HWANGE COLLIERY COMPANY LIMITED
(*Incorporated in Zimbabwe under registration number* 381/1954)
ZSE Share Code: **HWA** ISIN: **ZW0009011934**
JSE Share Code: **HWA** ISIN: **ZW0009011934**
LSE Share Code: **HWA** ISIN: **ZW0009011934**

UNAUDITED CONDENSED INTERIM FINANCIAL RESULTS (RE-PUBLICATION)
For the half year ended 30 June 2015

STATEMENT TO SHAREHOLDERS

INTRODUCTION
On behalf of the Board of Directors, I present the audited financial results for Hwange Colliery Company Limited for the year ended 31 December 2015.

OPERATING ENVIRONMENT
The Company endured an operating environment not conducive to our business. This necessitated that the Company re - engineer its business systems and processes in order to preserve its going concern and start to gravitate towards sustainable viability.

The operating environment further deteriorated in 2015 evidenced by downward trend on the major economic fundamentals like economic growth, capacity utilisation, inflation and market liquidity.

The economic growth of 2.4% implied limited demand opportunities and presented a lacklustre outlook for the Company.

There has been a notable erosion of commodity prices on the global economy and this had a contagion effect on the local coal and coke industry. The commodity prices for coal and coke declined by an average of 30%. The closure of ferrochrome, ferroalloy, copper and cobalt operations in the SADC region during the year worsened the market perfomance.

Liquidity challenges prevailed in the local money market making it difficult for the Company to secure the critically required working capital for its operations.

The annual inflation for 2015 at -2.47% was lower than the 2.9% recorded in 2014 and the impact of this deflation is the market push for reduction in the prices of coal and coke

Although the South African Rand declined materially against the United States dollar in 2015, the Company could not take full advantage of the opportunities for cost reduction on imported spares for the dragline and continuous miner and consumables like magnetite because of liquidity challenges.

Coal demand and off take on the domestic market remained the anchor of the business and competitiveness hinged on product availability.

Coke export sales to the South African and Northern markets were subdued throughout the period under review because of the reduced offtake by the traditional metallurgical customers who faced viability challenges.

FINANCIAL PERFORMANCE

The turnover for the year of US$67.6 million was comparably lower than the restated turnover of US$83.9 million achieved in the previous year. Revenue was affected by low production and sales volumes, the stagnant HPS coal prices and the decline in the HIC/HCC coal and coke prices for both local and export markets.

The Company incurred a gross loss of $33.8 million compared to a gross loss of $9.0 million for the 2014 financial year. The loss for the year ended 31 December 2015 was $115.1 million compared to $37.9 million recorded for the same period in 2014.

The widening of the loss is mainly attributed to the recognition of the $69.1 million Zimbabwe Revenue Authority (ZIMRA) liability covering the six (6) year period 2009 to 2015. An amount of $40.6 million had been accrued resulting in an adjustment of $28.5 million after conclusion of the ZIMRA verification exercise.

The amount was previously disclosed as a contingent liability. There was also a 118% increase in administrative costs mainly attributable to the adjustment for the ZIMRA liability. The Company's fixed overhead structure is being addressed through the adoption of a new business model. Company operations have been streamlined and non core costs rationalised.

Property, plant and equipment increased from $129.1 million to $136.3 million. The total assets of the Company decreased from $247.8 million as at the previous year to $239.1 million. The Company's statement of financial position was eroded by the accumulated losses and the ZIMRA liability.

The Company's current liabilities amounted to $287.3 million compared to $209.8 million as at the comparative period last year. Some of the creditors have taken legal action against the Company. Efforts have been made to contain the negative effect of such action on the business. A debt redemption plan and strategy has now been put in place which would result in most of the creditors being paid through a debt instrument structured through the Central Bank.

Borrowings increased from $11.9 million to $51.1 million mainly as a result of long term loans from Export Import Bank of India and RBZ/PTA Bank that financed the mining equipment acquisitions. Also included is the ZAMCO loan of $14 million.

PRODUCTION PERFORMANCE

Sales Statistics

Product	**2015 (METRIC TONNES)**	**2014 (METRIC TONNES)**
HPS coal	887 273	871 632
HCC/HIC coal	503 706	459 325
Coal Fines	113 421	375 841
Total Coal	1 504 400	1 706 798
Coke (Including breeze)	53 874	79 708
TOTAL	1 558 274	1 786 506

The Company's total sales volume decreased by 13%. Total coal and coke sales for the year were 1 558 274 tonnes compared to 1 786 506 tonnes sold in 2014. Coal production volumes were affected by the persistent breakdowns of the major mining equipment compounded by inadequate working capital to support the operations.

For the period under review, the Company took delivery and commissioned mining equipment worth $18.2 million from BELAZ of Belarus through a line of credit structured by Reserve Bank of Zimbabwe (RBZ) and PTA Bank. A second suite of equipment worth $13.03 million was acquired and commissioned from BEML of India financed by Export Import Bank of India.

HPS coal supplied to Zimbabwe Power Company`s Hwange Power Station accounted for 57% of coal produced in 2015 and contributed 42% of the revenue. A total of 887 273 tonnes were supplied to the power station compared to the 871 632 tonnes delivered the previous year, representing a 2% increase in performance.

The Hwange Coking Coal (HCC) and Hwange Industrial Coal (HIC) sales were the major contributors to revenue for the year at 45% and yet accounted for 32% of production volumes. A deliberate production and sales mix was done to optimise this product line. The 503 706 tonnes sold during the year was 10% higher than the tonnage achieved the previous year.

Coal fines sales amounting to 113 421 tonnes constituted 7% of sales volume and accounted for 5% of revenue.

Coke sales, including breeze, amounted to 53 874 tonnes and was below the 79 806 tonnes sold the previous year. The bulk of the coke sales were to South Africa and Zambia

DIVIDEND
In light of the financial performance of the Company, the Board has resolved not to consider declaration of a dividend.

QUALITY, SAFETY, HEALTH AND ENVIRONMENT
The Company went through routine QMS internal audits to ensure processes, procedures and standards are followed. The ISO 9001:2008 Quality Management System re certification audit by Standards Association of Zimbabwe (SAZ) was done in February 2016.

The Company’s safety programmes are sound and enable the Company to achieve a safeworking environment.

Rehabilitation of the mined out areas at the opencast mines is still in abeyance but adequate provision is being done in the financial statements for compliance. The Company had no new incident of acid mine drainage pollution into the environment. There were no reported incidents of pollution of public streams adjacent to the concession area.

The Company’s divisionalised health delivery system and public health programmes effectively prevented adverse diseases like malaria, cholera and typhoid. The opportunistic infections outreach programme and awareness campaigns were used to manage the HIV and AIDS pandemic.

CORPORATE SOCIAL RESPONSIBILITY
Despite the challenges facing the Company, it has not reneged on its corporate social responsibility programmes though now being done on a reduced scale.

For the year under review the Company managed to assist in the construction of Nkayi Vocational Training College for the youths. Donations were made to the schools feeding programmes and drought relief initiatives in the Hwange District. The Company funded the provincial educational merit awards and was involved in a number of sporting and recreational activities.

The Company's municipal responsibilities of housing, social amenities and schooling fall under the Estates and Medical divisions. The main thrust was self sustainability driven by infrastructure sharing with other mining companies in the Hwange area.

The apprenticeship training, nurses training and graduate learnership programme remained but are being reviewed for possible transfer to the Ministries of Higher and Tertiary Education and Health and Child Welfare.

STRATEGIC THRUST

The Board of Directors' strategy to immediately start turning around the fortunes of the Company is premised on the following pillars;

- Divisionalisation into strategic business units;
- Recapitalisation of the mining operations;
- Contract mining;
- Balance sheet restructuring through debt to equity conversion of the ZIMRA liability;
- Customer diversification and focus on key markets; and
- Development of new coal concessions and extension of life of mine.

To complement the long term turnaround plan, the following short term actions are being implemented;

- **Production reconfiguration for effective cost management, enhancing efficiency levels and volume growth**

The Company's own production has been below target mainly due to the working capital challenges which resulted in low plant and machinery availability.

Given the high prevalence of water at JKL and the undulating nature of the coal seam, the Company relocated its open cast operations to Chaba. Mine development at the Chaba pit will be done in March and April 2016. Production will comence in May 2016 at 150 000 tonnes per month. Total opencast production, inclusive of the contractor, shall reach a minimum of 300 000 tonnes per month.

3 Main Underground operations require capital injection of approximately $6,3 million for the refurbishment of the continuous miner, shuttle cars, replace roof bolter and other related new equipment supply. Production is planned to resume by July 2016. The resumption of underground mining will add high value coal and coke to the Company's product mix.

- **Strengthening Corporate Governance Structures**

The audit committee in liason with independent advisors have been tasked to come up with measures of strengthening the governance structures of the Company.

- **Restructuring the Company's Management**

The Board has approved that a leaner management structure with fewer levels of hierarchy be implemented in the second quarter. In addition, Board fees and management salaries have been reduced by 50%. The above initiatives coupled with the unbundling of the training centre and school of nursing, sharing of infrastructure costs and rationalisation of staff will reduce the company's cost structure significantly.

- **Improvement of gross margins**

The reduction in cost of sales and the relocation to the Chaba area, where it is dry and does not require expensive water resistant explosives, will mean improved gross profit margins will be realised. The restructuring measures will address both the direct and indirect overhead costs. Improvement in overall business performance is expected in the third quarter of 2016. With the resuscitation of the underground operations and the takeover of the HCGC Battery, business performance will significantly improve from July 2016 onwards.

- **Working Capital Facility of $7.5 million**

The new production configuration and sales plan depends on availability of $7.5 million working capital. The working capital facility has been structured as a prepayment for coal by one of the major customers.

- **Review of supply contracts in order to address any anomalies that are responsible for negative gross margins**

The Board and management have started negotiations with major contractors to reduce charges based on low prices for fuel, commodities and equipment. All contractors' agreements are being reviewed.

- **Creditors and Litigations**

Hwange Colliery Company is facing numerous litigations from creditors that threaten the going concern of the Company. The total amount owed to creditors is $287.3 million. Debt instruments are being set up and once approved will stand as payment guarantee to creditors.

- **BELAZ and BEML Equipment**

Since the commissioning of the new mining equipment in July 2015, the Company experienced major technical challenges with the BEML excavators. There have been rigorous engagements with BEML to resolve the problems by supplying new spare parts and deploying technical experts at own expense. In addition, the warranty for these machines has been extended by a further six (6) months or 1 000 hours and the supplier has guaranteed availability of the machines.

The BEML excavators will be tested under full load and capacity for a period of one month. The working capital facility from Agribank will enable the Company to purchase requisite fuel, explosives, lubricants and spares. Thereafter it will be ascertained whether or not the machines meet the performance specifications.

- **Offtake agreements with key customers**

As the Company takes actions to reduce its costs and become competitive, it is also driving initiatives to enter into one year supply contracts with its key customers. It is also reviewing transport costs, both rail and road so that the delivered price of coal and coke products is attractive for the customers.

OUTLOOK

The short term recovery plan premised on a new business model will address the viability challenges of the Company.

The $7.5 million coal pre-financing facility structured through a major customer and syndicated by two (2) local financial institutions will give impetus to the new business plan and ensure attainment of the monthly production targets of 350 000 tonnes per month from July 2016 onwards. The mining contractor, Mota Engil, is expected to continue to meet its monthly tonnage target.

The production is matched to current market demand. The cost focus approach will yield the desired margins given the decline in commodity prices.
The conversion of the ZIMRA debt into equity is in progress and the exercise should be complete by the end of the second quarter of 2016. This transaction is

structured through a fully underwritten rights issue that will be brought before the Shareholders for approval in April 2016.

The Company commenced pre-exploration and development work at the three (3) new coal concessions that were awarded in July 2015. The process of identifying the technical and financial strategic partners was done through a public invitation for expressions of interest in the exploration of the concessions. The adjudications would be finalised beginning of the second quarter of 2016. The new concessions will be developed as a separate business unit to enable bankability and project financial and resource mobilisation.

Coal supply off take agreements were concluded with two (2) major new thermal power station developers. Coal supply to these new power stations will be from the new concession areas.

Hwange Colliery Company’s own coke oven battery was systematically shut down in June 2014. A consultant was appointed to determine the scope and financing for either a rebuild of this coke oven battery or a replacement. Negotiations to terminate the Build Own Operate and Transfer (BOOT) agreement signed with Hwange Coal Gasification Company (HCGC) in 2007 is at an advanced stage. This takeover will include the construction of phase II of the coke oven battery which will add another 12 500 tonnes per month production capacity.

The Company, in liaison with Tobacco Industry Marketing Board, has appraised the feasibility of beneficiating the coal fines through a briquetting project.
The Board is confident that fruition of the current initiatives will reverse the adverse statement of financial position of the Company and a tenable status quo is envisaged in the short term.

DIRECTORATE
Mr Farai Mutamangira, who was the Chairman of the Company since 11 August 2011, resigned on 09 October 2015. Messrs Norman Shingirayi Chibanguza and Ian Chamunorwa Haruperi resigned as Directors of the Company on 29 February 2016 having served the Company since 11 August 2011. On behalf of the Board of Directors, I would like to thank Messrs Mutamangira, Chibanguza and Haruperi for their invaluable contribution to the Company over the years and wish them all the best in their future endeavours.
Mr Jemister Chininga was appointed Acting Chairman of the Company on 14 October 2015.

APPRECIATION
I would like to take this opportunity to thank our various stakeholders, my fellow Board Members, the management team and staff for their commitment and dedication to ensure that the Company remains afloat against the myriad of challenges.
Their continued commitment and support would be key as the Company embarks on a new era journeying towards its inevitable profitability performance in the short term.

J CHININGA
ACTING CHAIRMAN

24 March 2016

Auditor’s Statement
These summary financial statements should be read in conjunction with the complete set of the audited financial statements of Hwange Colliery Company Limited for the

year ended 31 December 2015, which have been audited by Messrs Grant Thornton Chartered Accountants (Zimbabwe). The audit opinion on the financial statements is qualified in respect of going concern and the inclusion of the financial results of the Company`s investments in associates and the joint venture company for the year ended 31 December 2015, which have not been audited. The auditor's report on the financial statements is available for inspection at the Company's registered office.

Abridged audited statement of profit or loss and other comprehensive income
for the year ended 31 December 2015

	Note	**31 December 2015 USD**	**31 December 2014 USD**
Revenue	5	67 576 220	83 918 846
Cost of sales		(101 345 965)	(92 873 146)
Gross loss		(33 769 745)	(8 954 300)
Other income		470 858	694 761
Other gains and losses		(19 007)	(5 425 101)
Marketing costs		(1 314 953)	(1 486 861)
Administrative costs		(60 628 370)	(27 862 294)
Redundancy costs		-	(5 053 909)
Impairment loss	6	(4 465 881)	(3 452 516)
Operating loss before interest and tax		(99 727 098)	(51 540 220)
Finance costs	7	(5 548 984)	(3 701 723)
Share of loss from equity accounted investments		(413 134)	(1 123 788)
Loss before tax		(105 689 216)	(56 365 731)
Income tax expense/(credit)	9	(9 367 557)	18 499 846
LOSS FOR THE YEAR		(115 056 773)	(37 865 885)
Other comprehensive income:			
Share of other comprehensive income of equity accounted investments, net of tax		-	-
Other comprehensive income, net of tax		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(115 056 773)	(37 865 885)
Attributable loss per share			
- basic	10.1	(0.63)	(0.21)
- diluted	10.2	(0.63)	(0.21)
Headline loss per share			
- basic	10.3	(0.61)	(0.19)
- diluted	10.4	(0.61)	(0.19)

Abridged audited statement of financial position
as at 31 December 2015

	Note	**31 December 2015 USD Audited**	**31 December 2014 USD Audited**
ASSETS			
Non current assets			
Property, plant and equipment	10	136 344 524	129 078 977

Investment property	11	3 700 000	3 700 000
Investments accounted for using the equity method	12	16 181 534	16 594 668
Intangible assets		1 238 371	1 590 041
Deferred tax asset		-	9 367 557
Inventory - non current portion	15	15 009 021	-
		172 473 450	160 331 243
Current assets			
Stripping activity asset	16	4 849 819	7 290 468
Inventories	17	29 389 463	41 446 180
Trade and other receivables	18	31 887 617	37 784 545
Cash and cash equivalents	19	502 630	956 810
		66 629 529	87 478 003
Total assets		239 102 979	247 809 246
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	20	45 962 789	45 962 789
Share premium		577 956	577 956
Non-distributable reserve		4 358 468	4 358 468
Revaluation reserve		39 948 518	39 948 518
Accumulated losses		(168 681 963)	(53 625 190)
		(77 834 232)	37 222 541
Non-current liabilities			
Finance lease liability	21	3 834 644	800 000
Borrowings	22	25 824 359	-
		29 659 003	800 000
Current liabilities			
Finance lease liability	21	17 491 624	261 570
Borrowings	22	3 960 469	10 790 113
Trade and other payables	23	241 505 888	187 482 799
Provisions	24	14 265 377	10 848 723
Current income tax liability	25	10 054 850	403 500
		287 278 208	209 786 705
Total equity and liabilities		239 102 979	247 809 246

Abridged audited statement of changes in equity for the year ended 31 December 2015

	Share capital USD	**Share premium USD**	**Non-distributable reserves USD**	**Revaluation reserve USD**	**Accumulated losses USD**	**Total USD**
Balance at 1 January 2014	45 962 789	577 956	4 358 468	39 948 518	(15 759 305)	75 088 426
Total comprehensive loss for the year	-	-	-	-	(37 865 885)	(37 865 885)
Balance at 31 December 2014	45 962 789	577 956	4 358 468	39 948 518	(53 625 190)	37 222 541
Balance at 1 January 2015	45 962 789	577 956	4 358 468	39 948 518	(53 625 190)	37 222 541
Total comprehensive loss for the year	-	-	-	-	(115 056 773)	(115 056 773)
Balance at 31 December 2015	45 962 789	577 956	4 358 468	39 948 518	(168 681 963)	(77 834 232)

Abridged audited statement of cash flows

for the year ended 31 December 2015

	Note	31 December 2015 USD Unaudited	31 December 2014 USD Audited
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(105 689 216)	(56 365 731)
Adjustment for non-cash items:			
Unrealised exchange loss		19 007	430 101
Share of loss from equity accounted investments		413 134	1 123 788
Finance costs		5 548 984	3 701 723
Depreciation and amortisation charge for the year		16 947 750	12 236 454
Impairment loss		4 465 881	3 452 516
Inventory write down and other		6 677 787	-
Fair value adjustment on financial assets		-	4 645
Operating cash flow before changes in working capital		(71 616 673)	(35 416 504)
Changes in working capital:			
(Increase)/decrease in inventory		(2 952 304)	906 797
Decrease(increase) in receivables		5 896 928	(3 166 030)
Increase in provisions		3 416 654	1 224 685
Increase in current tax liability		9 651 350	-
Increase in payables		54 023 089	54 593 220
Cash (utilised in)/ generated from operating activities		(1 580 956)	18 142 169
Interest paid		(571 910)	(3 249 810)
Tax paid		-	(673 597)
Net cash flows (utilised in) / generated from operating activities		(2 152 866)	14 218 762
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(30 804 938)	(346 840)
Proceeds from the disposal of assets		-	-
Net cash flows utilised in investing activities		(30 804 938)	(346 840)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		33 095 739	1 511 203
Repayment of borrowings		(433 882)	(10 631 690)
Net cash flows utilised in financing activities		32 661 857	(9 120 487)
Net increase / (decrease) in cash and cash equivalents		(295 947)	4 751 435
Cash and cash equivalents at beginning of the year		761 924	(3 989 511)
Cash and cash equivalents at end of year	19	465 977	761 924

Notes to the abridged audited financial statements
for the year ended 31 December 2015

1 Nature of operations and general information

Hwange Colliery Company Limited is a Company whose principal activities include extraction, processing and distribution of coal and coal products and provision of health services and various retail goods and services. Its activities are grouped into the following three (3) main segments which are mining, medical services and estates

The Company is a limited liability Company incorporated and domiciled in Zimbabwe. It is listed primarily on the Zimbabwe Stock Exchange (ZSE), and has secondary listing on the Johannesburg Stock Exchange (JSE) and London Stock Exchange (LSE).

The company's financial statements were authorised for issue by the board of directors on the 24th of March 2016.

Presentation currency

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

2 Basis of preparation

The summary financial statements for the year ended 31 December 2015 have been prepared in accordance with IAS 34, Interim Financial Reporting and in terms of Zimbabwe Stock Exchange (ZSE) listing rules and the Companies Act (Charter 24:03). They do not include all of the information required for full annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with International Financial Reporting Standards.

3 Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements are based on statutory records that are maintained under the historical cost convention.

4. Summary of accounting policies

4.1 Revenue recognition

Revenue comprises revenue from the sale of goods and the rendering of services. Revenue is measured by reference to the fair value of consideration received or receivable by the Company for goods supplied and services provided, excluding sales taxes, rebates, and trade discounts.

4.2 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

4.3 Property, plant and equipment

Freehold land and buildings and plant and machinery are shown at fair value, based on periodic, but at least annual, valuations by external independent valuers, less subsequent accumulated depreciation for buildings. All other property, plant and equipment is stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

4.4 Depreciation

Land, capital work in progress and prestripped overburden are not depreciated. All other property, plant and equipment are depreciated on a straight line basis or amortised at rates estimated to write-off the cost or valuation of such assets over their expected useful lives.

4.5 Intangible assets

Intangible assets include acquired mining rights and acquired and internally developed software used in production or administration that qualify for recognition as an intangible assets. They are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing.

	2015 USD	**Restated 2014 USD**
6 Revenue		
Mining	57 966 532	72 031 451
Medical services	999 131	1 039 529
Estates	8 610 557	10 847 866
	67 576 220	83 918 846

5.1 Change in acounting policy

The company's business model was reviewed and a divisional strategy was implemented in 2015. As a result, the company changed its accounting policy with effect to the recognition of revenue earned from Medical Services and Estates business units. In accordance with International Accounting Standards 8 "Accounting Polices, Changes in Accounting Estimates and Errors", the financial statements have therefore been prepared on the basis of a retrospective application of the voluntary change in accounting policy.
The previous accounting policy was to offset the revenue against the divisional expenses. The new accounting policy was adopted on 30 June 2015 and has been applied retrospectively. The effect of this change is as follows:

Notes to the abridged audited financial statements
as at 31 December 2015

Revenue	**As reported 2014 USD**	**As reported 2013 USD**	**Adjustments 2014 USD**	**Adjustments 2013 USD**	**Restated 2014 USD**	**Restated 2013 USD**
Revenue	72 031 451	71 540 667	11 887 395	13 910 979	83 918 846	85 451 646
Cost of sales	(82 320 263)	(81 957 758)	(10 552 883)	(11 664 785)	(92 873 146)	(93 622 543)
Gross loss	(10 288 812)	(10 417 091)	-	-	(8 954 300)	(8 170 897)
Other income	694 761	936 849	-	-	694 761	936 849
Other gains(or losses)	(5 425 101)	(504 314)				(504 314)

net			-	-	(5 425 101)	
Marketing costs	(1 486 861)	(2 738 360)	-	-	(1 486 861)	(2 738 360)
Administrative expenses	(26 527 782)	(27 652 799)	(1 334 512)	(2 246 194)	(27 862 294)	(29 898 993)
Other operating expenses	(8 506 425)	-	-	-	(8 506 425)	-
Profit/(loss) from operations	(51 540 220)	(40 375 715)	-	-	(51 540 220)	(40 375 715)

	2015 USD	**2014 USD**
6 Impairment loss Impairment of coke oven battery	3 648 127	2 478 958
Impairment of Terex coal haulers	-	880 934
Impairment of buildings	-	84 435
Impairment of motor vehicles	2 000	8 189
Impairment of Enterprise Resource Planning software and Mining rights	118 734	-
Impairment of plant and machinery	697 020	-
Total	4 465 881	3 452 516
7 Finance costs Interest on loans and overdrafts	3 445 250	3 104 112
Interest on leases	2 103 734	597 611
	5 548 984	3 701 723
8 Loss before tax		
Loss before tax for the year has been arrived at after charging the following:		
Depreciation on property, plant and equipment	16 707 109	12 236 454
Directors’ emoluments	582 976	671 151
Allowance for credit losses	2 008 114	1 346 703
Impairment loss (note 9)	4 465 881	3 452 516
Zimbabwe Revenue Authority investigation penalty (note 12.1)	28 491 916	-
Employee benefits expense	41 777 078	43 318 976

The Company was under a ZIMRA tax investigation in relation to employee tax (Pay As You Earn), Value Added Tax, Witholding Tax and Income tax. The final tax assessment was issued by the tax authority on 20 November 2015, confirming an additional liability of USD 28 491 916. This increase in the tax liability was included in administration expenses.

9 Income tax expense / (credit)		
Current tax	-	-
Deferred tax	9 367 557	(18 499 846)
	9 367 557	(18 499 846)
10 Loss per share		
10.1 Basic		
Loss attributable to shareholders	(115 056 773)	(37 865 885)
Weighted average number of ordinary shares in issue	183 851 154	183 851 154
Basic loss per share	(0.63)	(0.21)

Basic loss per share is calculated by dividing the loss attributable to shareholders by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the Company and held as treasury shares.

10.2 Diluted
For diluted loss per share the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares being share options granted to employees.

The loss used in the calculation of all diluted loss per share measures are the same as those for the equivalent basic loss per share measures, as outlined above.

Loss used to determine diluted loss per share	(115 056 773)	(37 865 885)
Weighted average number of ordinary shares in issues	183 851 154	183 851 154
Diluted loss per share	(0.63)	(0.21)

10.3 Headline loss per share
Headline loss per share excludes all items of a capital nature and represents an after tax amount. It is calculated by dividing the headline loss shown below by the number of shares in issue during the year:

IAS 33 - Loss for the year	(115 056 773	(37 865 885)
Non - recurring items:		
Proceeds on sale of scrap	(50 463)	(352 848)
Impairment of property, plant and equipment	4 465 881	3 452 516
Tax effect of the above	(1 136 970)	(798 165)
Headline loss	(111 778 325)	(35 564 382)
Weighted average number of ordinary shares in issue	183 851 154	183 851 154
Headline loss per share	(0.61)	(0.19)

10.4 Diluted headline loss per share		
Headline loss	(111 778 325)	(35 564 382)
Weighted average number of ordinary shares in issue	183 851 154	183 851 154
Headline loss per share	(0.61)	(0.19)

11 Property, plant and equipment		
Carrying amount at the beginning of the year	129 078 977	139 129 468
Additions	32 680 228	5 638 479
Charge to profit or loss	(4 360 425)	-
Impairment	(4 347 147)	(3 452 516)
Depreciation charge for the year	(16 707 109)	(12 236 454)
Carrying amount at the end of the year	136 344 524	129 078 977

12 Investment property		

Valuation at 1 January	3 700 000	3 700 000
Fair value gains (included in other gains and losses)	-	-
At 31 December	3 700 000	3 700 000
The following amount has been recognised in the profit or loss:		
Rental income	336 303	301 232

13 Investments accounted for using the equity method		
Investments in associates	231 148	446 205
Investments in joint venture	15 950 386	16 148 463
	16 181 534	16 594 668
13.1 Investments in associates		
Carrying amount as at 1 January	446 205	897 168
Share of loss	(215 057)	(450 963)
Share of other comprehensive income	-	-
Dividends paid	-	-
Carrying amount as at 31 December	231 148	446 205

The Company holds a 49% voting and equity interest in Clay Products (Private) Limited. Hwange Colliery Company Limited also holds a 44% voting and equity interest in Zimchem Refineries (Private)

The Company did not recognise its share of losses for the year amounting to USD 608 355 (2014: USD 268 417) for Zimchem Refiners (Private) Limited as the share of cumulative losses exceed the carrying amount of the investment in the associate. Unaudited financial information for the associate has been included in these summary financial statements as the audited financial information was not available.

13.2 Investment in joint venture Carrying amount as at 1 January	16 148 463	16 821 287
Additional investment	-	-
Share of loss	(198 077)	(672 824)
Dividends paid	-	-
Carrying amount as at 31 December	15 950 386	16 148 463

Hwange Coal Gasification Company (Private) Limited is the only jointly controlled entity and the ultimate ownership interest is 25%. Unaudited financial information for the joint venture has been included in these summary financial statements as the audited financial information was not available

14 Zimbabwe Revenue Authority investigation penalty
The Company was under a ZIMRA tax investigation in relation to an amount of USD7 412 990 for employee tax (Pay As You Earn) and USD35 928 420 in respect of Value Added Tax and Witholding Tax. The final tax assessment was issued by the tax authority on 20 November 2015, confirming an additional liability of USD 28 491 916. The financial statements have been adjusted to reflect this position.

	2015 USD	**2014 USD**

15 Inventory - non-current portion		
Balance at 1 January	25 735 845	30 200 876
Additions to stockpiles	65 385	3 710 473
Sales	(2 475 635)	(8 175 504)
	23 325 595	25 735 845
Balance at end of year is classified as follows:		
Non-current assets	15 009 021	-
Current portion (included in inventories)	8 316 574	25 735 845
	23 325 595	25 735 845

The Company accumulated coal fines over the years for which an active market was identified in 2009. During the year, some of the customers did not take up the product as had been agreed in the signed contracts. As a result, coal fines in excess of the average annual uptake of the product have been reclassified to non-current assets.

16 Stripping activity asset		
Balance at beginning of year	7 290 468	6 774 204
Current year pre-stripping costs	227 825	1 796 730
Costs charged to cost of sales	(2 668 474)	(1 280 466)
Balance at end of year	4 849 819	7 290 468

17 Inventories		
Raw materials / consumables	9 430 728	4 954 221
Finished goods		
- Coal	8 447 093	8 547 081
- Coal fines(note 15)	8 316 574	25 735 845
- Coke	3 195 068	2 209 033
	29 617 288	41 446 180

18 Trade and other receivables		
Trade receivables, gross	33 338 281	23 116 766
Allowance for credit losses	(9 751 845)	(7 743 731)
Trade receivables, net	23 586 436	15 373 035
Other receivables	8 301 181	22 411 510
	31 887 617	37 784 545

All of the Company’s trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and an increase in allowance for credit losses of USD 2 008 114 (2013:USD 1 346 703) has been recognised.

19 Cash and cash equivalents
For the purposes of statement of cash flows, cash and cash equivalents include cash on hand and in banks net of outstanding bank overdrafts.

Bank and cash balances	502 630	956 810
Bank overdrafts	(36 653)	(194 886)
	465 977	761 924

20 Share capital and reserves		

Authorised		
204 000 000 Ordinary shares of USD0.25 each	51 000 000	51 000 000
110 237 432 Ordinary shares of USD0.25 each	27 559 358	27 559 358
4 404 850 Ordinary shares issued under share option scheme	1 514 039	1 514 039
67 557 568 ‘’A’’ Ordinary shares of USD0.25 each	16 889 392	16 889 392
	45 962 789	45 962 789

21 Finance lease liability		
Non current	3 834 644	800 000
Current	17 491 624	261 570
	21 326 268	1 061 570

The finance lease liability carrying amount is disclosed as follows:

21.1 OK Zimbabwe		
Long term portion	700 000	800 000
Less: Short term portion	414 756	261 570
	1 114 756	1 061 570

21.2 The Reserve Bank of Zimbabwe (RBZ)/Eastern and Southern African Trade and Development Bank (PTA) Loan

Long term portion	3 134 644	-
Short term portion	15 081 356	-
Total	18 216 000	-
Principal	18 216 000	-
Interest	1 995 512	-
	20 211 512	-

This is a lease of Belaz coal mining equipment amounting to USD 18 216 000 to the Company by (RBZ)/ PTA Bank over a four (4) year period, interest is charged at LIBOR + 9% per annum secured against immovable property and movable assets

22 Borrowings		
22.1 Long term loans		
Zimbabwe Asset Management Corporation (ZAMCO)	14 868 435	-
Export Import Bank of India (EXIM)	12 879 740	-
BanABC*	10 595 227	10 595 227
	38 343 402	10 595 227
less - current portion of long term loans	(1 923 816)	(10 595 227)
- BanABC loan restructured	(10 595 227)	-
	25 824 359	-

22.2 Short term loans		
Overdrafts	36 653	194 886
Agribank	2 000 000	-
Add current portion of long term loans	1 923 816	10 595 227
	3 960 469	10 790 113

The stripping activity asset balance of USD 7 290 468 as at 31 December 2014 has been reclassified as inventory in these summary financial statements.

23 Trade and other payables		
Trade	127 474 568	106 604 119
Other	114 031 320	80 878 680
	241 505 888	187 482 799

24 Provisions		
24.1 Provision for rehabilitation		
At 1 January	4 893 360	3 893 360
Charged to profit or loss:		
Additional provisions made during the year	833 333	1 000 000
Amounts used during the year	-	-
At 31 December	5 726 693	4 893 360

The Company has an obligation to undertake rehabilitation and restoration when environmental disturbance is caused by the ongoing mining activities. The provision for rehabilitation costs recognised in these financial statements relates to previously mined areas.

24.2 Other provisions		
Death Benefits	3 267 913	2 491 991
Leave pay and bonus provisions	5 270 771	3 463 372
Total provisions	14 265 377	10 848 723

25 Current tax liability		
Balance at 1 January	403 500	403 500
Movement	9 651 350	-
Balance at 31 December	10 054 850	403 500

The movement in the current tax liability is attributable to the tax assessment concluded by ZIMRA on 27 November 2015. The amount is included in the USD USD 28 491 916 ZIMRA liability recognised under administration costs.

25 Going concern

The Company is experiencing the following challenges which have an effect on its ability to continue operating as a going concern:

25.1 Gross loss and net loss for the year

The Company incurred a gross loss for the year ended 31 December 2015 of USD 33 769 745(2014: USD 8 954 300) and a loss for the year of USD114 643 639 (2014 : USD 37 865 885). This was attributable to a reduction in the production volumes from 1 802 362 tonnes in 2014 to 1 557 567 tonnes in 2015 on the backdrop of high fixed overheads associated with the Company’s operations. The losses were also a result of challenges experienced with the new equipment commissioned in June 2015 resulting in an increase in direct costs of production without a corresponding increase in output.

25.2 Negative equity

As at 31 December 2015, the Company’s total liabilities exceeded total assets resulting in a negative equity position of USD 77 421 098. This was attributable to recurring losses which eroded the capital and reserves and the ZIMRA obligation of USD 28 141 192, which was confirmed as being a liability on 27 November 2015.

25.3 Litigation cases
The Company had litigation claims brought against it during the year ended 31 December 2015 as follows:

Value of cases for which judgement has been passed against the Company*	21 297 555	25 913 125
Value of cases pending judgement at the courts	21 276 848	21 033 375
Total value of litigation cases	42 574 403	46 946 500

*At the time of reporting, the amounts outstanding in respect of cases for which judgement has been passed are USD 21 331 613.

25.4 Debt/lease covenants not met
As part of the ZAMCO loan agreement, the Company was obliged to insure all its movable assets and stocks valued at USD 15 000 000 as part of collateral for the loan of USD 14 868 435. The Company has not been able to insure these assets due to liquidity constraints.

The Company has been facing challenges in meeting scheduled repayments on loans and leases owing to liquidity challenges.

25.5 Low machine availability
The Company acquired mining equipment worth USD 12 879 740 from BEML, a Company incorporated in India, which was commissioned in July 2015. The Company experienced low machine availability mainly as a result of technical challenges faced in operating the equipment.

In view of the above, the Directors have assessed the ability of the Company to continue to operate as a going concern and are of the view that the preparation of these financial statements on a going concern basis is appropriate as supported by the following plans which are intended to address these challenges:

Rights issue
The Company is pursuing a rights issue which will result in a debt to equity swap of USD 69 100 000 in relation to the ZIMRA liability. The proposed transaction is also expected to result in a cash injection of USD 39 400 000 if all existing shareholders exercise their rights.

Settlement of creditors through issuance of debt instruments
A debt restructuring plan has been put in place which is expected to result in the issuance of debt instruments with an extended tenure by the Central Bank to existing creditors as part of settlement of outstanding amounts.

Working capital facility of USD7.5 million
The Company has entered into a prefinancing arrangement of USD 7.5 million with one of its major customers for the supply of coal which will be channelled towards production.

Review of contractor pricing

The Directors have initiated negotiations with major contractors to reduce charges. This is expected to result in a reduction in the cost of sales as well as improving product profitability.

Extension of warranty period on BEML equipment
The Directors and management engaged BEML and negotiated for a warranty extension by a further six (6) months or 1 000 hours on the equipment.

Equipment refurbishment
The Directors are sourcing approximately USD 6.3 million to refurbish the continuous miner, shuttle cars and other equipment necessary for the underground mining operations which will add high value coal and coke to the Company's product mix.

Restructuring of Company's management
The Directors have approved the adoption of a leaner management structure with fewer levels of hierarchy in the second quarter of 2016. In addition, board fees and management salaries will be reduced by 50% effective April 2016.

As a consequence, the Directors believe that the Company will continue to operate as a going concern and that the realisation of assets and the settlement of liabilities will occur in the ordinary course of business. These financial statements have therefore been prepared on a going concern basis.

26 Financial risk management objectives and policies
The Company's principal financial liabilities comprise finance lease liabilities, loans payable, bank overdrafts and trade payables. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has various financial assets such as trade receivables and cash and short term deposits, which arise directly from its operations. Exposure to credit, interest rate and currency risk arises in the normal course of Company's business and these are main risks arising from the Company`s financial instruments.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below:

26.1 Credit risk
Management has a credit policy in place and the exposure to credit risk is monitored on an on-going basis. The Company assumes foreign credit risk only on customers approved by the Board and follows credit review procedures for local credit customers.

Investments are allowed only in liquid securities and only with approved financial institutions. At the reporting date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amounts of each financial asset in the statement of financial position.

24.2 Interest rate risk
The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long and short term debt obligations and bank overdrafts. The Company's policy is to manage its interest cost using fixed rate debts.

24.2 Currency risk
The Company is exposed to foreign currency risk on transactions that are denominated in a currency other than the United States Dollar. The currency giving rise to this risk is primarily the South African Rand.

In respect of all monetary assets and liabilities held in currencies other than the United States Dollar, the Company ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances. The Company's exposure to foreign currency changes is not significant.

27 Contingent liabilities

27.1 Significant litigation cases

The following cases have been included in the value of cases pending judgement at the courts in note 32 above:

The Company is being sued by the former employees to the amount of USD 1 970 348 for termination of employment and unfair labour practices.

28 Events after the reporting date

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation of these financial statements.
By Order of the Board

Annual Report and Audited Financial Statements

The annual report and audited financial statements for the year ended 31 December 2015 will be distributed to Shareholders on or before 31 May 2016 and the Annual General Meeting will be held on Thursday 30 June 2016.

T K Ncube
COMPANY SECRETARY
24 March 2016

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7th Floor, Coal House
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Harare
ZIMBABWE

Johannesburg
Sponsor: Sasfin Capital
(A Division of Sasfin Bank Limited)

Financial Advisor
Brainworks

Sponsoring Broker
ABC Stockbrokers

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Directors: J. Chininga (A\Chairman); S. T. Makore* (Managing); J. Muskwe (Mrs.); V. Vera (*Executive)

1 April 2016
Johannesburg
Sponsor: Sasfin Capital
(A Division of Sasfin Bank Limited)