

Auditor's copy

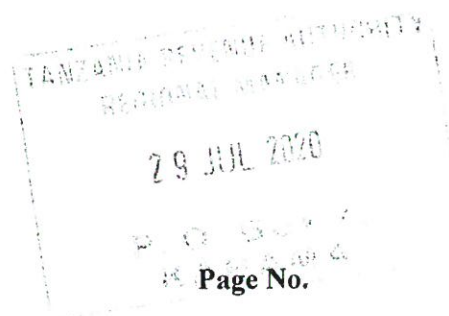
**MSALALA GOLD LIMITED  
P. O. BOX 3016,  
DAR ES SALAAM**

**FINANCIAL STATEMENTS FOR THE YEAR ENDING 31ST DECEMBER 2019**

**H. A. PATWA & CO.  
Certified Public Accountants in Public Practice  
Head office:  
P. O. Box 4509,  
DAR ES SALAAM**

**MSALALA GOLD LIMITED**

**REPORT AND FINANCIAL STATEMENTS**  
**For the year ending 31st December 2019**



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**MSALALA GOLD LIMITED**

**CORPORATE INFORMATION**



Board of Directors

- : Jayesh G Shah - British
- : Pujan Sumaria Shah - British
- : Iddi Kassim Iddi - Tanzanian
- : Akansha Sumaria - Indian
- : Arpan Mathur - Indian

Registered Office

- : Plot No: 368
- : Msasani Road
- : P. O. Box 3016,
- : Dar-es-salaam
- : Tanzania

Auditors'

- : H. A. Patwa & Company
- : Certified Public Accountants in Public Practice
- : P. O. Box 4509,
- : Dar-es-salaam
- : Tanzania

Principal Banker

- : Azania Bank Ltd
- : Kisutu Branch
- : P. O. Box 32089
- : Dar-es-salaam
- : Tanzania

## MSALALA GOLD LIMITED

### REPORT OF THE DIRECTORS

1. The directors present their report and the audited financial statements for the year ending 31<sup>st</sup> December 2019.

#### 2. ACTIVITIES

The principal activity of the company is processing gold. The company is incorporated in Tanzania under the company Act 2002. The company was incorporated on 31st May 2017 with company no 135521.

#### 3. SOLVENCY AND DIVIDENDS

The company's state of affairs is set out on page 8 of these financial statements.

#### 4. MARKET VALUE OF FIXED ASSETS

The company's assets are included in the balance sheet at historical cost and in the opinion of the directors, the market value of these assets exceed their net book value.

#### 5. DIRECTORS

The directors who served the company during the year are shown on page 1 of these financial statements.

#### 6. COMPANY'S OPERATIONS

The operating results and state of affairs of the company are fully set out in the attached financial statements and do not require any further comment in our opinion.

#### 7. REVIEW OF BUSINESS ACTIVITIES

##### a) RESULTS

The results for the year are as described in the financial statements. Below is the summary of the results;

	2019	2018
	Tzs	Tzs
	'000	'000
Loss before Taxation	(251,398)	(515,058)
Taxation	-	-
Loss after Taxation	<u>(251,398)</u>	<u>(515,058)</u>

##### b) GOING CONCERN

The directors confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realization of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business

## 8. CORPORATE GOVERNANCE

The board of directors consists of five (5) Directors. The board takes overall responsibility for the company, including responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters, and reviewing the performance of management business plans and budgets. The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative, and for compliance with sound corporate governance principles.

The company is committed to the principles of effective corporate governance. The directors also recognize the importance of integrity, transparency and accountability.

## 9. RISK MANAGEMENT AND INTERNAL CONTROL

The board accepts final responsibility for the risk management and internal control systems of the company. It is the task of management to ensure that adequate internal financial and operational control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding:

- The effectiveness and efficiency of operations
- The safeguarding of the Company's assets
- Compliance with applicable laws and regulations
- The reliability of accounting records
- Business sustainability under normal as well as adverse conditions
- Responsible behaviors towards all stakeholders.

The Board is in a continuous process of improving its intended controls and its continuous development as at financial year ended 31<sup>st</sup> December 2019 and is of the opinion that all requirements are met.

## 10. EMPLOYEES' WELFARE

There was continued good relationship between employees and management for the year ending 31 December 2019. There were no unresolved complaints received by Management from the employees during the year.

The company is equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribes, religion and disability which does not impair abilities to discharge duties

## 9. AUDITORS

The directors intend to retain H. A. Patwa and Company, a firm of Certified Public Accountants in Public Practice as auditors of the company for the next financial year.

**BY ORDER OF THE BOARD**



**DIRECTOR**

**DATE: 27/7/2020**

**MSALALA GOLD LIMITED**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS FOR THE YEAR ENDING 31<sup>st</sup> DECEMBER 2019.**

TANGANYIKA  
REGISTRATION  
29 JUL 2020

The directors are required in terms of the Companies Act of 2002 to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company as at the end of the financial period and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards and the requirements of the Companies Act of 2002. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act of 2002, and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company 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 company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavors to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within predetermined procedures and constraints.

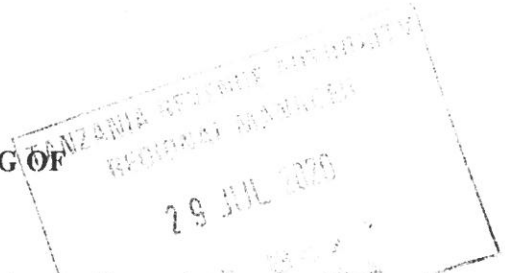
The directors are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control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



**DIRECTOR**

Date: 27/7/2020

**DECLARATION OF THE HEAD OF ACCOUNTING OF  
MSALALA GOLD LIMITED**



The National Board of Accountants and Auditors (NBAA) according to the power conferred under the Auditors and Accountants (Registration) Act. No. 33 of 1972, as amended by Act No. 2 of 1995, requires financial statements to be accompanied with a declaration issued by the Head of Finance/Accounting responsible for the preparation of financial statements of the entity concerned.

It is the duty of a Professional Accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the entity position and performance in accordance with applicable International Accounting Standards and statutory financial reporting requirements. Full legal responsibility for the preparation of financial statements rests with the Board of Directors as under Directors Responsibility statement on an earlier page.

I, SHAKI HEMEDI being the Head of Accounting of Msalala Gold Limited hereby acknowledge my responsibility of ensuring that the attached Financial Statements set out on pages 7 to 19 for the year ended 31<sup>st</sup> December 2019 have been prepared in compliance with the applicable accounting standards and statutory requirements.

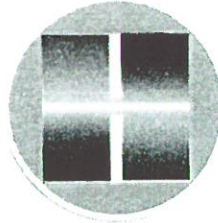
I thus confirm that the financial statements give a true and fair view position of Msalala Gold Limited as on that date and they have been prepared based on properly maintained financial records.

Signed by: 

Position: Accountant

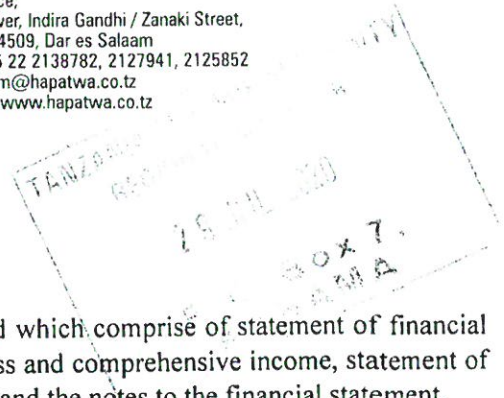
NBAA Membership No.: GA 7256

Date: 27/07/2020



**H. A. PATWA & CO.**  
Certified Public Accountants in Public Practice

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Tel: +255 22 2138782, 2127941, 2125852  
Email: dsm@hapatwa.co.tz  
Website: www.hapatwa.co.tz



**INDEPENDENT AUDITORS' REPORT**  
**To the shareholders of MSALALA GOLD LIMITED**  
**Report on the Audit of Financial Statements**

**1. Opinion**

We have audited the financial statements of Msalala Gold Limited which comprise of statement of financial position as at 31<sup>st</sup> December 2019 and the statement of profit or loss and comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and the notes to the financial statement.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position as at 31<sup>st</sup> December 2019 and of its financial performance and cash flows for the year ending 31<sup>st</sup> December 2019 and comply with Tanzania's Companies Act 2002 and the International Financial Reporting Standards (IFRSs) for Small and Medium Sized Entities (SMEs).

**2. Basis of Opinion**

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in paragraph 5 of the report. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountant's Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**3. Emphasis of Matter**

In common with many businesses of similar size and organization the company's system of internal control is dependent upon the close involvement of the Directors (who are major shareholders). Where independent confirmation was not available, we have accepted assurance from the directors that all the company's transactions have been correctly reflected in the records.

**4. Responsibilities of Management and those charged with Governance for the Financial Statements**

As described in statement of director's responsibilities, the company's directors are responsible for the preparation of the financial statements.

**5. Auditor's Responsibilities for the Audit of Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that include our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**For: H.A. Patwa & Co**  
**Certified Public Accountants in Public Practice**

**Hamzaali A Patwa**  
**Proprietor**  
**(FCPA-088)**

Date : 27/3/2020  
Place : Dar es Salaam

**MSALALA GOLD LIMITED**

**STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME**

For the year ending 31st December 2019

	Notes	2019 Tzs 000	2018 Tzs 000
Revenue		4,943,606	1,812,352
Cost of sales		<u>(4,263,426)</u>	<u>(1,801,387)</u>
Contribution		680,180	10,966
Administrative costs	20	(358,289)	(315,513)
Employee costs	21	(126,000)	(28,710)
Other operating costs	22	(217,357)	(103,104)
Finance cost	23	(257,745)	(78,697)
Other income	24	27,812	-
<b>Loss before Taxation</b>		<u>(251,398)</u>	<u>(515,058)</u>
Taxation	2 (d)	<u>-</u>	<u>-</u>
<b>Loss after Taxation</b>		<u><u>(251,398)</u></u>	<u><u>(515,058)</u></u>

TANZANIA REVENUE AUTHORITY  
REGIONAL MANAGER  
29<sup>th</sup> (c) 2020  
P. 12 BOX 1  
KAMAMA


**MSALALA GOLD LIMITED**

**STATEMENT OF FINANCIAL POSITION**  
As at 31st December 2019

	Notes	2019 Tzs 000	2018 Tzs 000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	6	1,720,975	1,581,851
Production trial cost	19	711,336	1,117,814
		<u>2,432,311</u>	<u>2,699,665</u>
<b>CURRENT ASSETS</b>			
Inventories and work in progress	9 & 13	1,643,376	1,003,043
Receivables and prepayment	11	660,767	432,624
Cash and cash equivalent	14	98,632	47,324
		<u>2,402,774</u>	<u>1,482,990</u>
<b>TOTAL ASSETS</b>		<u><u>4,835,085</u></u>	<u><u>4,182,655</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Share capital	7	44,600	44,600
Share premium		204,300	204,300
Revenue reserve	8	(952,825)	(701,426)
		<u>(703,925)</u>	<u>(452,526)</u>
<b>NON CURRENT LIABILITIES</b>			
Long term loan	16	2,206,496	1,034,398
		<u>2,206,496</u>	<u>1,034,398</u>
<b>CURRENT LIABILITIES</b>			
Payables and accruals	10	1,437,601	2,039,212
Bank overdraft	17	1,894,913	1,561,571
		<u>3,332,514</u>	<u>3,600,783</u>
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<u><u>4,835,085</u></u>	<u><u>4,182,655</u></u>

The financial statements on pages 7 to 19 were approved by the Board of Directors on 27th July 2020 and were signed on its behalf by:

Pujan Sumaria Shah  
Director's signature: 

Jayesh G Shah  
Director's signature: 

**MSALALA GOLD LIMITED**

**STATEMENT OF CHANGES IN EQUITY**  
**For the year ending 31st December 2019**

	Share Capital Tzs 000	Share Premium Tzs 000	Accumulated Reserve Tzs 000	Total Tzs 000
<b>For the year ended 31st December 2019</b>				
As at 1st January 2019	44,600	204,300	(701,426)	(452,526)
Loss for the period	-		(251,398)	(251,398)
As at 31st December 2019	44,600	204,300	(952,825)	(703,925)

TANZANIA  
 REGIONAL MANAGER  
 29 JUL 2020  
 P.O. BOX 7,  
 KAHAMA

	Share Capital Tzs 000	Share Premium Tzs 000	Accumulated Loss Tzs 000	Total Tzs 000
<b>For the year ended 31st December 2018</b>				
As at 1st January 2018	44,600	204,300	(186,368)	62,532
Loss for the period	-	-	(515,058)	(515,058)
As at 31st December 2018	44,600	204,300	(701,426)	(452,526)

**MSALALA GOLD LIMITED**

**STATEMENT OF CASH FLOWS**

**For the year ending 31st December 2019**

	<b>2019</b>	<b>2018</b>
	<b>Tzs</b>	<b>Tzs</b>
	<b>000</b>	<b>000</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(251,398)	(515,058)
Adjustment for:		
Add: Depreciation	186,085	95,864
Add: Amortization charge of production trial cost	406,478	101,619
Loss before taxation before working capital changes	<u>341,164</u>	<u>(317,574)</u>
Working capital changes		
Inventories	(640,333)	(323,043)
Receivables & prepayment	(228,143)	(100,242)
Payables & accruals	(601,610)	1,626,317
	<u>(1,128,922)</u>	<u>885,458</u>
Less: Taxation paid	-	-
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<u>(1,128,922)</u>	<u>885,458</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(325,209)	(1,366,268)
Production trial cost	-	(989,533)
<b>NET CASH FLOW AFTER INVESTING ACTIVITIES</b>	<u>(325,209)</u>	<u>(2,355,802)</u>
<b>CASH FLOW FROM FINANCING ACTIVITY</b>		
Loan received	1,172,098	708,649
Bank Overdraft	333,342	569,491
	<u>1,505,439</u>	<u>1,278,140</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<u>51,308</u>	<u>(192,205)</u>
<b>ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS</b>		
Balance as at 1st January	47,324	239,528
Balance as at 31st December	<u>98,632</u>	<u>47,324</u>
	<u>51,308</u>	<u>(192,205)</u>

TANZANIA RESERVE BANK  
 REGIONAL HEADQUARTERS  
 29 JULY 2020  
 P. K.

# MSALALA GOLD LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2019

### 1. COMPLIANCE WITH IFRS FOR SMEs.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) for Small and Medium Sized Entities (SMEs).

### 2. PRINCIPAL ACCOUNTING POLICIES

#### a) Accounting Convention

The financial statements are prepared in accordance with the historical cost convention.

#### b) Going Concern

The directors of the Company have indicated their willingness to continue supporting the company.

#### c) Revenue Recognition

Revenue comprises of the invoiced value of trading and processing gold during the year.

#### d) Taxation

There is no tax charge for the period because the company has not earned taxable income.

#### e) Inventories

These comprise of i) raw materials, ii) finished goods and iii) work in progress. The tailings inventory valued at Tzs 927,307,272/- which is included under raw material sub group for inventory under Note 7 and work in progress amounting to Tzs 193,897,042/- are valued on the best estimate basis by the company management at the financial year end. The rest of the inventory is stated at the lower of cost or net realizable value. Cost is determined on first-in-first-out basis and includes transport and handling costs. Net realizable value is the price at which inventories can be sold in the normal course of business after allowing for the cost of realization. Provision is made where necessary for obsolescence, slow moving and defective inventories.

#### f) Fixed assets and depreciation charge

The cost of an item of property, plant and equipment is recognized as an asset when:

- it is probable that future economic benefits associated with the item will flow to the company; and
- The cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognized in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognized.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognized.

Property, plant and equipment are depreciated on the reducing balance method over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

	%
Computers	33.3
Plant and machinery	12.5
Motor vehicle	12.5
Furniture & fittings	12.5

# MSALALA GOLD LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd...) For the year ended 31st December 2019.

Tools and office equipment

12.5

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation charge for each period is recognized in statement of profit or loss and other comprehensive income unless it is included in the carrying amount of another asset.

The gain or loss arising from the de recognition of an item of property, plant and equipment is included in profit or loss when the item is derecognized. The gain or loss arising from the de recognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

### g) Impairment of Assets

The company assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

"Irrespective of whether there is any indication of impairment, the company also:

- Tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- Tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortization is recognized immediately in statement of profit or loss and other comprehensive income. Any impairment loss of a revalued asset is treated as a revaluation decrease.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortization other than goodwill is recognized immediately in statement of profit or loss and other comprehensive income. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

### h) Loans to/from Group companies

The FS includes loan to and from holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognized initially at fair value plus direct transaction cost.

Loans to group companies, if any are classified as loans and receivables.

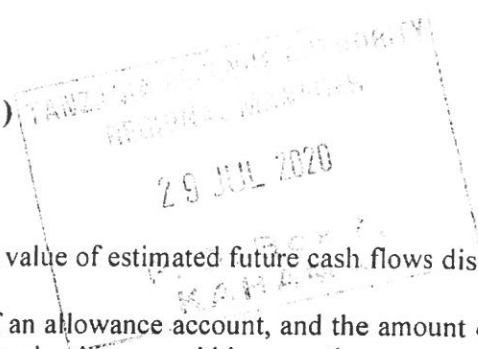
Loans from group companies, if any are classified as financial liabilities measured at amortized cost.

### i) Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized in statement of profit or loss and other comprehensive income when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognized is measured as the

# MSALALA GOLD LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd...) For the year ended 31st December 2019.



difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in statement of profit or loss and other comprehensive income within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in statement of profit or loss and other comprehensive income.

Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

### j) Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method.

Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

### k) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

### l) Taxation

#### Current tax assets and liabilities:

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

#### Deferred tax assets and liabilities :

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

#### Tax expenses:

"Current and deferred taxes are recognized as income or an expense and included in statement of profit or loss and other comprehensive income for the period, except to the extent that the tax arises from:

- a transaction or event which is recognized, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

### m) Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities

### n) Foreign currency transactions

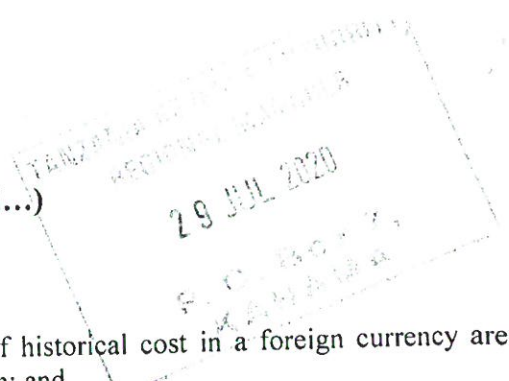
A foreign currency transaction is recorded, on initial recognition in Tanzanian Shillings, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

"At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;

## MSALALA GOLD LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Cont'd...) For the year ended 31st December 2019.



- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognized in statement of profit or loss and other comprehensive income in the period in which they arise.

When a gain or loss on a non-monetary item is recognized to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognized to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognized in statement of profit or loss and other comprehensive income, any exchange component of that gain or loss is recognized in statement of profit or loss and other comprehensive income.

Cash flows arising from transactions in a foreign currency are recorded in Tanzanian Shillings by applying to the foreign currency amount the exchange rate between the Tanzanian Shilling and the foreign currency at the date of the cash flow.

#### o) Risk management objectives & policies

##### Financial risk management:

The company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, and interest rate risk), credit risk and liquidity risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the company's financial performance. Risk management is carried out by the management under policies approved by the board of directors.

##### (i) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, company treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The company's risk to liquidity is a result of the funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasting is performed by monitoring the company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the company does not breach borrowing limits on any of its borrowing facilities.

##### (ii) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions as well as credit exposures to customers including outstanding receivables.

Management assesses the credit quality of the customer, taking into account their financial position, past experience and other factors.

Exposure to this risk has been quantified in each financial asset note in the financial statements along with any concentration of risk.

##### (iii) Market risk

###### Foreign exchange risk

The company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar. Foreign exchange risk arises from future transactions, assets and liabilities in the statement of financial position. The company does not hedge foreign exchange fluctuations.

## MSALALA GOLD LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Cont'd...) For the year ended 31st December 2019.



#### p) Capital Management

Internally imposed capital requirements.

The Company's objectives when managing capital are:

- to provide an adequate return to shareholders by pricing products commensurate with the level of risk;
- to comply with the capital requirements set out by the company's bankers;
- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- to maintain a strong asset base to support the development of business and;
- to maintain an optimal capital structure to reduce the cost of capital.

The company sets the amount of capital in proportion to risk. The company manages the capital structure and makes adjustment to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

#### q) Events after the reporting period

The directors are not aware of any matter or circumstance arising since the end of the year, other than those mentioned in section 7 of the Report of the Directors.

### 3. INCORPORATION AND STRUCTURE

Msalala Gold Limited (the Company) is a limited liability company incorporated in Tanzania under the Companies Act, 2002. The addresses of its registered office and principal place of business are disclosed in page 1 of this report. The principal activities of the Company are described in the report of the Directors.

For the Companies Act, 2002 reporting purposes, in these financial statements the balance sheet is equivalent to the statement of financial position and the profit and loss account is included in the statement of comprehensive income

### 4. CONTINGENT LIABILITY

The directors are of the opinion that there are no contingent liabilities as at the year end.

### 5. LOSS BEFORE TAXATION

	2019	2018
	Tzs	Tzs
	'000	'000
This is arrived at after charging:		
Audit fee	4,725	4,725
Depreciation	<u>186,085</u>	<u>95,864</u>

**MSALALA GOLD LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Contd...)**  
**For the year ending 31st December 2019**

**6. PROPERTY, PLANT AND EQUIPMENT**

	Work in progress- Fixed asset	Land & Buildings	Furniture, Fittings & Tools	Plant & Machinery	Motor Vehicle	Total
	Tzs 000	Tzs 000	Tzs 000	Tzs 000	Tzs 000	Tzs 000
<b>Cost</b>						
As at 1st January 2019	-	300,082	139,090	1,243,070	10,000	1,692,242
Addition	10,000	40,819	11,846	225,968	36,576	325,209
As at 31st December 2019	10,000	340,901	150,936	1,469,038	46,576	2,017,451
<b>Depreciation</b>						
As at 1st January 2019	-	-	19,714	85,315	2,813	107,841
Charge for the period	-	10,398.63	16,300	156,202	3,184	186,085
As at 31st December 2019	-	10,399	36,014	241,516	5,997	293,926
<b>Book Value</b>						
As at 31st December 2019	10,000	330,502	114,923	1,227,522	40,579	1,723,525
As at 31st December 2018	-	300,082	119,376	1,157,756	7,187	1,584,401

**7. SHARE CAPITAL**

Authorised share capital  
 1,000,000 shares of Shs. 1,000/- each

**2019**  
**Tzs**  
**000**

**2018**  
**Tzs**  
**000**

1,000,000      1,000,000

Issued and paid up capital  
 44,600 shares of Shs. 1,000/- each

44,600      44,600  
44,600      44,600

**Names of Shareholders**

Gulabchand P Shah  
 Jayesh G Shah  
 Pujan Sumaria Shah  
 Iddi Kassim Iddi  
 Jasmin Joachim Salum  
 Oxley Limited

**Shares held**      **Shares held**  
 15,610      8,920  
 4,460      4,460  
 4,460      4,460  
 11,150      11,150  
 -      11,150  
 8,920      4,460  
44,600      44,600

**8. REVENUE RESERVES**

Balance as at 1st January  
 Loss for the period  
 Balance as at 31st December

(701,426)      (186,368)  
 (251,398)      (515,058)  
(952,825)      (701,426)

**9. INVENTORIES**

Finished goods  
 Raw material  
 Stores & spares  
 Work in progress

288,623      159,208  
 982,509      821,626  
 178,347      -  
 193,897      22,209  
1,643,376      1,003,043

**MSALALA GOLD LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ending 31st December 2019

	2019 Tzs 000	2018 Tzs 000
<b>10. PAYABLES AND ACCRUALS</b>		
Trade payables	316,190	388,909
Other payables	30,229	201,317
Related party balances	979,163	1,029,979
Accruals	112,019	256,807
Advances	-	162,200
	<u>1,437,601</u>	<u>2,039,212</u>
<b>11. RECEIVABLES AND PREPAYMENTS</b>		
Trade debtors	292,668	73,713
Advances & prepayments	103,020	229,429
Loans & advances	480	50
Value Added Tax (VAT)	264,598	129,431
	<u>660,767</u>	<u>432,624</u>
<b>12. COST OF SALES</b>		
<u>COST OF RAW MATERIALS CONSUMED</u>		
<u>Add:</u> Opening Stock of raw material	821,626	419,253
<u>Add:</u> Opening Work in progress	22,209	41,711
<u>Add:</u> Purchases of raw material	2,057,436	1,589,790
<u>Add:</u> Direct Costs		
Consultancy charges	8,816	20,745
Labour charges	31,293	55,272
Depreciation	144,098	73,780
Electricity charges	371,948	45,243
Elution charges	11,477	3,068
Laboratory & safety expenses	25,625	1,602
Production trial cost charged (Refer to note no: 19)	406,478	101,619
Royalty	387,403	27,869
Salary & Wages (Direct)	408,605	-
Safety expenses	5,873	14,629
Fuel	560,815	175,413
Repairs & maintenance (Direct)	392,054	12,458
Transportation charges	91,839	2,940
	<u>5,747,594</u>	<u>2,585,391</u>
Less: Closing Stock of raw materials	(982,509)	(821,626)
Work in progress	(193,897)	(22,209)
Stores & Spares	(178,347)	-
	<u>4,392,841</u>	<u>1,741,556</u>
<u>COST OF FINISHED GOODS</u>		
Add: Opening Stock of finished goods at start	159,208	219,039
Cost of raw material consumed	4,392,841	1,741,556
Less: Closing Stock of finished goods	(288,623)	(159,208)
	<u>4,263,426</u>	<u>1,801,387</u>
<b>COST OF SALES</b>	<u>4,263,426</u>	<u>1,801,387</u>
<b>13. WORK IN PROGRESS</b>		
Work in Progress relates to the goods in process or in-process inventory which have not yet reached the final stage of finishing. (Refer to note no: 9)		
<b>14. CASH AND CASH EQUIVALENTS</b>		
Cash in hand	3,172	33,925
Cash at bank	95,459	13,399
	<u>98,632</u>	<u>47,324</u>

**MSALALA GOLD LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ending 31st December 2019

**15. RELATED PARTY TRANSACTIONS**

Payments  
Loan received  
Sales  
Purchases  
Expenses done  
Receipts

	2019 Tzs 000	2018 Tzs 000
	1,470,702	590,851
	91,230	171,439
	7,320	107,517
	1,014,947	1,140,775
	79,900	126,362
	13,412	927,490

**16. LOAN**

Oxley Limited (Tzs)

Loan from Oxley Limited for Tzs 500,000,000/- as per agreement dated 5th June 2017 out of which Tzs 347,531,392/- has been disbursed until December 2019. The loan will be at 12.5% (net) per annum effective from 1st March 2018 i.e. after the moratorium period. The loan is unsecured in nature.

Sumaria Group Tanzania Limited

Loan from Sumaria Group Tanzania Ltd for Usd 200,000/- as per agreement dated 4th July 2018. The loan will be serviced at 7.75% per annum. The loan is unsecured in nature. The loan is repayable by 3rd July 2022 or any time earlier.

Azania Bank Ltd

Loan from Azania Bank Ltd amounting to \$ 700,000 for the purpose of financing capital expenditure requirements. The security for this facility is same as mentioned for the over draft here under. The loan is serviced at 7% per annum and the loan's tenor is 60 months from the date of disbursement of the loan.

Loan -Oxley- Related party balance	347,531	295,854
Loan - Jayesh G Shah (2018 - \$ 40,601/-)	-	92,611
Loan - Sumaria Group (T) Ltd \$ (2019 - \$ 122,713.66 )(2018 - \$ 206,220)	280,769	470,389
Loan - Azania Bank Ltd (2019 - \$ 689,770.83/-)	1,578,196	-
Loan -Bank M (2018 - \$ 76,960/-)	-	175,545
	<u>2,206,496</u>	<u>1,034,398</u>

**17. BANK OVERDRAFT**

There is an overdraft facility with Azania Bank Ltd amounting to \$ 1,000,000 for the purpose of working capital requirements valid until 12 months from the date of insertion of the limit. The overdraft shall be serviced at 7% per annum.

The facility is secured against:

- Debenture charge over all fixed and floating assets of the company
- Personal guarantee of Mr. Jayesh Shah, Mr. Pujan Shah, Ms. Akansha Agarwal, Mr Arpan Mathur and Mr Iddi Kassim Iddi
- Corporate guarantee of Sumaria Group Ltd
- First ranking legal mortgage over a property i.n.o Msalala Gold Ltd on Plot No.1 located at Bulyanhulu Area, Msalala District, Geita.

**18. PRESENTATION CURRENCY**

The financial statements are presented in Tanzania Shillings (Tzs) rounded off to the nearest thousands.

**19. PRODUCTION TRIAL COST**

The trial cost was incurred on trials undergone to develop a stabilized and efficient production process till the company achieved an international quality on a sustainable basis hence the expenses incurred under trial phase had been capitalized as development costs and are being charged to revenue in three years.

Balance as at 1st January	1,117,814	229,900
Addition:	-	989,533
Charge to cost of sales	(406,478)	(101,619)
Balance as at 31st December	<u>711,336</u>	<u>1,117,814</u>

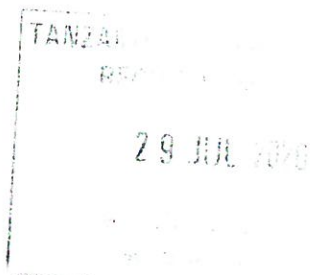


**MSALALA GOLD LIMITED**

**TIN NO: 134-006-706**

**INCOME TAX COMPUTATION  
YEAR OF INCOME 2019**

Loss as per accounts		Tzs
<u>Add: Unrealised exchange gain</u>		(251,398,479)
		(7,991,692)
<b><u>Add back</u></b>		
Fines & penalties	240,000	
Donation	8,372,000	
Depreciation	<u>186,084,544</u>	<u>194,696,544</u>
		(64,693,627)
Depreciation allowance		<u>(199,338,263)</u>
Loss for the year 2019		(264,031,890)
<b>Loss brought forward from 2018</b>		(556,928,262)
<b>Less: advance income taxed in 2017</b>		(272,469,000)
		<u>(1,093,429,152)</u>



**CALCULATION FOR UNREALISED EXCHANGE GAIN**

Exchange gain as per accounts	(27,812,097)
Less: Unrealised Exchange gain as per accounts	<u>(7,991,692)</u>
Realised exchange gain	<u>(19,820,405)</u>

**CALCULATION OF DEPRECIATION ALLOWANCE  
(FOR CLASS 1,2,3 & 6 OF DEPRECIABLE ASSET)**

	37.5%	25.0%	12.5%	
	Class 1	Class 2	Class 3	TOTAL
W.D.V as at 1st January 2019	2,090,938	9,375,000	1,181,188,176	1,192,654,114
Addition	-	36,576,020	237,813,962	274,389,982
Sub total	<u>2,090,938</u>	<u>45,951,020</u>	<u>1,419,002,138</u>	<u>1,467,044,096</u>
Depreciation allowance	<u>(784,102)</u>	<u>(11,487,755)</u>	<u>(177,375,267)</u>	<u>(189,647,124)</u>
W.D.V as at 31st December 2019	<u>1,306,836</u>	<u>34,463,265</u>	<u>1,241,626,871</u>	<u>1,277,396,972</u>

**Class 6**

	Cost	Opening balance	5% Allowance	Closing balance
Additon Year of Income 2018	204,023,975	193,822,776	9,691,139	194,332,836
Additon Year of Income 2019	6,499,000		324,950	6,174,050
	<u>210,522,975</u>	<u>193,822,776</u>	<u>10,016,089</u>	<u>200,506,886</u>