

BINDURA NICKEL CORPORATION LIMITED

Trojan Mine Road, Bindura, Zimbabwe
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 Email: info@bnc.co.zw
 Company Registration number: 552/1966

OPERATIONAL UPDATE: THIRD QUARTER ENDED 31 DECEMBER 2019

Safety, Health, Environment and Quality

No fatalities have been recorded since the beginning of this financial year. The last fatality was on 7 June 2015. There were no Lost Time Injury (“LTI”) incidents during the quarter ended 31 December 2019. One Non Lost Time Injury (“NLTI”) incident was recorded during the same period.

BNC continues to comply with environmental legislation, through the implementation and maintenance of Environmental Management Programmes as well as the renewal of Environmental Permits.

Key Performance Statistics for the Quarter Ended 31 December 2019

Trojan Mine		Quarter Ended 31 December 2019	Quarter Ended 31 December 2018	Year to Date 31 December 2019
Development	(metres)	295	485	981
Tonnes mined	(tonnes)	107 036	118 904	322 764
Tonnes milled	(tonnes)	107 247	118 665	321 806
Head grade	%	1.605	1.420	1.597
Recovery	%	86.50	84.54	86.40
Ni in conc. Produced	(tonnes)	1 489	1 424	4 439
Nickel sales	(tonnes)	1 550	1 575	4 553
Ave Ni price received	(\$/t)	9 985	7 452	9 363
Cash cost (C1)	(\$/t)	6 805	7 234	6 188
Production cost (C2)	(\$/t)	7 355	7 745	6 673
All in sustaining cost (C3)	(\$/t)	7 650	6 068	6 925

Performance for the Quarter Ended 31 December 2019

Mined and milled tonnage was 10% lower than the tonnage mined and milled in the corresponding quarter in the prior year respectively. This lower performance was attributable to equipment breakdowns coupled with the disruptive effect that electricity load shedding had

on production. Despite this lower output, production of nickel in concentrates increased by 5% year on year, driven by the improvement in head grade (13%) and recovery (2%) in Q3 (Y2019/2020) respectively. The low availability of LHDs and dump trucks during the period under review caused Development to lag behind Mining, resulting in the former declining by 39% year on year.

The mine continued with a review of its business plan, including its focus on enhancing the performance of mining and production equipment through improved uptime and utilisation. Focus was also on the availability of mineral resources and the effectiveness of systems and structures, with a view to the continual improvement of overall performance. To that end, new LHDs and dump trucks were added to the mining fleet. Efforts continued to improve the processing plant in order to achieve better quality of the concentrates.

The average price for nickel in concentrate was US\$9 985 per tonne (Q3 FY2019: US\$7 452 per tonne) which was in line with improved global nickel prices year on year.

The all-in sustaining (C3) cost of nickel in concentrate increased by 26% to US\$7 650 per tonne (Q3 FY2019: US\$6 068 per tonne) mainly due to the local inputs that were exorbitantly priced subsequent to the liberalisation of the exchange rate during the early part of 2019.

Performance for the Nine Months Ended 31 December 2019

In line with the year on year improvement in the achieved nickel price per tonne of nickel in concentrate, year to date turnover increased by 15% versus the comparative period in the prior year, while EBITDA and Profit after taxation grew by 158% and 76% respectively. This increase is also attributable to exchange gains recorded following the introduction of new currency during the current period.

Capital expenditure for the nine months ended 31 December 2019 was US\$4.6 million compared to US\$5.9 million spent in the comparative period in 2018.

Industrial Relations

The Company continued to enjoy a peaceful and cordial Industrial Relations atmosphere which was underpinned on continual and transparent engagement between the employer and employees.

Market Outlook

In the short term outlook period, the London Metal Exchange (“LME”) nickel price will remain vulnerable due to:

- Chinese stockpiling before the Indonesian ore export ban;
 - Bearish speculative fund positioning underpinned by minimal support from fundamentals;
 - Projected decrease in production by Chinese stainless steel mills thus lowering demand;
 - Reduced global supply deficit;
 - Falling LME 3-Month Nickel price;
 - Steady increase in LME stocks;
 - Projected year on year growth in Chinese stainless steel output slowing down to 3.4% in 2020 from the previous projection of 9.4% in 2019 on the back of the poor global
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macroeconomic situation and the ongoing trade tensions between China and the United States of America (“USA”) and

- The mooted scaling down of production of stainless steel in China due to losses incurred since November 2019 which is likely to dampen nickel demand, thus dampening nickel prices;

Some forecasters have estimated a bullish outlook for the demand for Nickel in the long-term, particularly in respect of Li-ion batteries for the production of Electrical Vehicles. It is estimated that Nickel usage in this regard will rise to 500 000 tonnes by 2025, compared to the 100 000 tonnes that were estimated for the same timeframe in 2018. It is further estimated that the LME price will be approximately US\$16 000 per tonne in the first Quarter of calendar year 2020.

Bondholders

We are pleased to inform Shareholders that we are up to date with regard to all our obligations to Bondholders. We wish to thank all Bondholders and the Bond Trustee for their continued support.

Update on Shareholder Issues

As published in the local Press on 5th and 6th December 2019 respectively, an investment entity by the name SOTIC International Limited (“SOTIC”) finally acquired 74.73% of the issued shares in the Company that were previously owned by Asa Resource Group Plc.

Board Changes

Following the acquisition of 74.73% of the BNC issued shares by SOTIC, a number of changes to the Board were announced as follows:

Resignations

Messrs Olivier Alain Barbeau, Oliver Mandishona Chidawu, Alex Peter Danso and Toindepi Retias Muganyi (all Non-Executive) and Mr Johannes Hendrikus Lambertus Lampen (Finance Director) resigned from the Board between the period October and December 2019.

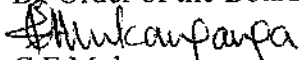
Appointments

On 1st November 2019, Messrs Jozef Clifford Behr, Obey Chimuka and Christopher Fourie joined the Board as Non-Executive Directors.

Board Reconstitution

Efforts are in progress to identify more candidates for appointment to the Board in order to strengthen it in line with best practice in Corporate Governance and in response to statutory and regulatory requirements.

By Order of the Board


C F Mukanganga

Company Secretary

14 February 2020

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