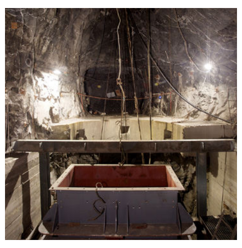
BINDURA NICKEL CORPORATION LIMITED

Abridged Unaudited Group Financial Results 2019

For The Half Year Ended 30 September 2019




NOTICE TO SHAREHOLDERS

OVERVIEW

Highlights for the year under review are summarised below:

- **Zero fatalities;**
- **4% decrease in nickel production to 2 943 tonnes (H1 FY2019: 3 076 tonnes);**
- **1% increase in average nickel price realised to US$9 052/t (H1 FY2019: US$9 001/t);**
- **Revenue increased by 8% to US$28.3 million (H1 FY2019: US$26.2 million);**
- **Profit after tax: US$6.6 million, up 136% year on year (H1 FY2019: US$2.8 million);**
- **1% increase in nickel sales tonnage;**
- **5% decrease in cash costs(AISC) to US$6 574/t (H1 FY2019: US$6 900/t);**
- **Capital expenditure of US$3.0 million incurred during the period under review;**
- **Upgrade and refurbishment on the smelter 83% complete;**
- **Smelter Bond obligation of ZWL3.0 million for the half year was fulfilled.**

SAFETY

No fatalities were recorded at any of our operations or projects during the year.

The Board and Management take safety very seriously, given the inherently hazardous nature of mining. We have a zero tolerance to accidents. SHEQ systems are continually being developed and implemented to improve performance. The main area of focus on safety is to change the behaviour of employees in order to prevent or minimize accidents in line with the Corporation's zero harm goal.

FINANCIAL RESULTS

Income statement

The Company sold 3 002 tonnes of Nickel in concentrate, compared to 2 980 tonnes sold in the comparative period last year.

An average nickel price of US$9 052 per tonne was realised for the sale of Nickel in concentrate, compared to US$9 001 per tonne achieved in the same period last year. This translated to a turnover for the half-year of US$28.3 million (2018: US$26.2 million). The cost of sales of US$16.3 million was 10% lower than the comparative figure in the prior year of US$18.0 million.

Gross profit improved by 47% to US$12.0 million versus the prior year's achievement of US$8.2 million. The Company realised a profit and total comprehensive income of US$6.6 million, compared to US$2.8 million in the prior year. The improvement of 136% was anchored on exchange gains and a decrease in the cost of sales which, in turn, was attributable to the ongoing efforts to contain costs as demonstrated by the decrease in cash costs, year on year.

Balance sheet

Total equity of US$66.1 million was 11% higher than the comparative figure of US$59.5 million as at 31 March 2019. This was attributable to the increase in profit. Non-current liabilities of US$19.7 million increased by 3% from US$19.2 million as at the last year-end mainly due to an increase in deferred taxation despite the decrease in interest bearing debt. Current liabilities increased by 9% from US$20.5 million to US$22.3 million, mainly due to an increase in trade and other payables. Current assets increased by 33% from US$22.1 million to US$29.3 million as at the last year-end. The increase was driven by an increase in trade and other receivables.

Cash Flows

The Company maintained a number of overdraft facilities secured from local financial institutions in order to finance its working capital requirements. The ZWL3.0 commitment due to Bondholders at the September 2019 interval was fulfilled.

OPERATIONS

Ore mined during the 6 months to 30 September 2019 was 215 338 tonnes while ore milled was 215 728 tonnes. Head grade was 1.34% which was lower than the year-end figure of 1.64%. The decrease is a reflection of the mining mix whereby more of disseminated ore was mined than the massives. Recovery was 86.1%, compared to 86.3% achieved as at 31 March 2019.

Nickel production was 2 943 tonnes, which was lower than last year's output of 3 076 tonnes. The decline was in line with the lower ore grade achieved, year on year.

The all-in sustaining cost of producing Nickel in concentrate decreased from U$6 900 per tonne to US$6 574 per tonne. The decrease was a reflection of the ongoing efforts to contain operational costs.

The industrial relations atmosphere was reasonably calm throughout the year, thanks to the ongoing proactive and constructive engagement of employees on all pertinent issues.

CAPITAL PROJECTS

Total capital expenditure for the 6 months was US$3.0 million, mainly in respect of the following projects:

- Shaft re-deepening: (US$1.2 million)
- New LHDs: (US$0.7 million)
- New Dump Trucks: (US$0.7 million)

The Smelter Restart Project is still at 83% complete.

The Refinery and Shangani Mine remained under care and maintenance.

OUTLOOK

BNC sold concentrate containing 3,002 tonnes of nickel compared to 2,980 tonnes for the same period (six months) in 2018/19, an increase of 1%. The sales for the second half of last year were 3,430 tonnes.

Nickel prices remained subdued into the year due to weak stainless steel demand, overstocking and the lack of real demand in class 1 nickel in the automotive industry. Prices were given a boost above US$18 000 per tonne after the Indonesian government announced that it would bring forward the raw ore exports ban to 1 January 2020 from 1 January 2022. Indonesian ore feeds into nickel pig iron (NPI) production in China. This is the second time that Indonesia, which supplies 12% of the global nickel, has banned raw ore exports in a bid to promote beneficiation through the construction of smelters in that country. Ore from the Philippines is of low grade when compared to Indonesian ore. The latter ore is, however, expected to fill the supply gap. The market suggests that stainless steel mills will look at options of reducing the demand for new nickel units after the Indonesian ban. The options include moving from the 300 series to the 400 series, the increased usage of stainless steel scrap in stainless steel production and a planned increase in ferronickel imports from other countries. London Metal Exchange ("LME") stocks have fallen below 100 000 tonnes for the first time since 2012, though analysts believe this was a result of the movement of ore into off-warehouse storage facilities. This has resulted in a short term market tightness in LME deliverable nickel, despite the oversupply of non LME deliverable products like ferronickel and nickel pig iron. On the other hand, the market is bearish with the United States of America / China trade talks not having yielded a result and due to the recent unrest in Hong Kong.

The market is still expected to be in deficit in 2019, though the deficit is expected to be smaller compared to the previous year. Nickel demand is expected to remain high, with a projected average growth in excess of 4% per annum year on year. Stainless steel will remain the main consumer of nickel and is expected to average 67% while the use of Nickel in the production of electric vehicles is expected to increase to 18% by 2025. Current and new Nickel sulphide projects are not expected to meet the demand. The required nickel units are likely to come from the development of products based on laterite ores using high pressure acid leaching (HPAL) to convert ores to matte then to nickel sulphate. The next two years will reveal whether the technically and environmentally challenging HPAL plants will succeed in delivering the required nickel units.

DIVIDEND

Under the current circumstances, it is not feasible to declare a dividend for the period under review.

CONTINGENCIES

Prior year tax dispute

It was reported in the financial statements for the year ended 31 March 2019 that the Company was involved in a dispute with the tax authorities emanating from tax assessments which were issued in February 2018, amounting to an estimate of $29 million. The assessments mainly related to historical issues pertaining to how the Company was structured many years ago as well as issues arising from differences in the interpretation of standard commercial agreements in the mining industry.

Following further engagements with and submissions to the tax authorities, the tax assessments were revised downwards to approximately $14 million. Both parties agreed to declare a dispute in respect of the outstanding amount and to pursue the matter through the courts. The matter is now before the courts pending hearing. Except for this disclosure, no provision has been made in these Financial Statements with respect to this contingent liability. Based on legal advice received to date, the Company has acted within the statutes of the law. The Directors are still of the view that a positive resolution to this matter will be reached.

At the time of this half-year report, the Company was not able to reasonably estimate the likely timing of resolution of the matter.

UPDATE ON SHAREHOLDER ISSUES

I am pleased to announce that, after several Cautionary Announcements concerning the numerous efforts by the Joint Administrators of Asa Resource Group Plc ("Asa") to dispose Asa's shareholding of 74.73% in the Company, a Sale and Purchase was finally concluded on 25th August 2019. The new Shareholders are going through all the necessary regulatory procedures, after which a final announcement will be made soon.

BOARD CHANGES

Subsequent to the recent change in shareholding, the following changes to the Board of Directors have taken place:

- With effect from 31 October 2019, Messrs Olivier Alain Barbeau, Oliver Mandishona Chidawu and Toindepi Retias Muganyi resigned from the Board;
- With effect from 1st November 2019, Messrs Jozef Clifford Behr, Obey Chimuka and Christopher Fourie were appointed to the Board as Non-Executive Directors;
- With effect from 1st December 2019, Mr Alex Peter Danso resigned from the Board

I would like to thank Messrs Barbeau, Chidawu, Danso and Muganyi for their sterling contributions to the growth of BNC especially during Board and Committee meetings. I wish them success in their future endeavours. I also welcome Messrs Behr, Chimuka and Fourie to the family of BNC and wish them a long and fruitful tenure as Directors of the Company.

APPRECIATION

On behalf of the Board, I wish to place on record my sincere gratitude to management and staff for their dedication and hard work during the year under review .

On Behalf of the Board
Bindura Nickel Corporation Limited

Muchadeyi Ashton Masunda
Board Chairman
5 December 2019

NICKEL PRODUCTION AND SALES

Nickel production	30-Sep-19 Tonnes	30-Sep-18 Tonnes
BNC production	2 943	3 076
BNC Nickel Sales in Concentrates	3 002	2 980

ABRIDGED GROUP STATEMENT OF COMPREHENSIVE INCOME

for the half year ended 30 September 2019

	30-Sep-19 US$	30-Sep-18 US$
Turnover		
Nickel Concentrates	28 348 786	26 228 128
Cost of sales	(16 289 774)	(18 033 454)
Gross Profit	**12 059 012**	**8 194 674**
Other Income	86 387	1 210 320
Marketing and distribution expenses	(3 357 070)	(3 550 647)
Administrative expenses	(3 508 090)	(2 227 078)
Net exchange gain	4 073 714	-
Operating Profit	**9 353 953**	**3 627 269**
Net finance costs	(221 765)	(55 945)
Finance income	27 138	554 846
Finance expenses	(248 903)	(610 791)
Profit before taxation	**9 132 188**	**3 571 324**
Taxation	(2 530 053)	(768 346)
Profit and total comprehensive income for the period	**6 602 135**	**2 802 978**
Basic and diluted earnings per ordinary share (cents)	0.5	0.2
Headline earnings per ordinary share (cents)	0.5	0.2

ABRIDGED GROUP STATEMENT OF FINANCIAL POSITION

As at

	Note	As at 30-Sep-19 US$	As at 31-Mar-19 US$
Equity and liabilities			
Share capital		12 778	12 778
Non-distributable reserves		32 291 208	32 291 208
Retained earnings		33 844 888	27 242 753
Total equity		**66 148 874**	**59 546 739**
Non-current liabilities			
Interest bearing loans & borrowings	7	1 232 742	3 246 928
Environmental rehabilitation provision		10 232 959	10 232 959
Deferred taxation		8 260 446	5 730 363
		19 726 117	19 210 250
Current liabilities			
Trade payables		8 235 263	4 948 886
Other payables		8 876 694	5 800 910
Provisions		93 646	491 539
Related party payables		4 138 887	4 234 428
Interest bearing loans & borrowings	7	949 554	5 047 934
		22 294 044	20 523 697
Total equity and liabilities		**108 169 035**	**99 280 686**
Assets			
Non-current assets	6	78 872 266	77 218 150
Current assets			
Inventories		9 700 187	8 494 827
Trade and other receivables		18 842 796	13 187 723
Cash and short term deposits		753 786	379 986
		29 296 769	22 062 536
Total assets		**108 169 035**	**99 280 686**

ABRIDGED GROUP STATEMENT OF CASH FLOWS

for the half year ended 30 September 2019

	Note	30-Sep-19 US$	30-Sep-18 US$
Cash flows from operating activities			
Operating profit from operations before interest and taxation		9 353 952	3 627 269
Adjusted for:			
Depreciation of property plant and equipment		1 334 392	1 591 227
Unrealised exchange gain		(4 073 714)	-
Operating cash flow before working capital changes		6 614 630	5 218 496
Increase in inventories		(1 205 361)	(2 499 578)
Increase in trade and other receivables		(5 726 905)	(1 508 878)
Increase in trade and other payables		6 186 063	1 962 998
Net cash flows from operations		**5 868 427**	**3 173 038**
Returns on investments and servicing of finance			
Interest received		27 138	554 846
Interest paid		(221 903)	(306 787)
Net cash flows on investments and servicing of finance		(194 765)	248 059
Net cash flows from operating activities		**5 673 662**	**3 421 097**
Cash flows from investing activities			
Purchase of property, plant and equipment		(3 023 990)	(4 542 178)
Staff loans repaid /(issued)		35 483	(53 300)
Net cash flows from investing activities		(2 988 507)	(4 595 478)
Net cash flows before financing activities		2 685 155	(1 174 381)
Cash flows from financing activities			
Long term loans repaid		(646 742)	(2 247 260)
Net cash flows from financing activities		(646 742)	(2 247 260)
Increase/ decrease in cash and cash equivalents		**2 038 413**	**(3 421 641)**
Net foreign exchange differences on cash and cash equivalents		272 741	-
Cash and cash equivalents at the beginning of the period		(2 013 106)	(2 679 504)
Cash and cash equivalents at the end of the period	8	**298 048**	**(6 101 145)**

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For The Half Year Ended 30 September 2019

ABRIDGED STATEMENT OF CHANGES IN EQUITY

for the half year ended 30 September 2019

	Share capital US$	Non distributable reserves US$	Retained earnings US$	Total US$
Balances at 31 March 2018	**12 778**	**32 291 208**	**13 774 942**	**46 078 928**
Total loss and other comprehensive income for the period attributable to ordinary shareholders	-	-	2 802 978	2 802 978
Balances at 30 September 2018	**12 778**	**32 291 208**	**16 577 920**	**48 881 906**
Total profit and other comprehensive income for the year attributable to ordinary shareholders	-	-	10 664 833	10 664 833
Balances at 31 March 2019	**12 778**	**32 291 208**	**27 242 753**	**59 546 739**
Total profit and other comprehensive income for the year attributable to ordinary shareholders	-	-	6 602 135	6 602 135
Balances at 30 September 2019	**12 778**	**32 291 208**	**33 844 888**	**66 148 874**

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

for the half year ended 30 September 2019

1 Presentation

The abridged financial results are presented in United States dollars (US$), which is the company's functional currency.

2 Principal group accounting policies

Accounting policies have been applied consistently as in prior years. There was no significant impact arising from adoption of new and revised standards applicable for the period ending 30 September 2019

		30-Sep-2019	30-Sep-2018
3	**Earnings per share**		
	Earnings attributable to shareholders (US$)	6 602 135	2 802 978
	Weighted average number of shares	1 239 656 591	1 239 656 591
	Basic and diluted earnings per share (cents)	0.5	0.2
	Headline earnings per ordinary share (cents)	0.5	0.2
4	**Capital expenditure (US$)**	**3 023 990**	**4 542 178**
5	**Capital commitments**		
	Authorised by Directors and contracted for (US$)	7 116 571	9 246 269
6	**Non-current assets**		
	Property, plant and equipment	78 859 121	77 169 523
	Staff loans	13 145	48 627
		78 872 266	77 218 150

7 Interest bearing loans and borrowings

	Non current portion		Current portion	
	30-Sep-2019 US$	31-Mar-2019 US$	30-Sep-2019 US$	31-Mar-2019 US$
Related party Loan -Asa Resource Group Plc	569 522	982 541	-	-
Long term loans (Smelter bond and asset financing)	663 220	2 264 387	493 816	2 654 842
Bank overdraft	-	-	455 738	2 393 092
	1 232 742	3 246 928	949 554	5 047 934

Non current loans & borrowings

The Company raised ZWL $20 million in 2015 to finance the restart of the Smelter, through a 5 year Bond with a coupon rate of 10% per annum, secured by a guarantee from the major shareholder and bond trust deed independently managed by a trustee. The Company is in compliance with the covenants of the bond trust deed as amended and agreed with the bond holders. Interest on the related party, Asa Resource Group Plc is LIBOR plus 7%.

Included in the interest loans and borrowings, is the balance of the ZWL $5 million asset financing facility which was raised in 2018 with a local bank to finance capital projects necessary for the business sustenance and expansion. The facility is secured by property title deeds and has an interest rate of 25.5% per annum.

Bank Overdraft facilities

In July 2019, the Company successfully renewed its ZWL $7 million working capital overdraft facility with a local financial institution.
The facility has a tenor of 12 months, but it is subject to renewal at its anniversary. The working capital facility carried an interestrate of 18% per annum and it is secured by mortgage bonds over property owned by the Company.

		30-Sep-2019 US$	30-Sep-2018 US$
8	**Cash and cash equivalents**		
	Cash and short term deposits	753 786	945 902
	Bank overdraft	(455 738)	(7 047 047)
		298 048	**(6 101 145)**

9 Analysis of private placement shares

Ordinary shares approved for private placement at the 2013 AGM	**100 000 000**
Less ordinary shares issued as at 31 March 2014	(27 904 621)
Less ordinary shares issued between April 2014 and 31 March 2015	(1 538 313)
Private placement shares not yet issued as at 30 September 2019	**70 557 066**

By order of the Board

C F Mukanganga
Company Secretary
5 December 2019

Directors: M A Masunda (Chairman), B Manhando (Managing Director), J H L Lampen (Finance Director), J C Behr, O Chimuka, C Fourie.