stability remained anchored on the multicurrency regime, liberalization of business environment and fiscal prudence. The positive economic performance continued as evidenced by the GDP growth of 9.6% for the year compared to 5.4% in 2010.The year to year inflation was stable and ended the year at 4.1%.

Operations were slowed down by the high cost of capital and the continued perennial failure to address the high cost and erratic supply of utilities, as well as failure to attract favourable capital to recapitalize the economy and militate against perceived high country risk which resulted in industry paying cash in advance for most of its key raw materials.

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 the use of appropriate technology.
- Compliance with applicable legislation and regulations and best practice.
- Safety and proper environment protection
- Corporate Social Responsibility- Collaboration with communities around mining activities and other stakeholders.

Financial Performance

The Corporation produced impressive financial results, mainly due to improved production in diamond and gold coupled with good commodity prices. The Corporation is under sanctions which affects the marketing of its minerals and this has 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 countries mineral resources. The Corporation managed to secure uninterrupted power supply for its gold mining subsidiaries during the year and this resulted in significant increase in production.

The group recorded profit before tax before tax of $98.5 million during the year compared to $95.9 million in 2010. The increase in profit was attributed to positive increase in gold production and diamond sales during the year.

Revenue

Revenue increased significantly from $142,9 million in 2010 to $279,6 million in 2011. The following table shows revenue contribution per mineral.

	USD
Diamonds	252,063,707
Gold	24,704,765
Graphite	2,311,923
Copper reverts	527,330
Emeralds	2,071

Diamonds

The group has two operating gold mines Jena Mines and Sabi Gold Mine. Gold production for 2011 was 516.54kgs compared to 283,94kgs in 2010. Jena Mines produced 296.82 kgs of gold and realized revenue of $14,2 million compared to 145,24kgs and revenue of $5,9 million in 2010. Sabi Gold Mine produced 219.72 kgs and $10,47 million revenue compared to production of 138.7kgs and revenue amounting to $5,4 million sales in 2010.

The group realized $252 million diamond revenue in 2011 and Marange Resources contributed of $106,215 million while our 50% share of Mbada Diamonds contributed $145,8 million.

BUSINESS PORTFOLIO REVIEW

GOLD DIVISION

Jena Mines.

Production at Jena was 296.82kg compared to 145.24kg in 2010. Despite achieving an increase in production the mine continued to operate at 65% capacity utilization. Due to funding constraints to recapitalise the mine, Ore mining has remained a challenge due to the low grade 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 gave problems during the year adversely affecting production. Recapitalisation exercise was carried out during the year with $3.5 million being injected. The subsidiary made a loss before tax of $2,3 million. Positive results are expected to be realized in 2012.

Sabi Gold Mine

Production at Sabi was 219,72kg in 2011 compared to 138.7kgs in 2010. Sabi continued to face capacity utilisation challenges in 2011 due to lack of developed reserves. Ageing plant and equipment caused continuous breakdown problems throughout the year. Despite the capital injection of $2, 8 million during the financial year, the subsidiary made a loss before tax of $3,374 million.

Elvington Mine

There was no gold production for the period under review. The Mine is evaluating the resource following the collapse of the shaft in 2003.

DIAMOND DIVISION

The corporation formed joint ventures in 2009 with foreign investors through its 50% subsidiary Marange Resources to form Mbada Diamonds. Mbada and Marange started selling their diamonds in 2010 after KPC Certification and in 2011 the Mines recorded significant sales. During the second half of the year, another joint venture was formed between the corporation and Pure Diem that is Diamond Mining Corporation (DMC) to mine diamonds in the Marange diamonds field.

Marange

Marange realized $106 million from diamond sales in 2011 compared to $7,3 million in 2010. The Mine posted a profit before tax of $41,8 million compared to $1,8 for the prior period.

Mbada Diamonds (Private) Limited

The corporation owns 50% of Mbada Diamonds. Mbada realized $145 million from diamond sales in 2011 compared to $107 million in 2010. The Joint Venture is in the process of setting up another third DMS plant in order to increase production capacity.

Diamond Mining Corporation (Private) Limited

The Corporation acquired 50% interest in a jointly controlled entity, Diamond Mining Corporation Limited in 2010. There were no sales during the two years from inception. The entity was KP Certified in January 2012. Revenue generation is expected in 2012.

Anjin Investments (Pvt) Ltd

The Corporation also has a 10% interest in Anjin Investments (Private) Limited. It was KP Certified in November 2011. Revenue generation is expected in 2012.

EMERALDS DIVISION

Sandawana Mines

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

THE GRAPHITE DIVISION

The Zimbabwe German Graphite Mine (Pvt) Limited

The group mines graphite through a 50:50 joint venture, Zimbabwe German Graphite (Private) Limited. The mine produced 7250tonnes of graphite during the year against 3967 tonnes for 2010. The Company managed to break-even in 2011.The major challenges being faced by the entity is marketing and the corporation intends to recruit a dedicated marketing manager in 2012 to assist in that regard.

PLATINUM GROUP MINERALS(PGM)

Platinum Group Minerals (PGMs) Deposits

The corporation holds approximately 26000 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.
- Ruschrome Mining (Pvt) Ltd.
- Northridge Platinum

Todal Mining (Pvt) Ltd, a joint venture company, completed pre-feasibility studies on the 4781-hectare Bokai Project to define a resource amenable to underground mining. Two twin declines are being developed for bulk sampling purposes while plant construction civil works have already started.

Outlook

Business environment in 2012 is likely to mirror the 2011 business environment. The macroeconomic fundamentals remain stable but industry continues to grapple due to high utility charges and unreliable power supply.

The key focus areas in the following year will be:

- Increasing investment in the diamond sector
- Improving ore reserve generation in the operating mines
- Capacitate Mining Promotion Corporation (MPC) , the exploration subsidiary of ZMDC
- Implement ERP program –SAP.
- Continuous improvement in the business processes and 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 our strategic partners, the Honourable Minister of Mines and Mining

Development Dr O.M. Mpofu, Permanent Secretary, Mr P. Mupazvirihwo, The Chairman of Mining Development Board, Mr G. Masimirembwa, Board of Directors, management and staff and other stakeholders for the valuable support.

Eng. J. N. Ndlovu
Harare
01/10/2012

CORPORATE GOVERNANCE STATEMENT

INTRODUCTION

The Zimbabwe Mining Development Corporation 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], and any other relevant legislations. The corporation is further committed to managing risk to protect its employees, the environment and its assets. In its activities, the corporation has incorporated competitive governance and compliance practices for sustainable development.

Diamonds plant Anjin Investments

INTERNAL OVERSIGHT FUNCTIONS

To meet its responsibility with respect to providing reliable financial information, the corporation maintains and strives to improve financial and operational systems of internal control. These controls 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 for internal controls is ordinarily the responsibility of directors. Directors are 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 systems at the corporation is dynamic and continuously improved upon. It includes a documented organisation structure indicating division of responsibilities. Various policies and procedures have been established and communicated throughout the company.

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 controls in order to determine that its 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 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 is currently comprised of nine directors and represents the balance of skills, experience and demographic diversity required to provide effective leadership and control. Directors are appointed by the Honourable Minister of Mines and Mining Development 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 Shareholder.
- 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 Company.

CONSTITUTION OF THE BOARD

On, 12 September 2011, three Board Members were appointed namely, M.B. Mpofu, F. Gowora and T. Dhlakamah. Prior to the appointments, one Board Member namely Mr. O. Chimuka retired from the Board on 29 June 2011.
As at 31 December 2011 the Mining Development Board was constituted as follows:

Mr. G. Masimirembwa	Non-Executive Chairperson
Mrs. B. Moyo	Non-Executive Vice-Chairperson
Mr. F.G. Moyo	Non-Executive Director
Mr. A.S.Ndlovu	Non-Executive Director
Mrs. F. Gowora	Non-Executive Director

Mr. M.C. Sibanda	Non-Executive Director
Mr. T.Dhlakamah	Non-Executive Director
Mr. A.D.Ncube	Non-Executive Director
Mr. M.B. Mpofu	Non- Executive Director
Mr. S. Siziba	Acting General Manager
Mr. T. C. Chiparo	Acting Corporate 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 2011

	Legal, Risk & Audit	Technical	Finance & Investment	Human Resources	Main Board
G. Masimirembwa	N/A	N/A	1	1	11
B. Moyo	2	1	N/A	11	13
A.S. Ndlovu	N/A	3	3	N/A	6
*F. Gowora**	N/A	2	3	N/A	3
M.C. Sibanda	2	1	N/A	12	13
*T. Dhlakamah**	N/A	N/A	2	2	3
A.D. Ncube	2	1	1	3	13
*M.B. Mpofu**	N/A	2	2	N/A	2M.B
O. Chimuka ҁ	N/A	N/A	1	5	5
F.G. Moyo	N/A	N/A	N/A	N/A	4

* These members were appointed to the Board on 12 September 2011.
ҁThis member retired from the Board on 29 June 2011.

NUMBER OF MEETINGS HELD IN 2011

Committee/Board	Meetings Held
Legal, Risk & Audit	2
Technical	3
Finance & Investment	4
Human Resources	12
Main Board	13

BOARD COMMITTEES' COMPOSITION AS AT 31/12/2011 AND FUNCTIONS

Committee Members Main Function

Legal, Risk & Audit

A.D Ncube (Chairman), M.C Sibanda, M.B Mpofu , B. Moyo

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 Comptroller and 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.

Plant Maintenance - Jena Mines

iii. Monitors the external auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the company compared 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 company'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 corporation's Internal Audit Charter.

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


Sabi Mine Clinic

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

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.

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

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.

Human Resources

M.C Sibanda(Chairman), F. Gowora, F.G Moyo, T. Dhlakamah

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].

Centac Compressor - Sabi Gold Mine

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 behavior 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

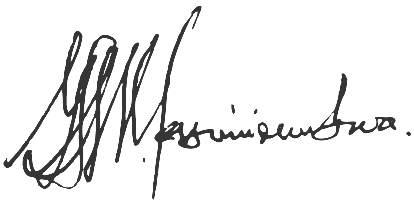
Head gear - Sabi Gold Mine

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 despite the going concern uncertainty of some of its subsidiaries and joint venture as disclosed in note 31 to the financial statements.

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 3 to 4.

The consolidated financial statements and the related notes set out on pages 39 to 43, which have been prepared on the going concern basis, were approved by the Board and were signed on its behalf by:



CHAIR PERSON

GENERAL MANAGER

BDO

Tel/Fax: +263 4 703876 / 7 / 8
Cell: +263 772 573 266 / 7 / 8 / 9
bdo@bdo.co.zw
www.bdo.co.za

Kudenga House
3 Baines Avenue
P.O. Box 334
Harare
Zimbabwe

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF 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 5 to 35 which comprise the consolidated statement of financial position as at 31 December 2011, 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 misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's 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 on 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 misstatement.

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 risk assessments, we consider internal control 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 qualified audit opinion

Basis for Qualified Opinion

(i) Non compliance with International Accounting Standard 37 (IAS 37): Provisions, Contingent Liabilities and Contingent Assets

Some of the Group's subsidiaries and joint ventures namely, Marange Resources (Private) Limited, Mineral Development (Private) Limited, Kimberworth Investments (Private) Limited, Zimbabwe German Graphite Mines (Private) Limited, Diamond Mining Corporation (Private) Limited and Kusena Diamonds (Private) Limited did not comply with the requirements of IAS 37 and Environmental Management Act (Chapter 20:27) in that they did not provide for the costs of rehabilitating and decommissioning their mining operations. We were unable to quantify the financial effect of the non-compliance.

(ii) Non compliance with International Accounting Standard 31 (IAS 31): Interests In Joint Ventures

The consolidated financial statements do not include the financial results of the Group's 40% shareholding in Todal Mining (Private) Limited. IAS 31 requires that a joint venturer should recognize its interest in a joint venture as an investment and account for it using proportionate consolidation or the equity method. We were unable to quantify the financial impact of the non compliance.

(iii)Valuation of property ,plant and equipment

Included in property, plant and equipment are assets with an opening balance of USD 5,357,363 belonging to a consolidated subsidiary, Marange Resources (Private) Limited. The valuation of these assets was based on a joint venturer's values as opposed to original purchase documents from the suppliers. The extent of the variation in values had management used the original purchase invoices could not be determined. There were no satisfactory alternative audit procedures which we could perform to verify the valuation of these assets.

Qualified Opinion

In our opinion, except for the effects of the matters described in paragraphs (i) to (iii) above, the consolidated financial statements give a true and fair view of the financial position of ZIMBABWE MINING DEVELOPMENT CORPORATION AND ITS SUBSIDIARIES as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without further qualifying our opinion, we draw attention to Note 31 to the consolidated financial statements, which describes the going concern uncertainty for three significant subsidiaries and a joint venture which have been consolidated namely Marange Resources (Private) Limited, Jena Mines (Private) Limited, Kimberworth Investments (Private) Limited and Mbada Diamonds (Private) Limited. Marange Resources (Private) Limited's current liabilities exceeded its current assets by US$16,370,863 (2010: US$5,258,014), Jena Mines (Private) Limited's current liabilities exceeded its current assets by US$3,157,621 (2010: US$3,000,510), Kimberworth Investments (Private) Limited's current liabilities exceeded its current assets by US$4,039,313 (2010: US$2,023,453) and Mbada Diamonds (Private) Limited's current liabilities exceeded its current assets by US$35,689,751 (2010: current assets exceeded current liabilities by US$13,139,711). These conditions along with other matters set forth under Note 31 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

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

bdo zimbabwe

BDO Zimbabwe
Chartered Accountants

Harare
1 October 2012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December, 2011

		2011	2010
ASSETS	Notes	US$	US$
Non current assets			
Property, plant and equipment	4	145,849,737	53,585,065
Exploration and evaluation assets	5	10,737,305	498,943
Intangible assets	6	2,077,121	-
Available for sale investments	8	10,222,763	10,004,819
Other receivables	10	353,201	377,894
		169,240,127	**64,466,721**
Current assets			
Inventories	9	17,472,862	20,823,249
Accounts receivable	10	39,426,367	7,489,408
Related party receivables	11.2	848,590	593,148
Bank and cash balances		7,168,933	40,792,949
		64,916,752	**69,698,754**
TOTAL ASSETS		**234,156,879**	**134,165,475**
EQUITY AND LIABILITIES			
Equity and reserves			
Share capital	12	-	-
Non distributable reserve		32,082,181	32,082,181
Retained earnings		55,260,646	28,943,390
Mark to market reserve		217,945	-
		87,560,772	**61,025,571**
Non controlling interest		767,312	1,269,107
		88,328,084	**62,294,678**
Non current liabilities			
Shareholders' loans	13	3,439,880	3,234,176
Environmental rehabilitation provision	14	7,214,964	412,223
Deferred tax	15	18,453,298	10,046,713
		29,108,142	**13,693,112**
Current liabilities			
Accounts payable	16	70,735,289	38,978,664
Short term loans	17	15,226,252	13,029,751
Related party payables	11.3	10,817,673	71,696
Current tax payable		9,341,080	6,097,574
Bank overdraft		10,600,359	-
		116,720,653	**58,177,685**
Total liabilities		**145,828,795**	**71,870,797**
TOTAL EQUITY AND LIABILITIES		**234,156,879**	**134,165,475**

BOARD CHAIRPERSON

GENERAL MANAGER

DATE:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December, 2011

	Notes	2011	2010
		US$	US$
Revenue	18	279,609,796	142,890,748
Cost of sales		(68,268,534)	(17,163,577)
Gross profit		**211,341,262**	**125,727,171**
Other income	19	21,179,399	72,138,898
Administration expenses	20	(100,082,667)	(75,916,260)
Other operating expenses		(1,630,732)	(2,714,437)
		130,807,262	**119,235,372**
Net finance (cost)/income	21	(3,851,491)	958,600
Profit before tax	22	**126,955,771**	**120,193,972**
Income tax expense	23	(28,453,682)	(24,244,748)
Profit for the year		**98,502,089**	**95,949,224**
Other comprehensive income			
Fair value adjustment on available-for-sale investments		217,945	(101,323)
Tax on other comprehensive income		-	-
Other comprehensive income for the year, net of tax		217,945	(101,323)
Total comprehensive income for the year		**98,720,034**	**95,847,901**
Profit attributable to:			
Owners of the parent		99,003,884	96,082,124
Non controlling interest		(501,795)	(132,900)
		98,502,089	**95,949,224**
Total comprehensive income attributable to:			
Owners of the parent		99,221,829	95,978,246
Non controlling interest		(501,795)	(130,345)
		98,720,034	**95,847,901**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December, 2011

	Share capital	Non distributable reserve	Mark to market reserve	Retained earnings	Total	Non controlling interest	Total
	US$	US$	US$	US$	US$	US$	US$
Balance as at 31 December 2009	-	32,082,181	101,323	(3,826,232)	28,357,272	2,422,255	30,779,527
Acquisition of further interest in a subsidiary	-	-	-	(1,379,752)	(1,379,752)	(1,020,248)	(2,400,000)
Total comprehensive income for the year	-	-	(101,323)	96,082,124	95,980,801	(132,900)	95,847,901
Dividends paid	-	-	-	(61,932,750)	(61,932,750)	-	(61,932,750)
Balance as at 31 December 2010	-	**32,082,181**	-	**28,943,390**	**61,025,570**	**1,269,107**	**62,294,678**
Total comprehensive income for the year	-	-	217,945	99,003,884	99,221,829	(501,795)	98,720,034
Dividends paid	-	-	-	(72,686,628)	(72,686,628)	-	(72,686,628)
Balance as at 31 December 2011	-	**32,082,181**	**217,945**	**55,260,646**	**87,560,772**	**767,312**	**88,328,084**

CONSOLIDATED STATEMENT OF CASHFLOWS
for the year ended 31 December, 2011

	Note	2011 US$	2010 US$
CASHFLOWS FROM OPERATING ACTIVITIES			
Profit before tax		126,955,771	120,193,972
Adjustments for:			
Profit from disposal of property, plant and equipment		(26,843)	-
Depreciation of property, plant and equipment		14,575,970	7,524,369
Amortisation of exploration and evaluation assets		41,980	42,091
Amortisation of intangible assets		49,779	-
Fair value adjustment on available for sale investments		-	292,609
Net financing costs/(income)		3,851,491	(958,600)
Impairment loss		21,927	-
Environmental rehabilitation provision		4,328,220	-
		149,798,295	**127,094,441**
Working capital changes			
Decrease/(increase) in inventories		3,350,387	(16,934,232)
Increase in accounts receivable		(31,936,959)	(5,564,545)
Increase in related party receivables		(255,442)	(329,297)
Increase in accounts payable		31,756,625	34,699,587
Increase in related party payables		10,745,977	34,450
Net cashflow from operations		**163,458,883**	**139,000,404**
Tax paid		(16,787,065)	(19,601,679)
Net cashflow from operating activities		**146,671,818**	**119,398,725**
CASHFLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(104,470,967)	(19,559,194)
Increase in long term other receivables		24,693	(377,894)
Additions to exploration and evaluation assets		(10,280,342)	(541,034)
Acquisition of intangible assets		(2,126,900)	-
Proceeds from disposal of motor vehicles		93,237	-
Increase in investments in subsidiaries		-	(11,900,000)
Net cash utilised in investing activities		**(116,760,279)**	**(32,378,122)**
CASHFLOWS FROM FINANCING ACTIVITIES			
Increase in shareholders loans		205,704	1,008,034
Increase in short term loans		2,196,501	13,029,751
Dividends paid		(72,686,628)	(61,932,750)
Net financing (costs)/income		(3,851,491)	958,600
Net cash outflow from financing activities		**(74,135,914)**	**(46,936,365)**
NET (DECREASE)/INCREASE IN CASH AND EQUIVALENTS		**(44,224,375)**	**40,084, 238**
CASH AND CASH EQUIVALENTS AT 31/12/10		**40, 792, 949**	**708, 711**
CASH AND CASH EQUIVALENTS AT 31/12/11	24	**(3,431, 426)**	**40,792, 949**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December, 2011

1 GENERAL INFORMATION
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.

1.1 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 IFRSs) 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 1 January 2011The following new standards, amendments and interpretations are effective for the first time but none have had a material effect on the Group's financial statements:

- Classification of Rights Issues (Amendment to IAS 32)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
- Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards
- Amendments to IAS 24 Related Party Disclosures
- Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement
- Improvements to IFRSs (May 2010)

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

- IFRS 9 Financial instruments, effective 1 January 2013
- IFRS 10 Consolidated financial statements, effective 1 January 2013
- IFRS 11 Joint arrangements, effective 1 January 2013
- IFRS 12 Disclosure of interest in other entities, effective 1 January 2013

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- IFRS 13 Fair value measurement, effective 1 January 2013
- IAS 19 Employee benefits (Revised), effective 1 January 2013
- IAS 27 Separate financial statements (Revised), effective 1 January 2013
- IAS 28 Investments in associates and joint ventures (Revised), effective 1 January 2013

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 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.

2.6 Intangible assets
Externally acquired intangible assets are initially recognized at cost and subsequently at amortised cost over their useful economic lives.

- IT Software has a useful life of three years which is subject to assessments on an annual basis.
- Impairment assessments are done at least annually on the software.

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for the year ended 31 December, 2011

2.7 Financial Instruments

(i) 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.

(ii) 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.

(iii) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
for the year ended 31 December, 2011

2.8 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 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.

2.10 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.

2.11 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
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which case the reversal of the impairment loss is treated as an increase in the revaluation reserve.

2.12 Cash and cash equivalents

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

2.13 Post employment benefits

Employee benefits are provided for employees through the ZMDC Pension Fund which is a defined benefit fund. For defined retirement benefit plans, the cost of fund is recognised by ZMDC. The Group recognises its contributions payable to the fund in the profit and loss.
Current service costs are charged to income systematically over the expected remaining working lives of the employees who are members of the fund.

The Mining Industry Pension Fund and NSSA are accounted for as defined contribution plans.

2.14 Property, plant and equipment

Property, plant and equipment are included 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.

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:

Land	not depreciated
Development shafts	Life of mine
Buildings	40 years
Capital improvements	10 years
Aircraft	5 years
Motor vehicles	5 years
Capital work in progress	not depreciated
Laboratory equipment	5 years
Plant and equipment	10 years
Computer equipment	3 years
Furniture, fittings and office equipment	10 years

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
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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.

2.15 Mining assets

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

2.16 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.

2.17 Environmental rehabilitation obligations

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
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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.

2.18 Foreign currency transactions
Transactions in foreign currencies are initially recorded in the functional currency at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the 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.

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

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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.

2.20 Inventories
Inventories are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale. Cost of inventory comprises all costs of purchase, conversion and other costs incurred in bringing the inventories to their present location and condition. 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

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

2.22 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

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of jointly controlled operations and jointly controlled assets in accordance with the terms of the underlying contractual arrangement.

2.23 Exploration and evaluation assets
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. The assets' residual and useful lives as reviewed at each statement of financial position date to determine whether there is any indication of impairment.

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 29.1. 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.

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(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
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4 PROPERTY, PLANT AND EQUIPMENT

	Mining assets	Land & Buildings	Capital	Aircraft	Motor vehicles	Capital work in progress	Laboratory equipment	Computer equipment	Furniture, fittings & office equipment	Total
	US$	US$	US$	US$	US$	US$	US$	US$	US$	US$
Carrying amount at 31 December 2010	19,546,726	24,821,998	934,118	375,226	1,999,707	1,952,755	9,394	2,831,095	1,114,046	53,585,065
Gross carrying amount - cost	25,545,495	43,891,750	958,194	551,474	2,666,685	1,952,755	49,120	3,300,365	1,319,635	80,235,473
Accumulated depreciation	(5,998,769)	(19,069,752)	(24,076)	(176,248)	(666,978)	-	(39,726)	(469,270)	(205,589)	(26,650,408)
		-								
Additions	59,745,069	1,266,662	613,505	-	5,257,060	30,788,801	-	2,145,494	4,654,376	104,470,967
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	(17,175)	-	-	-	(156,734)	-	-	-	-	(173,909)
Accumulated depreciation on disposals	7,787	-	-		83,204	-	-			90,991
Cost of impaired buildings	-	(33,800)	-	-	-	-	-	-	-	(33,800)
Accumulated depreciation on impaired buildings	-	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)
Carrying amount at 31 December 2011	74,432,531	24,192,996	1,427,712	265,233	5,910,999	31,165,746	3,918	3,740,968	4,709,635	145,849,738
Gross carrying amount - cost	89,247,946	45,198,762	1,571,699	551,474	7,767,011	31,165,746	49,120	5,447,484	5,974,011	186,973,252
Accumulated depreciation	(14,815,414)	(21,005,766)	(143,987)	(286,241)	(1,856,012)		(45,202)	(1,706,516)	(1,264,376)	(41,123,514)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
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5	EXPLORATION AND EVALUATION ASSETS	
		US$
	Balance as at 31 December 2010	498,943
	Cost	541,034
	Accumulated armotisation	(42,091)
	Additions	10,280,342
	Armotisation	(41,980)
	Carrying amount as at 31 December 2011	**10,737,305**
	Cost	10,821,376
	Accumulated armotisation	(84,071)
6	INTANGIBLE ASSETS	
		2011
		Computer software
		US$
	Carrying amount as at 31 December 2010	-
	Cost	-
	Accumulated armotisation	-
	Additions	2,126,900
	Armotisation	(49,779)
	Carrying amount as at 31 December 2011	**2,077,121**
	Cost	2,126,900
	Accumulated armotisation	(49,779)

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7	INVESTMENT IN SUBSIDIARIES AND JOINT VENTURES		2011	2010
7.1	Subsidiaries consolidated	Operating status	Percentage holding	Percentage holding
	Sandawana Mines (Private) Limited	Operating	90%	90%
	Jena Mines (Private) Limited	Operating	100%	100%
	Kimberworth Investments (Private) Limited	Operating	100%	100%
	ZMDC Management Services (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%
	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%

7.2	Joint ventures consolidated		2011	2010
	Mbada Diamonds (Private) Limited	Operating	50%	50%
	Zimbabwe German Graphite Mine (Private) Limited (ZGGM)	Operating	50%	50%
	Diamond Mining Corporation (Private) Limited	Operating	50%	50%
			2011	2010
			US$	US$
8	AVAILABLE FOR SALE INVESTMENTS			
	Qouted equity investments			
	Opening balance		4,819	106,142
	Fair value adjustment		217,944	(101,323)
	Closing balance		222,763	4,819
	Unqouted equity investment			

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	10% investment in Anjin Investments (Private) Limited		10,000,000	10,000,000
	Total		10,222,763	10,004,819

9	INVENTORIES		
	Emeralds	1,683,444	1,138,030
	Provision for obsolescence	(1,673,444)	(240,984)
		10,000	897,046
	Diamonds	11,018,463	13,880,141
	Graphite	215,247	135,958
	Work in progress	535,140	509,401
	Spares and consumables	5,694,012	5,400,703
		17,472,862	20,823,249
10	ACCOUNTS RECEIVABLE		
	Trade	1,495,891	1,812,911
	Prepayments	3,133,359	-
	VAT receivable	8,330,130	-
	Staff loans	1,162,594	585,633
	Other	66,159,092	45,584,427
		80,281,066	47,982,971
	Provision for credit losses	(40,501,498)	(40,115,669)
	Fair value of accounts receivable	39,779,568	7,867,302
	Less long term receivables	(353,201)	(377,894)
	Short term receivables	39,426,367	7,489,408
The fair value of trade and other receivables classified as loans and receivables are as follows:			
	Trade	1,495,891	1,812,911
	Other	38,283,677	6,054,391
		39,779,568	7,867,302

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Accounts Receivable (continued)	2011	2010
	US$	US$
Movement on the group provision for impairment of trade receivables is as follows:		
Balance at the beginning of the year	40,115,669	-
Provided for during the year	385,829	40,115,669
Balance at the end of the year	**40,501,498**	**40,115,669**
The movement on the provision for impaired receivables has been included in other operating expenses line on the consolidated statement of comprehensive income.		
Other classes of financial assets included within trade and other receivables do not contain impaired assets.		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
for the year ended 31 December, 2011

			2011	2010
			US$	US$
11	RELATED PARTY INFORMATION			
11.1	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		
	ZMDC Pension Fund	Employee pensions	29,686	22,706
	Zimbabwe German Graphite Mines (Private) Limited	Purchase of inventories	7,403	23,556
	Lomagundi Smelting & Mining (Private) Limited	Transfer of inventories	-	1,444
	Kamativi Tin Mines (Private) Limited	Transfer of inventory	-	5,352
	Star Communication (Private) Limited	Purchase of inventories	-	9,523
	Shengxin (Private) Limited	Purchase of inventories	-	400
	Zimari Platinum (Private) Limited	Purchase of inventories	-	430
	Rush chrome (Private) Limited	Purchase of inventories	-	1,628
	Peneast (Private) Limited	Purchase of inventories	-	2,051
11.2	Related party receivables			
	Mhangura Copper Mines (Private) limited		-	52,461
	ZMDC Pension Fund		21,691	4,778
	Star Mining (Private) Limited		-	15,728
	Afro-Sino (Private) Limited		-	216
	Zimari Platinum (Private) Limited		-	430
	Rush chrome (Private) Limited		-	1,628
	Peneast (Private) Limited		-	2,051
	Northridge Platinum (Private) Limited		-	4,245
	Shengxin Mining (Private) Limited		-	4,357

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
for the year ended 31 December, 2011

		2011	2010
		US$	US$
	Mbada Diamonds (Private) Limited	475,897	24,336
	Zimbabwe German Graphite Mine (Private) Limited	351,002	476,103
	Kamativi Tin Mine (Private) Limited	-	5,597
	Lomagundi Smelting & Mining (Private) Limited	-	1,218
		848,590	**593,148**
11.3	Related party payables		
	Lomagundi Smelting and Mining (Private) Limited	-	7,409
	Mhangura Copper Mines (Private) Limited	-	-
	Zimbabwe German Graphite Mines (Private) Limited	7,142	-
	Mbada Diamonds (Private) Limited	10,805,044	-
	The Reclamation Group (Proprietary) Limited	5,487	64,287
		10,817,673	**71,696**

		US$	US$
11.4	Compensation to key management		
	Key management personnel are employees who have authority, are responsible for planning, directing and controlling the activities of the Corporation.		
	Short term employee benefits	1,455,257	809,181
	Long term benefits	680,879	376,305
		2,136,136	**1,185,486**
11.5	Loans to key management	**150,323**	-
	Loans to key management are unsecured with an interest rate of 6% per annum and have fixed repayment terms.		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd) for the year ended 31 December, 2011

12	SHARE CAPITAL	2011	2010
		US$	US$
12.1	Authorised share capital		
	180,000,000 ordinary shares ZWD$ 1 each	-	-
12.2	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.		
13	SHAREHOLDERS' LOANS		
	Graphit Kropfmuhl AG (German Shareholder in Zimbabwe German Graphite Mines (Privated) Limited)	3,439,880	3,234,176
	The balance is unsecured, interest free and will not be repaid in the short term.		
14	ENVIRONMENTAL REHABILITATION PROVISION		
	Balance at the beginning of the year	412,223	-
	Movement capitalised to non current assets	2,474,521	412,223
	Movement through profit or loss	4,328,220	-
	Balance at the end of the year	7,214,964	412,223
15	DEFERRED TAX		
	Analysis of deferred tax		
	Assessed loss	(2,684,971)	(1,823,773)
	Provision for mine rehabilitation	(1,082,055)	-
	Temporary differences on property, plant and equipment	22,220,324	11,870,486
		18,453,298	10,046,713
	Deferred tax reconciliation		
	Opening balance	10,046,713	6,989,071
	Change in tax rate	-	(54,982)
	Movement through profit or loss	8,406,585	3,112,624
	Closing balance	18,453,298	10,046,713

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
for the year ended 31 December, 2011

		2011	2010
		US$	US$
16	ACCOUNTS PAYABLE		
	Trade	47,589,451	29,328,664
	Other	23,145,838	9,650,000
		70,735,289	38,978,664
17	SHORT TERM LOANS		
	Core Mining and Mineral Resources (Private) Limited.	10,959,220	10,959,220
	Agricultural Development Bank of Zimbabwe	-	2,070,531
	Sino-Zim (Private) Limited	4,267,032	-
		15,226,252	13,029,751

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 ventur in 2011 and the company is now a 100% subsidiary of the Corporation.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
for the year ended 31 December, 2011

18	REVENUE	2011	2010
		US$	US$
	From trading activities:-		
	Gold sales	24,704,765	11,538,039
	Graphite sales	2,311,923	786,520
	Diamond sales	252,063,707	129,846,281
	Emerald sales	2,071	9,032
	Copper reverts sales	527,330	710,876
		279,609,796	**142,890,748**
19	OTHER INCOME		
	Sale of mining rights	15,781,422	72,102,986
	Rental income	112,504	35,897
	Profit on disposal of assets	26,843	-
	Sundry income	5,258,630	15
		21,179,399	**72,138,898**
20	ADMINISTRATION COSTS		
	Zimbabwe Mining Development Corporation (Corporate)	10,219,344	44,410,764
	Management Services (Private) Limited	3,737,812	2,121,921
	Protea Court (Private) Limited	94,027	33,599
	Kimberworth Investments (Private) Limited	10,233,512	3,022,077
	Jena Mines (Private) Limited	8,187,533	4,081,673
	Mineral Development (Private) Limited	2,106,158	2,523,772
	Sandawana Mines (Private) Limited	5,068,893	1,013,907
	Marange Resources (Private) Limited	19,812,865	1,273,590
	Mbada Diamonds (Private) Limited	39,337,622	16,731,701
	Zimbabwe German Graphite Mines (Private) Limited	646,491	599,366
	Diamond Mining Corporation (Private) Limited	638,410	103,890
		100,082,667	**75,916,260**

		2011	2010
		US$	US$
21	NET FINANCE (COST)/INCOME		
	Net interest payable/(receivable)	(3,760,286)	626,367
	Interest receivable	186,100	872,575
	Interest payable	(3,946,386)	(246,208)
	Unrealised exchange (loss)/gains	(91,205)	332,233
		(3,851,491)	**958,600**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
for the year ended 31 December, 2011

		2011	2010
		US$	US$
22	PROFIT BEFORE TAX		
	Profit before tax has been arrived at after charging the following items:		
	Expenses:-		
	Staff costs	28,034,142	12,142,911
	Contractor costs	8,648,863	4,671,081
	Relocation costs	3,094,605	1,174,523
	Auditors' remuneration -Forensic audit	-	1,097,717
	-external audit	519,509	232,640
	Depreciation of property, plant, equipment and biological assets	14,619,011	7,554,613
	Armotisation of intangible assets	49,779	-
	Directors' emoluments- for services as directors	498,200	230,081
	Consulting fees	204,757	33,818
	Legal fees	179,271	418,720
	Marketing fees	2,552,345	934,061
	Fair value adjustment on investments	-	292,609
	Environmental rehabilitation costs	4,328,220	-
	Provision for obsolescence on emeralds	1,683,444	240,984
	Impairment loss on property, plant and equipment	21,927	-
	Provision for credit losses	385,829	40,115,669
23	INCOME TAX		
	Current	20,047,097	21,132,124
	Deferred	8,406,585	3,112,624
		28,453,682	**24,244,748**
	Tax rate reconciliation		
	Accounting profit before tax	126,955,771	120,193,972
	Tax @ 25.75%	32,691,111	30,949,948
	Tax effect of :		
	Non taxable income	(4,797,697)	(13,720,890)
	Non deductable expenses	292,074	3,862,500
	Unrecognised assessed loss	268,194	3,153,190
		28,453,682	**24,244,748**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
for the year ended 31 December, 2011

		2011	2010
		US$	US$
24	CASH AND CASH EQUIVALENTS		
	Bank and cash	7,168,933	40,792,949
	Bank overdraft	(10,600,359)	-
		(3,431,426)	40,792,949

Bank overdraft balance relates to the following unsecured facilities;

(i) $3 405 416 relates to an overdraft facility from FBC Bank secured by Marange Resources (Private) Limited. The terms of the facility are as follows:
- Overdraft limit of $6,000,000.
- Floating interest rate.

(ii) $6 342 283 relates to an overdraft facility from BancABC Bank secured by Marange Resources (Private) Limited. The terms of the facility are as follows:
- Overdraft limit of USD6 000 000.
- Interest of 11% per annum.
- The loan is unsecured.

(iii) The Zimbabwe Mining Development Corporation secured a loan facility with a limit of $4,000,000 to finance Shabani and Mashava Mines (Private) Limited's working capital requirements. The expiry of the facility is 31 March 2013. $852,660 had been drawn down as at 31 December 2011. No assets were pledged as collateral. Interest is charged at 12% per annum.

25 JOINT VENTURES

25.1 Mbada Diamonds (Private) Limited

The Corporation acquired 50% interest in a jointly controlled entity, Mbada Diamonds (Private) Limited in 2010 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.

	2011	2010
Non-current assets	74,567,370	10,715,701
Current assets	18,099,955	23,710,367
Current liabilities	(53,789,706)	(10,570,656)
Non-current liabilities	(8,218,833)	(5,607,095)
Net assets	30,658,786	18,248,317
Income	145,855,466	107,126,755
Profit before tax	69,471,762	70,142,155

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
for the year ended 31 December, 2011

		2011	2010
		US$	US$
	Expenses	(76,383,704)	
	Income tax	(14,910,217)	(18,496,536)
	Profit after tax	54,561,545	51,645,619
25.2	Zimbabwe German Graphite Mines (Private) Limited		
	The Corporation has a 50% (2010:50%) 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.		
	Non-current assets	3,848,116	2,026,150
	Current assets	581,236	449,012
	Current liabilities	(377,392)	(774,787)
	Non-current liabilities	(496,924)	(533,941)
	Net assets	**3,555,036**	**1,166,434**
	Income	2,325,991	792,906
	Expenses	(2,341,219)	(1,848,230)
	Loss before tax	(15,228)	(1,055,324)
	Income tax	37,017	24,580
	Profit/(loss) after tax	**21,789**	**(1,030,744)**
25.3	Diamond Mining Corporation (Private) Limited		
	The Corporation acquired 50% interest in a jointly controlled entity, Diamond Mining Corporation (Private) Limited in 2010 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.		
	Non-current assets	12,154,984	1,702,954
	Current assets	5,096,972	290,286
	Current liabilities	-	(2,240)
	Net assets	**17,251,956**	**1,991,000**
	Income	310	15
	Expenses	(638,410)	(103,890)
	Loss before tax	(638,100)	(103,875)
	Taxation	90,886	26,748
	Loss after tax	**(547,214)**	**(77,127)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
for the year ended 31 December, 2011

The venturers injected additional capital of US31,562,845 in 2011. The money was injected principally to acquire mining equipment and to meet working capital needs of the company. However, no revenue was generated during 2011 since the company was not yet certified to sale its diamond stocks.

26 CONTINGENT LIABILITIES

26.1 Marange Resources (Private) Limited, a subsidiary of ZMDC, is involved in a legal despute 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.

26.2 On 5 October 2010, the joint venture agreement between Marange Resources (Private) Limited (100% owned by ZMDC) 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.

26.3 Three former members of staff filed a case against Zimbabwe Mining Development Corporation over 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.

27 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 comprise 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
for the year ended 31 December, 2011

28 RETIREMENT BENEFITS

28.1 Pension fund

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 28 February 2009 for the whole group fund revealed that the fund was adequately funded.

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

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

	2011	2010
Contributions for the year	234,209	171,978

29 FINANCIAL RISK MANAGEMENT

29.1 Financial risk management

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

29.2 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.

29.3 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 2010, to maintain significant liquid resources.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
for the year ended 31 December, 2011

29.4 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

	At fair value through profit or loss		Loans and receivables		Available for sale	
	2011	2010	2011	2010	2011	2010
	US$	USD	US$	USD	US$	USD
Available for sale investments	-	-	-	-	10,222,763	10,004,819
Cash and cash equivalents				40,792,949	-	-
Related party receivables			848, 590	593, 148	-	-
Short-term staff loans					-	-
Long term staff loans					-	-
Trade and other receivables			39, 426, 367	7, 489, 408	-	-
Total financial assets			**40,274, 957**	**48,875,506**	**10,222,763**	**10,004,819**

Financial Liabilities				
	At fair value through profit or loss		At amortised cost	
	2011	2010	2011	2010
	US$	US$	US$	US$
Short term loans	-	-	15,226,252	13,029,751
Trade and other payables	-	-	70,735,289	38,978,664
Related party payables	-	-	10,817,673	71,696
Bank overdraft	-	-	10,600,359	-
	-	-	107,379,573	52,080,111

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
for the year ended 31 December, 2011

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.

Quantitative disclosures of the credit risk exposure in relation to financial assets are set out below.

Financial assets	Carrying amount		Maximum Exposure	
	2011	2010	2011	2010
	US$	US$	US$	US$
Available for sale investments	10,222,763	10,004,819	10,222,763	10,004,819
Cash and cash equivalents	7,168,933	40,792,949	7,168,933	40,792,949
Trade and other receivables	39,779,568	7,867,302	80,281,066	47,982,971
Related party receivables	848,590	593,148	848,590	593,148
	58,019,855	**59,258,219**	**98,521,353**	**99,373,888**

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 2011, to maintain significant liquid resources and unutilised facilities.

	Up to 3 months			Over 2 years
	2011	2011	2011	2011
	US$	US$	US$	US$
Short term loans	15,226,252	15,226,252	-	-
Trade and other payables	-	70,735,289	-	-
Related party payables	-	10,817,673	-	-
Bank overdraft	-	10,600,359		
	15,226,252	**107,379,573**	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
for the year ended 31 December, 2011

30 SEGMENTAL PERFORMANCE

Basis of segmentation

The Group 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 Group 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 0.19% (2010: 0.50%) 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 8.83% (2010: 8.07%) of the group's external revenue.

Precious stones

This division is made up of diamonds and emerald mining companies. It generated 90.15% (2010: 90.88%) of the Group's external revenue. The segment has experienced rapid growth over the past year mainly due to increased diamond sales.

Industrial minerals

This division involves graphite mining. It accounted for 0.83% (2010: 0.55%) 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 evaluation performance 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
for the year ended 31 December, 2011

30 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					- (28,453,682)
Group profit after tax					**98,502,089**
Statement of financial position					
Assets					
Non-current	21,061,013	26,026,125	120,228,931	1,924,058	169,240,127
Current	31,602,065	4,801,533	27,931,918	581,236	64,916,752
Segment assets	**52,663,078**	**30,827,658**	**148,160,849**	**2,505,294**	**234,156,879**
Liabilities					
Non-current	1,452,356	6,902,529	20,256,332	496,925	29,108,142
Current	19,153,692	8,228,481	88,961,088	377,391	116,720,653
Segment lilibities	**20,606,048**	**15,131,010**	**109,217,420**	**874,316**	**145,828,795**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
for the year ended 31 December, 2011

30 SEGMENTAL PERFORMANCE (Cont'd)

Statement of comprehensive income

	Corporate services 2010 US$	Precious metals 2010 US$	Precious stones 2010 US$	Industrial minerals 2010 US$	Total 2010 US$
Revenue	14,072,755	11,538,039	129,855,313	786,520	156,252,627
Inter-segmental revenue	(3,361,879)	-	-	-	(3,361,879)
Total revenue from external customers	10,710,876	11,538,039	129,855,313	786,520	152,890,748
Segment result before finance charges and tax	29,946,708	7,463,443	82,880,546	(1,055,325)	119,235,372
Finance income					995,838
Finance expense					(37,238)
Group profit before tax					120,193,972
Income tax					(24,244,748)
Group profit after tax					95,949,224
Statement of financial position					
Assets					
Non-current	15,886,011	22,617,974	23,936,586	2,026,150	64,466,721
Current	28,110,235	7,595,880	43,543,627	449,012	79,698,754
Segment assets	43,996,246	30,213,854	67,480,213	2,475,162	144,165,475
Liabilities					
Non-current	386,253	7,137,935	5,634,982	533,942	13,693,112
Current	16,922,527	2,604,689	38,112,733	537,736	58,177,685
Segment liabilities	17,308,780	9,742,624	43,747,715	1,071,678	71,870,797

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
for the year ended 31 December, 2011

31 GOING CONCERN

Marange Resources (Private) Limited

Marange Resources (Private) Limited which has been consolidated had its current liabilities exceeding its current assets by US$16,370,863 as at 31 December 2011 (2010: US$5,258,014).

Mbada Diamonds (Private) Limited

Mbada Diamonds (Private) Limited which has been consolidated had its current liabilities exceeding its current assets by US$35,689,751 as at 31 December 2011 (2010 positive current asset position: US$13,139,711).

Jena Mines (Private) Limited

Jena Mines (Private) Limited which has been consolidated, incurred a loss before tax of US$2,222,616 (2010: US$2,744,880). The company`s current liabilities exceeded its current assets by US$3,157,621 (2010: US$3,000,510).

Kimberworth Investments (Private) Limited

Kimberworth Investments (Private) Limited which has been consolidated incurred a loss before tax of US$4,442,582 for the year ended 31 December 2011 (2010: US$2,135,501). The company`s current liabilities exceeded its current assets by US$4,039,313 as at 31 December 2011 (2010: US$2,023,453).

The loss making positions for 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 and Marange Resources (Private) Limited were due to increased borrowings to fund capital expenditure to increase production capacity.

The Group 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.

Subsequent to year end the Corporation entered into negotiations with potential investors who are willing to inject capital into Kimberworth Investments (Private) Limited and Jena Mines (Private) Limited for retooling the mines.

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.

32 EVENTS AFTER THE REPORTING PERIOD

32.1 Approval of financial statements

The consolidated financial statements were approved by the Board of Directors for issue on 1 October 2012.

Notes

ZMDC
ZIMBABWE MINING
DEVELOPMENT CORPORATION
"Unearthing the future"

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