



CONFIDENTIAL

**FORENSIC INVESTIGATION REPORT ON THE
OVERALL MANAGEMENT OF FORBES AND
THOMPSON (PVT) LTD AND ASSOCIATED
GROUP COMPANIES IN ZIMBABWE**

15 DECEMBER 2023



FORFAR FORENSICS

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TABLE OF CONTENTS

1.	PURPOSE OF THE REPORT	2
2.	DISTRIBUTION LIST	4
3.	ABBREVIATIONS	5
5.	BACKGROUND TO THE FORENSIC INVESTIGATIONS UNDERTAKEN.....	7
6.	RESTRICTIONS AND LIMITATIONS	9
7.	DETAILED FINDINGS	10

1. PURPOSE OF THE REPORT

This report has been compiled based on the mandate dated 15 November 2023 received from Mrs Marida van der Spuy (“MVDS”) in her capacity as a Director Duration Gold Limited (“Duration Gold”) and its subsidiaries and associated businesses in Zimbabwe. This report was completed on 15 December 2023, inclusive of observations made to 30 November 2023 and presented to MVDS on 15 December 2023.

The purpose of this report has been brought about by MVDS having serious concerns over Duration Gold and its subsidiaries, particularly Forbes and Thompson (Bulawayo) (Pvt) Ltd (“F&T”) and their ability to continue as going concerns. As a Director and Official within these businesses the concerns have been evident through witnessing the following irregularities, specifically in relation to F&T:

- 1.1 Statutory payments not being made.
- 1.2 Payment to Staff and Employees not being made, having accumulated since 2022.
- 1.3 Payment to Creditors not being made with outstanding amounts exceeding a year, with constant promise of payments and payment plans not being adhered to, these even include the hotel bills that have accumulated through the extensive travel of Mr. Allan Dolan (“Mr. Dolan”), the Major Shareholder and Managing Director of F&T.
- 1.4 Payments to key Parastatals not taking place, these being ZESA, ZINWA and Municipal levies.
- 1.5 The overall F&T debt as of November 2023 stands at US\$8,592,790.00 and ZWL3,556,917,841.00 (Wage and wage statutory related). The monthly debt increase is estimated at approximately US\$250,000.00 with no clear plan in place to mitigate this increasing debt.
- 1.6 The sale of the current and fixed assets of the F&T business, which is tantamount to asset stripping, which has reduced the value of the business and further compounded the going concern issue.
- 1.7 Mismanagement of cash resources generated from the sale of F&T current and fixed assets as part of these funds have been used to fund the soil sampling work being undertaken on the Exclusive Prospecting Order (“EPO’s”), which have no direct relationship to F&T and the other funding Duration Group operations.

These observations have been substantiated during various investigations undertaken within the group during the period January 2022 and November 2023. It must however be emphasised that this report does not contain specific reference to the actual investigations undertaken and / or specific transactions, nor does it contain any specific investigation findings currently under criminal or civil litigations.

2. DISTRIBUTION LIST

This report is confidential and is to be distributed only to the following persons, unless specific permission is granted by the Chief Executive Officer:

NO	NAME	INSTITUTION	DESIGNATION	NUMBER OF COPIES
1	Marida van der Spuy	Duration Gold Zimbabwe (Pvt) Ltd, its subsidiaries and associated businesses.	Director.	1

3. ABBREVIATIONS

The following abbreviations are used in this report. These descriptions and explanations serve to clarify this report and are not intended to be authoritative.

ABBREVIATION	DESCRIPTION
F&T	Forbes &Thompson (Bulawayo) (Pvt) Ltd.
FPR	Fidelity Printers.
MVDS	Marida van der Spuy.
MIPF	Mining Industry Pension Funds.
US\$	United Staes Dollar.
ZIMRA	Zimbabwe Revenue Authority.
VAT	Value Added Tax.
EPO	Exclusive Prospecting Order.
ZESA	Zimbabwe Electricity Supply Authority.
PAYE	Pay As You Earn.

ABBREVIATION	DESCRIPTION
ZINWA	Zimbabwe National Water Authority.

4. BACKGROUND TO THE FORENSIC INVESTIGATIONS UNDERTAKEN

- 4.1 In early 2022 Rob Forfar (“RF”) trading as Forfar Forensics was engaged as a Service Provider by MVDS to undertake various investigations, specifically within Forbes & Thompson (Bulawayo) (Pvt) Ltd (“F&T”), at the Vubachikwe Mine in Gwanda, Zimbabwe. This investigation focussed on the theft of gold and the identification of those that had committed the associated crimes.
- 4.2 In the first quarter of 2023 RF was retained as a Service Provider by MVDS and Mr. Dolan. This retention of RF was brought about by the dismissal of the Group Financial Manager, with the mandate being to assist in overseeing the update of financial records and the preparation for external audits that were long overdue.
- 4.3 At the time of this extended engagement RF was bound to report to the Shareholder and more importantly the Directors of the various businesses, being specifically Mr. Dolan and MVDS. The most important reporting line within Zimbabwe has been to the registered officials of the respective businesses, being the Directors. This consideration has always been based on their residence within Zimbabwe and responsibility as Directors coupled with the fiduciary responsibilities that this appointment carries.
- 4.4 During the work undertaken by RF, not including the investigations undertaken, RF has noted significant corporate governance issues, asset mismanagement and disregard for legislative requirements imposed on businesses within Zimbabwe. It was evident that many of these business practices have been ongoing for several years placing significant risk on the continuity / going concern status of these respective businesses and posing potential harmful liability to their Directors.
- 4.5 On the basis of the observations made this report has been prepared at the instruction of MVDS, who is a Director in the following businesses in Zimbabwe:
- 4.5.1 All Aflame Marketing (Pvt) Ltd.
 - 4.5.2 Antech Laboratories (Pvt) Ltd.
 - 4.5.3 Clarity Mineral Services Zimbabwe (Pvt) Ltd.
 - 4.5.4 Colloquial Enterprises (Pvt) Ltd.

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- 4.5.5 Competitive Marketing (Pvt) Ltd.
 - 4.5.6 DGL Investments Number Two (Pvt) Ltd.
 - 4.5.7 DGL Investments Number Three (Pvt) Ltd.
 - 4.5.8 DGL Investments Number Eight (Pvt) Ltd.
 - 4.5.9 DGL Investments Number Eleven (Pvt) Ltd.
 - 4.5.10 DGL Investments Number Twelve (Pvt) Ltd.
 - 4.5.11 DGL Investments Number Thirteen (Pvt) Ltd.
 - 4.5.12 Havemeyer Investments (Pvt) Ltd.
 - 4.5.13 Posryn Properties (Pvt) Ltd.
 - 4.5.14 Recount Rentals (Pvt) Ltd.
 - 4.5.15 Duration Gold Zimbabwe (Pvt) Ltd.
 - 4.5.16 Antares Zimbabwe (Pvt) Ltd.
 - 4.5.17 Forbes & Thompson (Bulawayo) (Pvt) Ltd.

5. RESTRICTIONS AND LIMITATIONS

5.1 We draw your attention to the following limitations inherent in the reports prepared:

5.1.1 The procedures that were performed were purely factual observations and do not constitute an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements (or relevant national standards or practices). Consequently, no audit assurance is expressed.

5.1.2 The scope of work was limited to providing an opinion on the governance of the respective businesses within the Duration Gold Group of companies at the request of MVDS a Director.

5.1.3 Although this report may contain references to relevant laws and legislation, no legal opinion is being made on the compliance with such laws and the in opinions in this report are not to be construed as providing any legal advice.

6. DETAILED FINDINGS

6.1. MVDS AS A DIRECTOR

6.1.1. In detailed discussion with MVDS she confirmed that she was aware of her duties and responsibilities as a director but believes that she has not been able to fulfil this function, for the following reasons:

- a) MVDS has been intentionally isolated from group activities to the extent that she was given an order to work from home. As such she is no longer aware of the activities within the Companies in which she is an official having been excluded from all decisions made.
- b) An instruction was given to all employees that MVDS no longer be a point of contact on all general Shared Service management issues except for matters of procurement and materials management. This has further denied her the opportunity to be aware and to contribute as an appointed Executive Director.
- c) For reasons unknown to MVDS, she has been denied communication with 5 major suppliers since legal action has been initiated by them against F&T for the non-payment of long outstanding debt and the repeated renegeing on promised payment dates.
- d) While MVDS accepted that her role as Shared Services Manager had significantly changed since the shutting down of operations at F&T (Vubachikwe Mine) she had an arbitrary salary change, with no formal and direct communication from Mr. Dolan, as her official line manager. This she views as a breach of contract.
- e) Direct communication between Mr. Dolan and MVDS has been non-existent since 22 August 2023. She claims not to have been afforded any explanation for this by Mr. Dolan as her direct report. This lack of direct communication, which prior to this date was extremely frequent has led MVDS to being denied the ability to execute her directorial duty of care.

6.1.2. MVDS acknowledges that as the major shareholder Mr. Dolan has the right to engage with any external party that is deemed fit by him, however as a Director the primary duty is to the

respective company interests and not to that of the shareholder. Through intentional exclusion referenced MVDS fears that she may have become unwittingly associated with “reckless trading” on the part of Mr. Dolan. As a director of the above companies, MVDS is particularly concerned in the following factors that could be regarded as reckless, irresponsible, and failing to act with due care:

- a) Ignoring the warnings of impending insolvency and the presentation and reliance on unrealistic financial projections. This situation supports the ability of F&T to remain a going concern.
- b) The undervalue of asset sale transactions that benefit related parties using the cash at the expense of creditors.
- c) Engagement of new creditor liabilities in full knowledge of the inability to pay these new appointees in line with their expectation.
- d) The granting of preference to creditors, especially where personal guarantees have been provided such as the case with GGG.
- e) The constant empty promises made to creditors, who have relied on these commitments to the detriment of their own businesses and the general Zimbabwe economy.

6.2. CREDITORS. EMPLOYEES AND OTHER LIABILITIES

6.2.1. The Creditors of F&T can be categorised into 3 sections. Being:

- a) Trade Creditors, being the suppliers of goods and services to the F&T business.
- b) Employees and staff of F&T, inclusive of the Duration Gold Head Office Staff and those who were engaged at F&T who are not part of the “essential service team”.
- c) Statutory Creditors, including ZIMRA, ZINWA, MIPF, FPR Medical Aid and Funeral agencies.

6.2.2. It has been confirmed that as of November 2023 the following F&T liabilities are reflected in both

US\$ and ZWL:

DETAIL		VALUE
Creditors		1 981 660,57
Parastatal		4 336 551,60
Wage and Salary		2 274 577,59
Grand Total	US\$	8 592 789,76

DETAIL		VALUE
Creditors		-
Parastatal		111 038 556,70
Wage and Salary		3 445 879 284,17
Grand Total	ZWL	3 556 917 840,87

- 6.2.3. Of significance is that the cost of the existing care and maintenance undertaken at F&T amounts to an additional accrual of US\$250,000.00 per months. These costs relate predominantly to the accrual of salaries and wages for the essential service team, spares for pumping and the essential service supply such as ZESA. These amounts continue to accrue on a monthly basis with no evident plan for payment.
- 6.2.4. Limited or no payment to the above categories have taken place during the period under review with the following actions having been directed by Mr. Dolan to the creditor categories referenced:
- a) Payments will be made in line with the "work-out plan". This plan has not been prepared with any finite start and completion dates. The plan is totally dependent on significant funding which Mr. Dolan as the Major Shareholder of F&T appears unable to secure from either investors or from his own wealth.
 - b) Payment to various creditors has been promised at various stages including September, October, and November 2023, none of which have materialised resulting in Mr. Dolan having no credibility with suppliers.

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- c) As a result of the lack of faith in the promises of payment from F&T major creditors have initiated legal action / debt recovery, the risk of which is judicial management or business liquidation. This situation will result in a financial loss to all stakeholders.
- 6.2.5. Perhaps the most significant creditor that can influence the salvage of Vubachikwe Mine is ZESA. As of November 2023, a total of US\$1,116,000.00 was owed. Negotiations are underway for the offset of the value of F&T houses estimated at a value of US\$750,000.00 (if accepted by ZESA) which will leave a balance of US\$366,000.00. This amount has been accumulating at approximately US\$60,000.00 per months, with no funds being available for the amount due and the accrual. It must be highlighted that ZESA has been very patient with the delay in their collection being the finalisation of the offset housing value. Once this amount has been determined through their valuation non collection of the balance may well result in ZESA disconnection of Vubachikwe Mine.
- 6.2.6. The impact on the trade creditors of the failure of F&T to pay them the outstanding amounts has been catastrophic and had a serious impact on the continuity of these small businesses that cannot support their debtors from continued trade. The result of the F&T nonpayment has had an effect on the national economy and defeats the national quest for the promotion of small and medium size enterprises.
- 6.2.7. It must be noted that Mr. Dolan travels into Zimbabwe monthly, taking up residence in various hotels within the country, predominantly in Bulawayo and Harare. These hotel bills have accumulated resulting in various hotels (such as the Bronte in Harare and Musketeers in Bulawayo) only accepting Mr. Dolan as a guest if a deposit is paid in advance.
- 6.2.8. The non-payment of employees and staff has had a major impact on the lives of approximately 800 people and their dependents that were engaged in the operations of Vubachikwe Mine in Gwanda. The current situation with all employees can be concluded as follows:
- a) Salaries and wages dates back to early 2022.
 - b) Employees are remaining resident in the Vubachikwe villages as they are hopeful of re-engagement once the mine re-opens. Although no finite date has been referred to various
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press publications have given hope of an imminent restart, this clearly being the creation of false hope.

- c) Essential Staff remain working without pay, this being simply because it is known from previous employees that once employment has been severed the possibility of payment for outstanding dues from Mr. Dolan is not possible.

6.2.9. The hardship and environment within the villages of Vubachikwe mine can be regarded as a disgrace to Mr. Dolan the Major Shareholder and Managing Director of F&T, his actions of disregard for the welfare of his employees have resulted in the following:

- a) Loss of dignity for all employees inclusive of those that are not regarded as essential service and those that are no longer earning. This conclusion is due to the fact that the "stipend" paid to a select few is merely a token payment which does not come close to meeting the requirements of an average Zimbabwe family.
- b) Those that are not being paid remain in the villages as they either have no place to go and / or remain hopeful of a mine restart, which they do not know is not imminent.

Mine village infrastructure is not being maintained resulting in the decline of general living standards with the potential for disease and loss of life.

6.3. INTERGROUP TRANSACTION / TRANSFER PRICING

6.3.1. The Duration Gold Group has been established with the intention of separating the operating / mining companies from the service provider companies. Examples of these company relationships are:

SERVICE USERS

Forbes & Thompson (Bulawayo) (Pvt) Ltd
DGL Investments Number Two (Pvt) Ltd
DGL Investments Number Three (Pvt) Ltd



SERVICE PROVIDERS

Recount Rentals (Pvt) Ltd.
Colloquial Enterprises (Pvt) Ltd
Antech Laboratories (Pvt) Ltd

6.3.2. The above referenced service provider companies have been established to provide mobile

equipment and laboratory services to the mining operations, being the Service Users.

- 6.3.3. While it has been observed that rental and service agreements may be in place, coupled with the pricing being on a market related basis, the intercompany invoicing for services has not been consistent, nor in line with the appropriate accounting periods.
- 6.3.4. As the above transactions, with F&T having been the largest earner (until November 2022) and consequently the largest service user have not been “cash” in nature, inter-company loan accounts have increased in both the service user and Service provider accounts.
- 6.3.5. These transactions had they been accurately and timely processed Value-Added Taxation (“VAT”) invoices would have been produced with the VAT payments being immediately due. F&T having been an appointed VAT collector would have been bound by the VAT legislation to withhold 30% of the VAT payable to the Service Providers.
- 6.3.6. As the cash to pay the VAT was not available within F&T during 2022, it was decided by the Directors, influenced by Mr. Dolan that invoicing from Recount Rentals (Pvt) Ltd (“Recount”) and Colloquial Enterprises (Pvt) Ltd (“Met Solutions”) should stop with effect from July 2022.
- 6.3.7. This decision was made with the explicit purpose of avoiding the requirement to pay the 30% withholding tax on the invoices that should have been raised against F&T as the cash was not available to meet these payments having been an intercompany, non-cash generating transaction.
- 6.3.8. As of November 2023, these transactions remained unprocessed with the revenue of Recount and Met Solutions (and F&T expenses) having been understated for their financial year ending 31 December 2022. As F&T had been the major user of the services of Recount and Met Solutions significant income tax liabilities in those businesses may not have been recognised and declared.
- 6.3.9. The intergroup transactions referenced above indicate clear intent to misrepresent the Zimbabwe fiscus and to collect and remit VAT at the convenience and affordability of F&T if at all, but certainly not in line with the VAT legislation.
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6.3.10. In terms of the Company's Act Section 123 it states that the directors shall cause proper books of account to be kept with respect to:

- a) All sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place.
- b) All sales and purchases of goods by the company.
- c) The assets and liabilities of the company. Proper books shall not be deemed to be kept if there are not kept such books of account as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.
- d) Failure to maintain the required accurate records constitutes a crime in the part of the Directors of F&T and the associates.

6.3.11. In line with the Company Act requirement of Section 123 F&T Directors have failed to ensure that the sales invoices have been promptly raised with the legislated VAT collection being undertaken. This is regarded as VAT fraud as the service was delivered but the appropriate financial transactions not undertaken.

6.4. GROUP CASH MANAGEMENT

6.4.1. During the period of review, being January 2023 to November 2023 it was evident that the overall Duration Group cash availability was seriously constrained and unable to meet the group project commitments and the liabilities specifically applicable to F&T that had mounted during the pre-shutdown period, many of which have continued to accrue post the shut-down on 8 November 2022 as referenced above.

6.4.2. During this period the only cash generating businesses included:

- a) DGL Investments Number Two (Pvt) Ltd (Gaika Mine in Kwekwe).
- b) DGL Investments Number Three (Pvt) Ltd (Athens Mine in Mvuma)
- c) Colloquial Enterprises (Pvt) Ltd (Met Solutions in Bulawayo and Gwanda)

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- d) Antech Laboratories (Pvt) Ltd (the Laboratory in Kwekwe).
- 6.4.3. None of the above businesses are significant cash generators, with Gaika and Athens Mines generating revenue from gold sale to the value that effectively covered their operating costs with little or no real surplus cash margin.
- 6.4.4. Met Solutions in Bulawayo and Gwanda was a generator of cash surplus to their operational costs, however the operation at the Bulawayo Laboratory became seriously constrained with the Zimbabwe Electricity Supply Authority ("ZESA") billing which had not been accurately allocated to this business and was carried inaccurately by the Duration Group Head Office. With an outstanding ZESA bill of US\$26,000.00 as of November 2023 for the 105 Plumtree Road property, which had accumulated through non-payment ZESA disconnected their service having a major adverse impact on Met Solutions operations and revenue.
- 6.4.5. All surplus cash generated by Met Solutions was "scooped" to assist in meeting the requirements of the projects and "emergency" requirements of F&T. The specific project requiring funding is the soil sampling on the EPO's owned personally by Mr. Dolan. Due to the pressing project needs in the October 2023 period Met Solutions was unable to meet their Salary and Wage bill.
- 6.4.6. Antech Laboratories (Pvt) Ltd is regarded as the solitary successful business within the Duration Gold / Clarity Capital investments in Zimbabwe. This business is regarded as a credible and quality approved assay laboratories within the Zimbabwe Midlands and boasts clients that include all major mining houses in Zimbabwe. The cash management practice has been to take any surplus cash and nostro accounts balances to meet the cash requirements of the group projects and "emergency" requirements of F&T.
- 6.4.7. The commitment of cash to projects and "emergency" funding during the period January 2023 to November 2023 included:
- a) The payment of "stipend" and food hampers to the essential workers retained at Vubachikwe. This stipend amounted to US\$100 per employee per months and the value of the food hamper amounted to approximately US\$70 per person. The stipend and food
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hampers only being awarded to the approximately 104 employees that had been identified as part of the “essential service” team.

- b) As of November 2023 the payment of the stipend was 4 months behind and the acquisition of the food hampers was 5 months behind schedule, this being the case due to the major cash demand of the EPO soil sampling project that took cash preference, even though these EPO projects had nothing to do with F&T or the other funding Duration Gold operations (Athens and Gaika Mines).
- c) The part payment of creditors relating to F&T to secure an ongoing service, an example being GGG, a law firm providing labour management and advice applicable to F&T.
- d) The payment of new F&T creditors that had been engaged as the legacy creditors had withdrawn services due to non-payment by F&T. An example of this is the termination of Fawcett Security and the engagement of Double Eye Security.
- e) The payment of debt where personal surety had been given by Mr. Dolan. This specifically relates to the payment of GGG.

6.4.8. The recording of intergroup cash movement has been maintained on an excel spreadsheet with the transaction being posted to the respective intercompany account within the various company general ledgers.

6.4.9. It was evident that in terms of good governance practices these transactions should be regarded as loans to and from associated businesses. The lending terms and the cost of financing the “cash strapped” operations such as F&T should be supported by comprehensive loan agreements and predetermined cost of the financing assistance. This has not been the case as no agreements have been noted and no transactions for the cost of lending has been raised during the period under consideration. This malpractice constitutes a significant breach to the “transfer pricing” concept which has been queried by ZIMRA with respect to F&T.

6.4.10. In terms of the funding requirements of the soil sampling outputs required in the EPO projects this is regarded as an “investment” in the Zimbabwe mineral resource and as such should be

backed by “new investment” and not dependent on the meagre cash resources of a floundering cash strapped group such as Duration Gold, as these EPO projects had nothing to do with F&T or the other funding Duration Gold operations (Athens and Gaika Mines).

- 6.4.11. Due to the pressure imposed on the Duration Group by the requirements of the EPO licences, cash that should have been allocated to the existing human disaster at Vubachikwe mine has been allocated to the acquisition of camping equipment and payment of samplers engaged on the EPO project. This funding being provided by the 4 businesses referenced above in 4.4.2.

6.5. ZIMBABWE REVENUE AUTHORITY

- 6.5.1. With specific reference to F&T significant Zimbabwe Revenue Authority (“ZIMRA”) liability is pending. An audit / investigation into the ZIMRA non-compliance of this business is currently underway with major issues being raised that are tantamount to corporate tax evasion and the defrauding of the Zimbabwe fiscus. The issues that have been raised during the ZIMRA audit include:

- a) Nonpayment and / or inaccurate payment of Pay as You Earn (“PAYE”) to ZIMRA in respect of the taxes deducted from employees immediately after the completion of the respective F&T payrolls/
- b) The nonpayment to ZIMRA of the 30 percent withholding tax retained on the payment of the F&T creditors. F&T was appointed as VAT collector from its creditors, a function that was not carried out with accuracy and diligence with the retained funds being applied to operating costs. With regards to the withholding tax ZIMRA has issued an assessment to the value of US\$2,671,658.00 exclusive of penalties that has been accrued but not yet paid. This amount has been included in the Parastatal liabilities reflected above.
- c) With regards to the above assessed liability ZIMRA has requested a payment plan, which has not been provided on the basis of no funds being available and the inability to advise when such funds will be realised.

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- d) Withholding tax on the payment to foreign creditors has not been consistently applied in line with the tax regulations, nor has the amounts retained been paid over to ZIMRA as is the requirement. These cash retentions have been applied to other operating cost payments of F&T.
 - e) With respect to company income tax of F&T the amounts claimed as expenses have not all been adequately supported by the documentation required by ZIMRA. This issue relates specifically to the quality and retention of documentation presented to support the expenditure claims against the gold revenue declared,
- 6.5.2. The estimated claim by ZIMRA against F&T inclusive of the valid penalties that may be applied is significant enough (estimated to be approximately US\$20 million inclusive of the above withholding tax assessment) to impact the business continuity and going concern status of F&T seriously and adversely.
- 6.5.3. In addition to the estimated liability of F&T to ZIMRA the non-compliance to the submission of returns has resulted in the suspension of the F&T tax clearance status. This has resulted in the inability of F&T to raise funding and the liability to gold traders who failed to retain the 30% withholding tax under the assumption of the F&T compliance (FPR US\$440,000.00). This non-compliance has significantly contributed the creditors of F&T.
- 6.5.4. The responsibility for the accurate and timely calculation, submission, and payment of tax dues to ZIMRA is the responsibility of the appointed Public Officer. This appointee in respect of F&T has been the various Group Finance Managers, who have been accountable to the Directors of F&T, being Mr/ Dolan. Mr. Easterbrook and MVDS (more recently - 2022)
- 6.5.5. In terms of the Zimbabwe Income Tax Act as referenced in Annexure 1 the way the tax matters of F&T have been managed constitutes a wilful disregard for the calculation / collections, declaration, and payment submission of taxes to the fiscus. The impact of these wilful actions has resulted in the additional cash being available to F&T and associated businesses to the detriment of the Zimbabwe fiscus.
- 6.5.6. The responsibility for this wilful tax non-compliance rests with the Directors of F&T, specifically
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Mr. Dolan who has pledged exoneration from liability to Mr. Easterbrook and MVDS.

6.6. SALE OF AND MANAGEMENT OF GROUP ASSETS

- 6.6.1. As has been evident from the overall Duration Gold Group operations significant constraints have been experienced on the group cash flows. Up until October / November 2022 great reliance had been placed on the revenue achieved through gold production and sale from F&T Vubachikwe Mine in Gwanda. It was noticeable however and reported that the revenue from F&T had dwindled prior to November 2022 through the operations mismanagement caused by:
- a) Gold theft through poor metallurgical controls.
 - b) Lack of underground development to keep up with the mining required to meet the gold production requirements to cover input and overhead costs. This being tantamount mining recklessly without the intent to extend the life of mine.
 - c) Historical "high grading / stripping ore bodies" underground to maximise gold output without consideration of the eventual need to mine the lower grade areas to access the possible higher-grade ores in the future.
- 6.6.2. Due to a strike caused through lack of employee pay, that took place on 8 November 2022 mining operations at F&T brought a halt to the groups biggest source of cash inflows, even though at the time they were not adequate to cover the mounting liabilities.
- 6.6.3. With the immediate cash shortage under the instruction of the Majority Shareholder and Managing Director an alternative revenue source was determined, being the sale of fixed and current assets that were regarded as easily convertible into the required cash. As such the desperate sale of the following took place:
- a) Consumable and engineering spares held within the Vubachikwe Mine stores. The prices obtained were well short of the market related replacement cost.

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- b) Scrap metal and surplus engineering equipment (pumps and motors). The engineering equipment being relatively old did not yield good prices, hence the replacement thereof will be costly and may require a significant change in the available technology.
 - c) Company houses in Gwanda, at prices that were below the possible value, however the need for cash superseded the time allowed for negotiation or extended advertising.
- 6.6.4. Other equipment from within the Group were also sold to meet the ongoing although limited essential service overheads at Vubachikwe Mine and the Group Head Office in Bulawayo.
- 6.6.5. The Group Offices at 105 Plumtree Road was placed on the market for sale, with a sale agreement being entered into prior to the date of this report. The plan for the proceeds of this sale, is to partially meet the major liabilities of F&T and to secure the EPO licencing and their extended soil sampling requirements. It must be noted that 105 Plumtree Road is the sole asset in Posryn Properties (Pvt) Ltd.
- 6.6.6. This practice of asset sale is regarded as reckless as the longer-term current assets and fixed assets have been converted into cash, at a value lower than the true value or alternative cost value to the business to meet the short-term operating cost related obligations. This is regarded as "asset stripping".
- 6.6.7. The way F&T assets have been stripped has significantly wrecked the company resulting it having:
- a) Less collateral for borrowing, as has been evident by loan applications having been denied due to the non-operations of F&T and the estimated cost to develop and restart the operations.
 - b) The value of the business has been significantly reduced, this has made the raising of capital difficult, impossible in Zimbabwe with the current national liquidity and has also reduced the attractiveness for new external investment in F&T.
- 6.6.8. As the funds generated from the F&T asset stripping has not just been used for the sustenance of the F&T care and maintenance operation but has also been distributed towards other cash
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strapped projects within the related party companies. Therefore, the Major Shareholder has extracted value out of F&T for other personal investments such as the EPO development, clearly indicating that Mr. Dolan regards F&T as destined to fail.

- 6.6.9. This asset stripping practice evidenced has significantly prejudiced the possibility of creditors and employees of F&T receiving their accrued dues or a reasonable portion thereof. This intentional practice is regarded as reckless and for self-gain through the development of other assets held personally by Mr. Dolan such as the EPO's.

6.7. OVERALL CORPORATE GOVERNANCE

- 6.7.1. With respect to the Duration Gold Group within Zimbabwe, like other private corporations it is bound by corporate governance with respect to many Zimbabwe National Acts, but with specific reference to the Company's Act and the Income Tax Act. Of importance to the factual observations contained in this report is the term "corporate governance" while broad and has many components importantly including ***relationships between stakeholders, frameworks, decision making and the responsibility of the Shareholder, Directors, and appointed Officials.***
- 6.7.2. During the period January 2023 to November 2023 the factual observations made with regards the Duration Group corporate governance challenges include succession / ownership disputes, ownership concentration and dominant control, lack of key disclosure issues, limited resources, and lack of systems and structures:
- a) Succession and ownership disputes relate specifically to F&T where an unresolved and long outstanding dispute exists between Antares Zimbabwe (Pvt) Ltd ("Antares") (the buyer of F&T) and the Thompson family businesses (the seller of F&T). This dispute centres on the claim by the Thompson family that they have not been paid in full for their shares of F&T.
 - b) This dispute has had a major impact on the successions (saleability) of F&T and its ability to raise vital working capital under the strains of the Zimbabwe economy.

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- c) Mr. Dolan as the major Shareholder and Managing Director of F&T has been central to the Thompson / Antares dispute and has taken a concentrated and dominant role in the management of the F&T operations, with no consideration for the view and opinions of co-Directors (MVDS and Mr. David Easterbrook (“Mr. Easterbrook”)) MVDS and Mr. Easterbrook having been excluded from all decision making as no board meetings appear to have taken place during at least the past 5 years.
- d) During the period of observation, being January 2023 to November 2023 disclosure issues have been regarded as a key concern, with Mr. Dolan dictation of the type and frequency of information provided to other key stakeholders, being:
- i. Directors through the official board meeting process.
 - ii. Suppliers who have relied on misinformation regarding the access to working capital, when in fact there was none.
 - iii. True facts regarding the prospect of business continuity with regards to F&T has not been portrayed to all Staff and Employees. A significant level of “false hope” has been instilled in the population at Vubachikwe Mine in Gwanda. This has resulted in the employees being owed wages dating back to 2022 and consequently remaining on site instead of seeking alternate employment.
 - iv. The run-down nature of the Vubachikwe facilities has resulted in a poverty stricken and violent environment. This situation has forced employees to take part in the illegal gold mining sector resulting in the gold pillaging from the F&T claims and significant risk to the respective employees.
- e) Good corporate governance is dependent on the level of resources available to ensure the governance requirements. With respect to the entire Duration Gold Group and specifically F&T the limitation of resources has included:
- i. Staff and Management, where proper segregation of duties has been impossible. The level of work required within a Group of Duration Gold (even through many
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companies are non-operational) has been grossly under appreciated by the Directors resulting in key governance requirements either not being done or being undertaken to a substandard level.

ii. The capabilities of Employees and Staff engaged has also significantly contributed to the limitation of resource as their inability to perform suitably in their respective positions has been clear. Areas include but are not limited to:

1. Financial Management and the Accounts Department.
2. Human Resource management.
3. Security

f) Systems and procedures have been non-existent, inclusive of the financial and accounting records that are incomplete and have not been maintained up to date. Payroll and statutory returns have not been maintained resulting in the termination of employee benefits such as:

- i. Medical aid.
- ii. Pension funds.
- iii. Funeral insurance funds.

6.7.3. Over the period January 2023 to November 2023, it has become abundantly evident that corporate governance failures within the Duration Gold Group and associated / related parties that has not been managed in an upstanding, transparent manner and has led to the company Officials (dominated by Mr. Dolan) to make unethical decisions to the detriment of its stakeholders, particularly Creditors and Staff / Employees. The evident breakdown of a company governance has resulted company discredit within the Zimbabwe mining community and has led to the uncontested award of debt claims to Creditors against F&T through the Zimbabwe court systems.

6.7.4. The result of the non-existent corporate governance has led to:

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- a) The failure to reach company goals.
 - b) No support from stakeholders (Creditors and Employees)
 - c) Financial losses / deterioration of Zimbabwe National Assets.
 - d) The lack of fairness portrayed to Stakeholders have increased the observed lack of corporate integrity and the significant lack of trust placed in Mr. Dolan who is regarded as dishonest by Creditors and Employees.

6.7.5. The Duration Gold Group has ownership of some of the most valuable gold mining assets in Zimbabwe, however the poor governance within the group has resulted in these National Assets not achieving their potential to the detriment of the Zimbabwe economy.

6.7.6. Key corporate governance malpractices identified with respect to the Duration Gold Group can be confirmed as:

- a) Absence of separation of ownership and direct Directorial control.
- b) Boards / Directors of holding companies being on the boards of all subsidiaries.
- c) Excessive insider loans / intercompany loans / transfer pricing / cash cross funding.
- d) Poor or non-existent risk management practices

ANNEXURE 1

APPLICABLE LEGISLATION

4.1 COMPANY ACT OF ZIMBABWE

4.1.1 Powers and Duties of Directors

- a) Section 81 states that the business of the company shall be managed by the directors, who may pay all expenses incurred in promoting and registering the company, and may exercise all such powers of the company as are not, by the Act or by these regulations, required to be exercised by the company in general meeting, subject, nevertheless, to any of these regulations, to the provisions of the Act and to such regulations, being not inconsistent with the aforesaid regulations or provisions, as may be prescribed by the company in general meeting; but no regulation made by the company in general meeting shall invalidate any prior act of the directors which would have been valid if that regulation had not been made.

- b) Section 82 states that the directors may from time to time and at any time by power of attorney appoint any company, firm or person or body of persons, whether nominated directly or indirectly by the directors, to be the agent or agents of the company for such purposes and with such powers, authorities and discretions, not exceeding those vested in or exercisable by the directors under these regulations, and for such period and subject to such conditions as they may think fit and any such powers of attorney may contain such provisions for the protection and convenience of persons dealing with any such agent as the directors may think fit,

and may also authorize any such agent to delegate all or any of the powers, authorities and discretions vested in him.

- c) Section 83 states that the company may exercise the powers conferred by section 51 of the Act about having an official seal for use abroad and such powers shall be vested in the directors.
- d) Section 84 of the company may exercise the powers conferred upon the company by sections 121 and 122 of the Act about the keeping of a branch register and the directors may, subject to the provisions of those sections, make and vary such regulations as they may think fit respecting the keeping of any such register.
- e) Section 85 states that:
 - i. A director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the company shall declare the nature of his interest at a meeting of the directors in accordance with section 186 of the Act.
 - ii. A director shall not vote in respect of any contract or arrangement in which he is interested, and if he shall do so his vote shall not be counted, nor shall he be counted in the quorum present at the meeting, but neither of these prohibitions shall apply to— (a) any arrangement for giving any director any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the company; or (b) any arrangement for the giving by the company of any security to a third party in respect of a debt or obligation of the company for which the director himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the deposit of a security; or (c) any contract by a director to subscribe for or underwrite shares or debentures of the company; or (d) any contract or arrangement with any other company or association in which he is interested only as an officer of the company or as holder of shares or other securities; and these prohibitions may at any time be suspended or relaxed to any extent,

and either generally or in respect of any particular contract, arrangement or transaction, by the company in general meeting.

- iii. A director may hold any other office or place of profit under the company, other than the office of auditor , in conjunction with his office of director for such period and on such terms, as to remuneration and otherwise, as the directors may determine and no director or intending director shall be disqualified by his office from contracting with the company either with regard to his tenure of any such other office or place of profit or as vendor, purchaser or otherwise, nor shall any such contract or any contract or arrangement entered into by or on behalf of the company in which any director is in any way interested be liable to be avoided, nor shall any director so contracting or being so interested be liable to account to the company for any profit realized by any such contract or arrangement by reason of such director holding that office or of the fiduciary relation thereby established.
 - iv. A director, notwithstanding his interest, may be counted in the quorum present at any meeting whereat he or any other director is appointed to hold any such office or place of profit under the company or whereat the terms of any such appointment are arranged and he may vote on any such appointment or arrangement other than his own appointment or the arrangement of the terms thereof.
 - v. Any director may act by himself or his firm in a professional capacity for the company and he or his firm shall be entitled to remuneration for professional services as if he were not a director: Provided that nothing herein contained shall authorize a director or his firm to act as auditor to the company.
- f) Section 86 states that All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments and all receipts for moneys paid to the company shall be signed, drawn, accepted, endorsed, or otherwise executed in such manner as the directors shall from time to time by resolution determine.

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- g) Section 87 states that the directors shall cause minutes to be made in books provided for the purpose:
- i. Of all appointments of officers made by the directors.
 - ii. Of the names of the directors present at each meeting of the directors and of any committee of the directors.
 - iii. Of all resolutions and proceedings at all meetings of the company, and of the directors, and of committees of directors; and every director present at any meeting of directors or committee of directors shall sign his name in a book to be kept for that purpose.
- h) Section 88 states that the directors on behalf of the company may pay a gratuity or pension or allowance on retirement to any director who has held any other salaried office or place of profit with the company or to his widow or dependants and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension, or allowance.

4.1.2 Disqualification of Directors

- a) Sections 89 state that the office of director shall be vacated if the director:
- i. Ceases to be a director by virtue of section 172 of the Act.
 - ii. Becomes insolvent or makes any arrangement or composition with his creditors generally.
 - iii. Becomes prohibited from being a director by the terms of section 173 of the Act or by reason of any order made under section 344 of the Act; or (d) becomes of unsound mind.
 - iv. Resigns his office by notice in writing to the company.
 - v. Shall for more than six months have been absent without permission of the
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directors from meetings of the directors held during that period.

4.1.3 Proceedings of Directors

- a) Section 99 states that the directors may meet for the dispatch of business, adjourn, and otherwise regulate their meetings, as they think fit. Questions arising at any meeting shall be decided by a majority of votes. In the case of an equality of votes, the chairman shall have a second or casting vote. A director may, and the secretary on the requisition of a director shall, at any time summon a meeting of the directors. It shall not be necessary to give notice of a meeting of directors to any director for the time being absent from Zimbabwe.
- b) Section 100 states that the quorum necessary for the transaction of the business of the directors may be fixed by the directors and unless so fixed shall be two.
- c) Section 101 states that the continuing directors may act notwithstanding any vacancy in their body, but, if and so long as their number is reduced below the number fixed by or pursuant to the regulations of the company as the necessary quorum of directors, the continuing directors or director may act for the purpose of increasing the number of directors to that number, or of summoning a general meeting of the company, but for no other purpose.
- d) Section 102 states that the directors may elect a chairman of their meetings and determine the period for which he is to hold office; but, if no such chairman is elected or if at any meeting the chairman is not present within five minutes after the time appointed for holding the same, the directors present may choose one of their number to be chairman of the meeting.
- e) Section 103 states that the directors may delegate any of their powers to committees consisting of such member or members of their body as they think fit; any committee so formed shall in the exercise of the powers so delegated conform to any regulations that may be imposed on it by the directors.

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- f) Section 104 states that a committee may elect a chairman of its meetings; if no such chairman is elected, or if at any meeting the chairman is not present within five minutes after the time appointed for holding the same, the members present may choose one of their number to be chairman of the meeting.
 - g) Section 105 states that a committee may meet and adjourn as it thinks proper. Questions arising at any meeting shall be determined by a majority of votes of the members present, and in the case of an equality of votes the chairman shall have a second or casting vote.
 - h) Section 106 states that all acts done by any meeting of the directors or of a committee of directors or by any person acting as a director shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of any such director or person acting as aforesaid or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and was qualified to be a director.
 - i) Section 107 states that a resolution in writing, signed by all the directors for the time being entitled to receive notice of a meeting of the directors, shall be as valid and effectual as if it had been passed at a meeting of the directors duly convened and held.

4.1.4 Accounts

- a) Section 123 states that the directors shall cause proper books of account to be kept with respect to:
 - i. All sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place.
 - ii. All sales and purchases of goods by the company.
 - iii. The assets and liabilities of the company. Proper books shall not be deemed to be kept if there are not kept such books of account as are necessary to

give a true and fair view of the state of the company's affairs and to explain its transactions.

- b) Section 124 states that the books of account shall be kept at the registered office of the company, or subject to section 140 of the Act, at such other place or places as the directors think fit and shall always be open to the inspection of the directors.
- c) Section 125 states that the directors shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the company or any of them shall be open to the inspection of members not being directors, and no member, not being a director, shall have any right of inspecting any account or book or document of the company except as conferred by statute or authorized by the directors or by the company in general meeting.
- d) Section 126 states that the directors shall from time to time, in accordance with sections 141, 142 and 144 to 147 of the Act, cause to be prepared and to be laid before the company in general meeting such profit and loss accounts, balance sheets, group accounts, if any, and reports as are referred to in those sections.
- e) Section 127 states that a copy of every balance sheet, including every document required by law to be annexed thereto, which is to be laid before the company in general meeting, together with a copy of the auditor's report, shall, not less than twenty -one days before the date of the meeting, be sent to every member of, and every holder of debentures of, the company and to every person registered under regulation 31: Provided that this regulation shall not require a copy of those documents to be sent to any person of whose address the company is not aware or to more than one of the joint holders of any shares or debentures.

4.2 CRIMINAL LAW (CODIFICATION AND REFORM) ACT

4.2.1 CHAPTER XVI GENERAL

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- a) Section 277 Criminal liability of corporations and associations and their members, employees, and agents. In this section “authorised person” means a person referred to in paragraph (b) of subsection (2) or paragraph (b) of subsection (4); “director”, in relation to a corporate body, means a person who:
- i. Controls or governs that corporate body, whether lawfully or otherwise.
 - ii. Is a member of a body or group of persons which controls or governs that corporate body, whether lawfully or otherwise.
 - iii. Where there is no body or group such as is referred to in paragraph (b), who is a member of the corporate body. For the purposes of imposing criminal liability upon a corporate body, any conduct on the part of:
 1. A director or employee of the corporate body.
 2. Any person acting on instructions or with permission, express or implied, given by a director or employee of the corporate body; in the exercise of his or her power or in the performance of his or her duties as such a director, employee or authorised person, or in furthering or endeavouring to further the interests of the corporate body, shall be deemed to have been the conduct of the corporate body, and if the conduct was accompanied by any intention on the part of the director, employee or authorised person, that intention shall be deemed to have been the intention of the corporate body.
 3. Where there has been any conduct which constitutes a crime for which a corporate body is or was liable to prosecution, that conduct shall be deemed to have been the conduct of every person who at the time was a director or employee of the corporate body, and if the conduct was accompanied by any intention on the part of the person responsible for it, that intention shall be deemed to have been the intention of every other person who at the time was a director or
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employee of the corporate body: Provided that, if it is proved that a director or employee of the corporate body took no part in the conduct, this subsection shall not apply to him or her.

4. For the purposes of imposing criminal liability upon members and employees of an association of persons which is not a corporate body, any conduct on the part of (a) a member or employee of the association; or (b) any person acting on instructions or with permission, express or implied, given by a member or employee of the association; in the exercise of his or her power or in the performance of his or her duties as such a member, employee or authorised person, or in furthering or endeavouring to further the interests of the association, shall be deemed to have been the conduct of every other person who at the time was a member or employee of the association, and if the conduct was accompanied by any intention on the part of the member, employee or authorised person, that intention shall be deemed to have been the intention of every other person who at the time was a member or employee of the association: Provided that (i) if it is proved that a member or employee of the association took no part in the conduct, this subsection shall not apply to him or her; (ii) if the association is controlled or governed by a committee or other similar governing body, this subsection shall not apply so as to render criminally liable any person who was not at the time of the conduct a member of that committee or other body.
5. A person who is criminally liable for any conduct in terms of subsection (3) or (4) shall be liable to be prosecuted and punished personally for the crime concerned.
6. This section shall not limit any other law which imposes criminal liability upon corporate bodies and associations and their directors, employees, and members.

4.3 INCOME TAX ACT - ZIMBABWE

4.3.1 Section 82 deals with the Offence of wilful failure to comply with requirements of Commissioner or to keep proper accounts, and obstruction.

- a) Any person who:
- i. Wilfully fails or neglects to furnish, file or submit any return or document required by the Commissioner under the powers conferred by this Act.
 - ii. Wilfully refuses or neglects to furnish any information or reply, or to attend and give evidence as and when required by the Commissioner or any officer duly authorized by him, or to answer truly and fully any question put to him, or to produce any books or papers required of him by the Commissioner or any such officer.
 - iii. Not being a person whose gross income consists solely of salary, wages or similar compensation for personal service, wilfully fails to keep or cause to be kept in the English language, proper books and accounts of all his transactions or, unless otherwise authorized by a competent court or by the Commissioner, wilfully fails to retain for a period of six years from the date of the last entry therein all ledgers, cash-books, journals paid cheques, bank statements and deposit slips, stock sheets, invoices and other books of account relating to any trade carried on by him and recording the details from which his returns for the purposes of this Act were prepared.
 - iv. Obstructs or hinders any officer in the discharge of his duties; [Paragraph reinstated by Act 15 of 2002] shall be guilty of an offence and liable to a fine not exceeding level seven or to imprisonment for a period not exceeding one year or to both such fine and such imprisonment. [Subsection substituted by Act 15 of 2002].

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- b) Where the facts proved in any charge under subsection (1) do not justify a conviction under subsection (1) but prove an offence under section eighty-one the person charged may be convicted of the corresponding offence under that section and sentenced accordingly.
- c) A person who retains, in accordance with conditions specified by the Commissioner, photographic reproductions in miniature of a document or book referred to in paragraph (c) of subsection (1), which is not a ledger, cash-book or journal, shall be deemed to retain that document or book for the purposes of that paragraph.
- d) Any person who, without just cause, obstructs, or hinders an officer in the discharge of his duties under this Act shall be guilty of an offence and liable to a fine not exceeding level five or to imprisonment for a period not exceeding six months or to both such fine and such imprisonment. [Subsection inserted by Act 22 of 2001] 83 Offences: increased penalty on subsequent conviction If, upon conviction of any person for an offence under section eighty-one or eighty-two for:
- i. Failing or neglecting to furnish, file or submit any return or document required by the Commissioner.
 - ii. Refusing or neglecting to furnish any information or reply, or to produce any books or papers required of him by the Commissioner or any other officer; within any reasonable period fixed by the Commissioner or any other officer and of which notice has been given to him by the Commissioner, it is proved that that person has been previously convicted of a like failure, neglect or refusal in relation to the same return, document, information, reply, books or papers, then such person shall, in addition to any punishment inflicted under such section, be liable also to a fine not exceeding level one for each day that he is in default, or to imprisonment for a period not exceeding twelve months. [Section substituted by Act 15 of 2002] 84 Offences: wilful failure to submit correct returns, information,
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etc.

e) Any person who wilfully:

- i. Fails to show in any return made by him any portion of the gross income received by or accrued to him or in favour of himself, or fails to disclose to the Commissioner, when making such return, any material facts which should have been disclosed.

Fails to show in any return prepared or rendered by him on behalf of any other person any portion of the gross income received by or accrued to or in favour of such other person, or fails to disclose to the Commissioner, when preparing or making such return, any facts which, if so disclosed, might result in increased tax shall be guilty of an offence and liable to a fine not exceeding level seven or to imprisonment for a period not exceeding one year or to both such fine and such imprisonment. .