BINDURA NICKEL CORPORATION LIMITED

ABRIDGED AUDITED GROUP FINANCIAL RESULTS

FOR THE YEAR ENDED 31 MARCH 2019

ASA RESOURCE
A PAN-AFRICAN COMMODITIES GROUP

NOTICE TO SHAREHOLDERS

OVERVIEW

Highlights for the year under review are summarised below:

- **Zero fatalities;**
- **16% increase in average nickel price realised;**
- **Revenue up by 1% year on year to US$54.0 million (2018: US$53.6 million);**
- **EBITDA: US$25.6 million compared to US$11.5 million in prior year (122% increase);**
- **Profit after tax: US$13.5 million, up 131% on last year's US$5.8 million;**
- **1% decrease in nickel sales tonnage**
- **5% decrease in nickel production;**
- **Capital expenditure: US$5.4 million (2018: US$4.6 million);**
- **Smelter Restart Project still at 83% complete;**
- **All Smelter Bond obligations for the year were met in full.**

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

Nickel in concentrate sold amounted to 6 410 tonnes, compared to 6 470 tonnes sold in the comparative period last year.

In line with the increase in global nickel prices, the Company realised an average price for its nickel in concentrate sold of US$8 376 per tonne, compared to US$7 249 per tonne achieved in the comparative period last year.

The above fundamentals translated to an annual turnover of US$54.0 million (2018: US$53.6 million). Cost of sales increased by 14% year on year from US$34.7 million last year to US$39.5 million in the year under review, mainly due to an increase in local input costs.

In line with the subdued growth in turnover and the year on year increase in cost of sales, gross profit decreased by 23% from US$18.9 million in the comparative period last year to US$14.5 million. However, operating profit increased by 141% to US$21.3 million, compared to the prior year's achievement of US8.9 million. This is mainly attributable to exchange gains recognised on the introduction of the Zimbabwean Dollar. The Company realised a profit and total comprehensive income of US$13.5 million, compared to US$5.8 million in the prior year.

Balance sheet

Total equity increased by 29% year on year, in line with the increase in profit. Non-current liabilities of US$19.2 million decreased by 31.1%, mainly due to a decrease in interest bearing loans and borrowings. Current liabilities decreased by 37% from US$32.8 million to US$20.5 million, mainly due to a decrease in trade payables and interest bearing loans and borrowings respectively. Current assets decreased by 21% from US$28.1 million in the prior year to US$22.1 million, mainly driven by a decrease in cash and short term deposits. However, the net current asset position improved to a positive USD$1.5 million from a negative USD$4.7 million in the prior year.

Cash Flows

The Company maintained a number of overdraft facilities secured from local financial institutions in order to finance its working capital requirements. All commitments due to Bondholders at the September 2018 and March 2019 intervals respectively, were honoured.

OPERATIONS

Some 443 876 tonnes of ore were milled in the year under review, compared to 390 211 tonnes milled in the same period last year. The 14% increase was due to the improved availability of mining equipment following the introduction of two new LHDs and one rebuilt Dump Truck.

Head grade was 1.64% versus 1.89% in the same period last year. The decrease in grade was in line with the decision made to increase the mining of disseminated ore as opposed to massives, following the investment in new mining equipment referred to above. Recovery was 86.3%, compared to last year's achievement of 89.6%. The decline was in sympathy with the lower ore grade achieved.

Nickel production was 6 289 tonnes, which was lower than last year's output of 6 620 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 increased from U$6 289 per tonne to US$6 610 per tonne, year on year. The increase was mainly attributable to the drastic increase in the prices of local inputs.

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 year was US$5.4 million, mainly in respect of the following projects:

- Installation of steelworks for the loading station
- Sub-vertical Rock Winder mechanical and electrical control upgrades
- Decommissioning of services in the Service Winze shaft
- Civil works for the 44/0 Level spillage handling hoist

The Smelter Restart Project is still at 83% complete.
The Project was put on hold due to the cash flow deficit arising mainly from the outturn on the LME nickel price, which has averaged US$12 000 per tonne since the Project commenced in 2015, compared to the average LME price of US$16 000 that was forecast then. With the promising global Nickel price outlook, plans are afoot to complete the
Project in the near future.

The Refinery and Shangani Mine remained under care and maintenance.

OUTLOOK

The Market

The average LME nickel cash settlement price fell by 5.6% to US$12 388.34 per tonne (US$5.62 per pound) compared to US$13 278.84 (US$6.02 per pound) in the same period in 2018.

The nickel demand that was expected to come from the electronic vehicle ("EV") did not materialise as it was now realised that the demand had been premature. However, this demand was now expected to increase significantly by 2025.

Demand for nickel in the steel sector was muted, despite an increase in the usage of nickel which was attributable to the production of high grade 300 series steel. Supply remained robust as more Indonesian mills either ramped up or came into production. Meanwhile, it is expected that there will be a reduction in supply as the Chinese environmental audits are underway, which are expected to result in the closure of some Nickel Pig Iron ("NPI") plants.

The five major nickel producers have reported a reduction in production. The market is expected to be in a supply deficit for the third year in a row. The market seems to be more responsive to the macro environment now than to fundamentals. The main factors in the macro environment include:

- the trade tensions between the United States of America ("USA") and the People's Republic of China;
- geopolitical tensions between the USA and Iran and
- the strengthening USA dollar

Consequently, investors are moving money out of commodities and are investing in such assets as gold.

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 previous year that the Company was involved in a tax dispute with the tax authorities emanating from tax assessments which were issued in February 2018, amounting to an estimate of US$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 during the year, the tax assessments were revised downwards to approximately US$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 this year's financial statements with respect of 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 reporting, the Company was not able to reasonably estimate the likely timing of resolution of the matter.

GOING CONCERN

In assessing the going concern position of the Group, the Directors have considered the current trading activities, funding position and projected funding requirements for the Group, particularly in respect of the main operating subsidiary, Trojan Nickel Mine Limited, for at least eighteen months from the date of approval of these financial statements.

While the Group earned a profit before taxation for the year ended 31 March 2019 amounting to US$18.3 million (2018: US$7.9 million), and while at that date its current assets exceeded current liabilities by US$1.5 million (2018: -US$4.7 million), its ability to continue as a going concern is dependent on its ability to generate positive cash flows.
The following factors constitute material conditions that require consideration in assessing the Group's ability to continue as a going concern.

- The Company's cash flows are highly dependent on the Nickel price. During the year, LME nickel prices remained subdued for the greater part of the year, but started picking up in the last quarter to average around US$12 885 per tonne for the year (2018: US$11 000 per tonne). Latest forecasts by analysts predict a steady increase in Nickel prices in the medium to long term owing to expected rise in demand for Nickel and Lithium particularly given the anticipated increase in the use of electric vehicles in developed countries.

- In assessing the future cash flows of the Group, an average Nickel prices have been assumed as follows: US$12 000 per tonne for the period April to December 2019, US$13 000 per tonne for the period January to March 2020 and US$16 625 per tonne for the period April 2020 to March 2021. These projections have been taken from a consensus forecast compiled by market analysts.

In addition to the Directors' assumptions regarding the Nickel price, the 18 month cash flow forecast for the Group from 1 July 2019 will depend on the following key assumptions:

- The availability of sufficient foreign currency. While the Group realises all its revenue in foreign currency (USD), it only retains 50% of the sale proceeds in foreign currency and the remaining 50% is surrendered to the Reserve Bank of Zimbabwe (RBZ) in exchange for the local currency, in line with the current Exchange Control regulations. For the amount surrendered to RBZ, in the past, the Group was paid at a rate of 1:1 which represented a loss of value as the local currency was not at par with the USD. The regulations have limited the availability of foreign currency for the Company to meet its critical payments for the operations. The Group requires more foreign currency for the importation of specialised mining equipment and spares which are not readily available on the local market. Following the promulgation of SI 33 of 2019 and SI 142 of 2019 in February and June 2019 respectively, it is expected that the Company will realise true value from the compulsory exchange of its foreign currency with the local currency at the interbank rate.

The Directors consider it appropriate to adopt the going concern basis in preparing the financial statements for the year ended 31 March 2019. It is the Directors' view that the Group will be in a position to finance future operations and settle any liabilities that may occur in the ordinary course of business.

APPRECIATION

The Board pays tribute to management and staff for their dedication and hard work during the year.

On Behalf of the Board
Bindura Nickel Corporation Limited

Muchadeyi Ashton Masunda
Board Chairman
18 July 2019

NICKEL PRODUCTION AND SALES

Nickel production	31-Mar-19 Tonnes	31-Mar-18 Tonnes
BNC production	6 289	6 620
BNC Nickel Sales in Concentrates	6 410	6 470

ABRIDGED GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2019

	31-Mar-19 US$	31-Mar-18 US$
Turnover		
Nickel Concentrates	54 005 118	53 555 405
Cost of sales	(39 503 653)	(34 695 726)
Gross Profit	**14 501 465**	**18 859 679**
Other Income	6 147 590	1 992 903
Marketing and distribution expenses	(7 255 285)	(7 157 293)
Administrative expenses	(9 020 627)	(4 827 610)
Net exchange gain	16 975 945	-
Operating Profit	**21 349 088**	**8 867 679**
Net finance costs	(3 061 516)	(984 809)
Finance income	2 709	3 171
Finance expenses	(3 064 225)	(987 980)
Profit before taxation	**18 287 572**	**7 882 870**
Taxation	(4 819 761)	(2 044 350)
Profit and total comprehensive income for the year	**13 467 811**	**5 838 520**
Basic and diluted earnings per ordinary share (cents)	**1.1**	**0.5**
Headline earnings per ordinary share (cents)	**1.1**	**0.5**

ABRIDGED GROUP STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Note	As at 31-Mar-19 US$	As at 31-Mar-18 US$
Equity and liabilities			
Share capital		12 778	12 778
Non-distributable reserves		32 291 208	32 291 208
Retained earnings		27 242 753	13 774 942
Total equity		**59 546 739**	**46 078 928**
Non-current liabilities			
Interest bearing loans & borrowings	7	3 246 928	15 384 000
Environmental rehabilitation provision		10 232 959	11 626 107
Deferred taxation		5 730 363	910 602
		19 210 250	27 920 709
Current liabilities			
Trade payables		4 948 886	7 060 534
Other payables		5 800 910	5 992 902
Provisions		491 539	3 253 389
Related party payables		4 234 428	3 986 821
Interest bearing loans & borrowings	7	5 047 934	12 495 665
		20 523 697	32 789 311
Total equity and liabilities		**99 280 686**	**106 788 948**
Assets			
Non-current assets	6	77 218 150	78 705 836
Current assets			
Inventories		8 494 827	8 938 705
Trade and other receivables		13 187 723	14 825 734
Cash and short term deposits		379 986	4 318 673
		22 062 536	28 083 112
Total assets		**99 280 686**	**106 788 948**

ABRIDGED GROUP STATEMENT OF CASH FLOWS

for the year ended 31 March 2019

	Note	31-Mar-19 US$	31-Mar-18 US$
Cash flows from operating activities			
Operating (loss)/profit from operations before interest and taxation		(21 349 088)	8 867 679
Adjusted for:			
Depreciation of property, plant and equipment		4 231 087	2 665 420
Change in environmental rehabilitation provision		318 555	101 325
Unrealised exchange gain		(16 975 945)	-
Allowance for doubtful debts		2 447 346	63 293
Profit on disposal on investments		(3 570 437)	-
Impairment loss		1 009 127	-
Operating cash flow before working capital changes		8 808 821	11 697 717
Decrease /(Increase) in inventories		443 878	(2 009 988)
Increase in trade and other receivables		(2 743 550)	(3 468 259)
Increase in trade and other payables		2 214 528	2 199 408
Net cash flows from operations		**8 723 677**	**8 418 878**
Returns on investments and servicing of finance			
Interest received		2 709	3 171
Interest paid		(2 961 292)	(904 631)
		(2 958 583)	(901 460)
Net cash flows from operating activities		**5 765 094**	**7 517 418**
Cash flows from investing activities			
Purchase of property, plant and equipment		(5 415 605)	(4 566 476)
Staff loans		(48 627)	-
Purchase of investments		(2 791 435)	-
Proceeds from sale of investments		6 361 872	-
Net cash flows from investing activities		(1 893 795)	(4 566 476)
Net cash flows before financing activities		3 871 299	2 950 942
Cash flows from financing activities			
Long term loan repaid		(6 034 238)	(4 869 542)
Long term loan received		-	5 000 000
Net cash flows from financing activities		(6 034 238)	130 458
(Decrease)/ Increase in cash and cash equivalents		**(2 162 939)**	**3 081 400**
Net foreign exchange differences on cash and cash equivalents		2 829 337	-
Cash and cash equivalents at the beginning of the year		(2 679 504)	(5 760 904)
Cash and cash equivalents at the end of the year	**8**	**(2 013 106)**	**(2 679 504)**

ABRIDGED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2019

	Share capital US$	Non-distributable reserves US$	Retained earnings US$	Total US$
Balances at 1 April 2017	**12 778**	**32 291 208**	**7 936 422**	**40 240 408**
Total profit and other comprehensive income for the year attributable to ordinary shareholders	-	-	5 838 520	5 838 520
Balances at 31 March 2018	**12 778**	**32 291 208**	**13 774 942**	**46 078 928**
Total profit and other comprehensive income for the year attributable to ordinary shareholders	-	-	13 467 811	13 467 811
Balances at 31 March 2019	**12 778**	**32 291 208**	**27 242 753**	**59 546 739**

BINDURA NICKEL CORPORATION LIMITED

ABRIDGED AUDITED GROUP FINANCIAL RESULTS

FOR THE YEAR ENDED 31 MARCH 2019

ASA RESOURCE
A PAN-AFRICAN COMMODITIES GROUP

NOTES TO THE ABRIDGED GROUP FINANCIAL STATEMENTS
for the year ended 31 March 2019

1 Presentation

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

1.1 Functional and Presentation Currency

In 2009, the Government of Zimbabwe introduced the multi-currency system which had the United States Dollar (USD) as its base currency. As such, the Group has used the USD as its functional and presentation currency to date. As a result of foreign currency shortages on the market, there was an increase in the use of electronic settlement platforms namely, Real Time Gross Settlement (RTGS) platforms. A monetary measure was introduced in October 2018 directing the separation of foreign currency accounts (FCAs) into two categories, namely RTGS FCA and Nostro FCA at par (1:1). This created inflationary pressure evidenced by increases in the prices of local goods and services as business and other consumers competed for hard currency.

In February 2019, the Government, through another policy measure, issued a Statutory Instrument (SI 33 of 2019) which introduced the electronic RTGS dollar (ZWL) with physical denomination in the bond notes and coins at a base rate of USD1:ZWL2.5. The introduction of the currency and its addition to the multi-currency basket brought about the interbank market which was to function on a willing buyer, willing seller basis. The enacting instrument gave a legal requirement for the accounting treatment of local assets and liabilities denominated in USD to be transferred to the ZWL at parity (1:1).

The above events triggered the need for Directors to assess:

- whether there was a change in the Group's functional currency as at 1 October 2018 and
- the appropriateness of rates of exchange used from that date onwards in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates".

IAS 21 requires that transactions and balances denominated in foreign currency should be presented at market exchange rates. A market rate is one which is legal, observable and accessible.

October 2018 to February 2019:
During this period, the Group maintained a rate of 1:1 as prescribed by the Government in compliance with the law (SI 33 of 2019).

March 2019:
As from March 2019, the Group utilised rates available from the Reserve Bank of Zimbabwe (RBZ) Interbank market. The rate from the RBZ is the legal rate. It is also an observable rate. However, the rate is not accessible to the market.

Consequently, the Group has not fully complied with the requirements of IAS 21. However, for expediency, the Group chose to comply with the law as the Government issued SI 41 of 2019 [Public Accountants and Auditors (Prescription of International Standards) Regulations] which directs entities to give precedence to the law over reporting standards in circumstances where there are inconsistencies between the two.

While the Group prepares its Financial Statements to comply with International Financial Reporting Standards, full compliance with certain International Financial Reporting Standards was not possible due to the above factors. For the avoidance of doubt, the Group did not fully comply with IAS 21 to the extent that is described above and, instead, complied with the requirements of the law.

In the light of this failure to fully comply with the requirements of IAS 21, the Group's Independent Auditors, Messrs Ernst & Young Chartered Accountants (Zimbabwe) have issued an adverse opinion on the financial statements for the year ended 31 March 2019.

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 31 March 2019.

	31-Mar-19	31-Mar-18
3 Earnings per share US$		
Earnings attributable to shareholders (US$)	13 467 811	5 838 520
Weighted average number of shares	1 239 656 591	1 239 656 591
Basic and diluted earnings per share (cents)	1.1	0.5
4 Capital expenditure (US$)	5 415 605	4 566 476
5 Capital commitments		
Authorised by Directors and contracted for (US$)	7 031 529	5 663 368
6 Non-current assets		
Property, plant and equipment	77 169 523	78 705 836
Staff loans	48 627	-
	77 218 150	78 705 836

7 Interest bearing loans and borrowings

	Non current portion		Current portion	
	31-Mar-19 US$	31-Mar-18 US$	31-Mar-19 US$	31-Mar-18 US$
Related party Loan				
-Asa Resource Group Plc	982 541	1 079 608	-	-
Long term loans (Smelter bond and asset financing)	2 264 387	14 304 392	2 654 842	5 497 488
Bank overdraft	-	-	2 393 092	6 998 177
	3 246 928	15 384 000	5 047 934	12 495 665

Non current loans & borrowings
The Company raised $ 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 amendend and agreed with the bond holders. Interest on the related party, Asa Resource Group Plc is LIBOR plus 7%.

Included in the interest bearing loans and borrowings, is the balance of the $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 10% per annum.

Bank Overdraft facility
In May 2018 the Company successfully renewed its $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 interest rate of 9.5% per annum and it is secured by mortgage bonds over property owned by the Company.

8 Cash and cash equivalents

	31-Mar-19 US$	31-Mar-18 US$
Cash and short term deposits	379 986	4 318 673
Bank overdraft	(2 393 092)	(6 998 177)
	(2 013 106)	**(2 679 504)**

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 31 March 2019	**70 557 066**

Auditor's Statement

These financial results should be read in conjunction with the full set of financial statements for the year ended 31 March 2019, which have been audited by Ernst & Young Chartered Accountants (Zimbabwe). An adverse audit opinion has been issued thereon in respect of non-compliance with the requirements of International Financial Reporting Standards (IAS 21): "The Effects of Foreign Exchange Rates". The auditor's report also includes a further modification related to unrecorded impairment loss of smelter assets. There were no key audit matters. The auditor's report on these financial statements is available for inspection at the Company's registered office.

By order of the Board

C F Mukanganga
Company Secretary
18 July 2019

Directors: M A Masunda (Chairman), B Manhando (Managing Director), J H L Lampen (Finance Director), O A Barbeau, O M Chidawu, A P Danso, T R Muganyi.

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BINDURA NICKEL CORPORATION LIMITED

Report on the Audit of the Group and Company Financial Statements

Adverse Opinion

We have audited the consolidated financial statements of Bindura Nickel Corporation Limited (the Group) set out on pages 9 to 62, which comprise the consolidated and company statements of financial position as at 31 March 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated and company statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the accompanying consolidated financial statements do not present fairly the consolidated and company financial position of Bindura Nickel Corporation Limited as at 31 March 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

Functional currency exchange rates

As explained in note 2 to the consolidated financial statements, the statements are presented in United States Dollars (US$) on the basis that the official exchange rate as at 31 March 2019 between the Real Time Gross Settlement Electronic Dollar (RTGS$) and the United States Dollar (US$) is 1: 2,94.

Zimbabwe witnessed significant monetary and exchange control policy changes in 2016 and increasingly through to 2019. The Reserve Bank of Zimbabwe (RBZ) together with the Ministry of Finance and Economic Development promulgated a series of exchange control operational guidelines and compliance frameworks during this period. Specifically, there was a requirement for banks to separate foreign currency accounts (FCAs) into two categories, namely RTGS FCA and Nostro FCA during October 2018. Although the rate was legally pegged at 1:1, multiple pricing practices and other transactions observed and reported publicly indicated exchange rates other than 1:1 between RTGS and the US$ amounts. Subsequently, in February 2019 there was a Monetary Policy statement which introduced the RTGS Dollar(RTGS$) and the interbank foreign exchange market.

These events triggered the need for entities to assess, among other things, whether the exchange rates used by the entities to translate transactions that occurred between 1 October 2018 and 31 March 2019 and closing balances as at 31 March 2019, where different modes of payment were used, were appropriate.

Based on International Financial Reporting Standards IAS 21 - The Effects of Changes in Foreign Exchange Rates ("IAS 21") "If exchangeability between two currencies is temporarily lacking, the rate used is the first subsequent rate at which exchanges could be made". In addition, paragraph 2.12 of the Conceptual Framework for Financial Reporting ("the Conceptual Framework") prescribes that for financial information to be useful, it "must not only represent relevant phenomena, but it must also faithfully represent the substance of the phenomena that it purports to represent. In many circumstances, the substance of an economic phenomenon and its legal form are the same. If they are not the same, providing information only about the legal form would not faithfully represent the economic phenomenon."

We believe that transactions in the market indicated a differential rate between the two currencies despite the legal 1:1 RTGS$:US$ exchange rate before February 2019 and the interbank rate from 22 February 2019 to year end 31 March 2019. This impacts the basis for measuring transactions that occurred between 01 October and 31 March 2019, the valuation of assets and liabilities at year end as well as the accounting for foreign exchange differences.

The financial statements of the group include balances and transactions denominated in RTGS$ that were not converted at an RTGS$: US$ exchange rate that reflects the economic substance of its value as required by International Financial Reporting Standards ("IFRS") between 01 October and 31 March 2019. This is because management applied the legal rate of 1:1 up to February 2019 as pronounced by Statutory Instrument 133 of 2016, Statutory Instrument 33 of 2019 and the Monetary Policy Statements of the 22nd of February 2018, 1st of October 2018 and 20th of February 2019. Management further applied Statutory Instrument 32 & 33 to the financials with all transactions in RTGS dollars for the month of March translated using the daily rates as per interbank rates and closing balances for monetary items in RTGS$ dollars translated to US$ at the interbank rate on 31 March 2019.Management have provided more information on their approach in Note 27 to the consolidated financial statements.

In terms of IAS 21, foreign currency monetary items shall be translated using the closing rate, non-monetary items that are measured in terms of historical cost in a foreign currency shall be 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 shall be translated using the exchange rates at the date when the fair value was measured. Foreign currency transactions shall be recorded, on initial recognition in the functional currency, 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.

Therefore, had a different RTGS$:US$ exchange rate been determined and applied by management, most of the account balances and the information provided by way of notes to the accompanying financial statements, would have been materially different. Specifically, the line items impacted in the Statement of Financial Position include trade and other receivables, cash and cash equivalents, non-current and current liabilities and all line items on the Statement of Profit or Loss and Other Comprehensive Income other than revenue.

Since opening and closing balances enter into the determination of the financial performance and cash flows, the statement of profit or loss and other comprehensive income, accumulated losses and the net cash flows from operating activities reported in the statement of cash flows are also impacted.

The effects of the departure from IFRS are therefore pervasive to the financial statements; however, this has not been quantified.

Non-compliance with IAS 36 – Impairment of Assets

In addition to the matter identified above we noted the matter described in note 10.5 relating to an impairment loss on the smelter assets which has not been recorded by management. In our opinion due to this matter, the financial statements do not present fairly, in all material respects, the financial position of Bindura Nickel Corporation Limited as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

The smelter plant has been on 83% stage refurbishment for 3 years and has not been generating cashflows. Although current plans ongoing at the entity are indicative of a drive to complete the smelter construction and operate it when nickel prices per tonne are averaging between $14 000 and $16 000, the nickel price is currently not within the required range and there is no evidence to suggest that the price will reach as high as $16 000. In addition, the electricity tariffs which are another key consideration for restart of the smelter, remain very high which could affect the cash flows that can be generated.

In terms of IAS 36 – Impairment of Assets, the smelter plant with a carrying amount of $ 33 891 723 included in Property, Plant and Equipment in the statement of financial position should be assessed for impairment and recorded at its recoverable amount. Management has prepared an assessment of the recoverable amount of the plant based on its fair value less costs to sell and this indicates an impairment loss of $5 029 424 at the end of the financial year, however this has not been recognized in the current year which constitutes a departure from IFRS. The impact of the impairment is material to the financial statements.

Had management recognised the impairment, an amount of $5 029 424 would have been required to write the Property, Plant and Equipment down to its fair value less cost to sell. Accordingly, the impairment expense in the statement of comprehensive income would have been increased by $5 029 424, and, net profit and shareholders' equity would have been reduced by the same amount respectively. The Group's property, plant and equipment balances in the statement of financial position should be $72 140 099.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements of the Group. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Key Audit Matters
Except for the matters described in the Basis for Adverse Opinion section, we have determined that there are no other key audit matters to communicate in our report.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Other Information
Other information consists of the Chairman's Letter and Report and the Directors' Report which we obtained prior to the date of this report and the Corporate Governance report which is expected to be available to us after that date. Other information does not include the Group and Company financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the Group and Company financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Group and Company financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Group and Company financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Adverse Opinion section above, the Group did not comply with the requirements of IAS 21 – Effects of Changes in Foreign Exchange Rates. We have concluded that the other information is materially misstated for the same reason with respect to the amounts or other items in the Directors' Report affected by the failure to comply with the referred standard.

Responsibilities of the Directors for the Group and Company Financial Statements. Responsibilities of the Directors for the Consolidated Financial Statements

The directors are responsible for the preparation and fair presentation of the Group and Company financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act (Chapter 24:03), and for such internal control as the directors determine is necessary to enable the preparation of the Group and Company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Group and Company financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Group and Company Financial Statements
Our objectives are to obtain reasonable assurance about whether the Group and Company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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 Group and Company financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Group and Company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Group and Company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Group and Company financial statements, including the disclosures, and whether the Group and Company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the Group and Company financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the Group and Company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the accompanying consolidated financial statements have not in all material respects, been properly prepared in compliance with the disclosure requirements of and in the manner required by the Companies Act (Chapter 24:03).

The engagement partner on the audit resulting in this independent auditor's report is Fungai Kuipa (PAAB Number 335).

Ernst & Young

Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Auditors

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31 July 2019