



BINDURA NICKEL CORPORATION LIMITED

Trojan Mine Road, Bindura, Zimbabwe

P.O. Box 35, Bindura

Telephone: +263 (0) 772185650/1/2/3/4

Email: info@bnc.co.zw

Company Registration number: 552/1966

SPECIAL TRADING UPDATE FOR THE PERIOD JANUARY TO APRIL 2020

Safety, Health, Environment and Quality

COVID-19 Pandemic

In response to the outbreak of the Coronavirus ("COVID-19") worldwide, the Government of Zimbabwe enacted legislation which has resulted in the whole country being put under lockdown, initially for 21 days as from 30th March 2020, followed by two consecutive extensions of the lockdown by 14 days each. The last extension is scheduled to come to an end on 17th May 2020. The mining industry was treated as an essential service, which meant that mining companies were allowed to continue with operations, provided they observed very stringent health and safety measures in order to prevent employees and the surrounding communities from getting infected with the Coronavirus.

Bindura Nickel Corporation Limited ("BNC" or "the Company") addressed the health and safety requirements of the newly enacted law for preventing the spread of COVID-19 among employees, including those at the work place and those staying at home during the lockdown, by coming up with a "COVID-19 Response Plan". The main objective of this plan was to guide the Company in its implementation of specific preventative measures, in line with the standards set by the World Health Organisation (WHO). These measures included awareness campaigns at the workplace and surrounding communities, social distancing, promotion of good hygiene, environmental decontamination, surveillance and contact tracing, screening and early referrals. No positive COVID-19 cases nor deaths have been recorded in the Company to date.

Safety, Health and Environment

No fatalities have been recorded since the beginning of this financial year. The last fatality was on 7 June 2015. As at 31st March 2020, BNC had achieved **1 735** fatality free days. This translates to 2 128 847 fatality free shifts. Three Lost Time Injuries (LTIs) and four Non Lost Time Injuries (NLTIs) were recorded during the quarter ended 31st March 2020.

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 Production Statistics: Quarter Ended 31 March 2020

TROJAN MINE		Year ending 31 Mar 2019 Actual	Quarter ending 30 June 2019	Quarter ending 30 Sept 2019	Quarter ending 31 Dec 2019	Quarter ending 31 Mar 2020	Year ending 31 Mar 2020 Actual
Development meters	(m)	1,527	331	355	295	323	1,304
Tonnes mined	(t)	444,240	103,597	112,131	107,036	113,249	436,013
Tonnes milled	(t)	443,876	103,207	111,352	107,247	112,266	434,072
Head grade	(%)	1.64	1.83	1.34	1.60	1.36	1.53
Recovery	(%)	86.3	87.77	86.60	86.50	84.12	86.3
Ni in conc produced	(t)	6,289	1,654	1,296	1,489	1,281	5,720
Nickel sales	(t)	6,410	1,687	1,316	1,550	1,133	5,685
Average Nickel Price Realised	(\$/t)	8,376	7,966	10,138	9,985	8,266	9,089
Cash cost C1	(\$/t)	6,652	5,188	6,755	6,805	8,494	6,704
Production cost C2	(\$/t)	7,324	5,583	7,281	7,355	9,215	7,242
All in sustaining cost C3	(\$/t)	6,610	6,011	7,259	7,650	9,704	7,548

Comments

Tonnes mined increased by 6% to 113,249 (Q3 FY2020: 107,036), due to an improvement in LHD availability and utilisation by 9% and 21% respectively. In addition, the availability and utilisation of dump trucks improved by 66% and 26% respectively.

Tonnes milled increased by 5% to 112,266 (Q3 FY2020: 107,247), due to improved Run of Mine Ore. Production of nickel in concentrate decreased in Q4 FY2020 by 14% to 1,281 tonnes (Q3 FY2020: 1,489 tonnes), primarily due to a decrease in ore grade. Head grade was 15% lower at 1.36% (Q3 FY2020: 1.60%). Recovery was 3% lower at 84.12 % (Q3 FY2020: 86.5%).

Development continued to lag behind and this contributed significantly to the existing mining constraints. The mine is continuously reviewing the business plan which includes the numbers and state of equipment, mineral resources, systems and structures with a view to improving performance in the first quarter of FY2021. Focus is on replacing aged loading and drilling equipment which is now very expensive to run and is constantly breaking down. This measure is expected to increase overall equipment uptime and asset utilisation, so as to optimise productivity and cost effectiveness. The Re-deep tie-in is expected to take place during October and November 2020.

Financial Update: Quarter ended 31 March 2020

Nickel Sales

The average net realised nickel in concentrate price was US\$8,266 per tonne (Q3 FY2020: US\$9,985 per tonne), reflecting a 17% increase in global nickel prices for this quarter. Nickel sales volumes were 27% lower at 1,133 tonnes (Q3 FY2020: 1,550 tonnes).

Costs

Cash (C1) costs for nickel in concentrate increased by 25% to US\$8,494 per tonne (Q3 FY2020: US\$6,805 per tonne).

The all-in sustaining (C3) cost of nickel in concentrate increased by 27% to US\$9,704 per tonne (Q3 FY2020: US\$7,650 per tonne) due to low nickel production achieved, coupled with high local input costs which are rated significantly above the official exchange rate. The Company can only convert part of its foreign currency proceeds at an official exchange rate, leading to a loss of potential value.

Overall Performance: Year ended 31 March 2020

Operational and Financial Statistics

- Sales tonnage for the year was lower than the tonnage achieved in the prior year
- Revenue was lower than in the prior year, in line with the decrease in sales tonnage
- Cost of sales was lower than in the prior year due to cost control measures and in line with the reduced sales volumes
- There was a significant reduction in profit after taxation, which was attributable to the exchange gains realised in the prior year, but not in the year under review
- Capital expenditure of US\$5.1 million incurred during the period
- Payments to Bondholders were on target: RTGS\$2.9 million was paid on 1st March 2020. The balance payable on the last few instalments is RTGS\$5 million

Cash Flows

As a result of the effects of the COVID-19 pandemic, coupled with the Company's own internal difficulties that resulted in low production in the last quarter, cash flows were severely affected. Highlights are as follows:

- Low production during the quarter affected cash flows
 - Sales were last dispatched around mid-March 2020
 - Operations have continued since then to ensure business continuity
 - Management of working capital is now critical
 - The available cash and stores consumables were prioritised towards critical activities, including production and COVID-19 mitigation measures
 - BNC is currently producing to stock pile pending the finalisation of measures to reconfigure the Company's marketing strategy
 - The resultant cash flow challenges were mitigated, to some extent, by the financial support received from the Majority Shareholder
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- A business plan is now in place to get the operations up and running sustainably, post the current challenges

Industrial Relations

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

Market Outlook

Overview

The annual average LME cash settlement price rose by 8.3% to settle at US\$13,919.48 per tonne (\$6.31 per pound) compared to US\$12,884.88 per tonne (\$5.84 per pound) for the previous year. LME nickel prices increased during the year, reaching a high of US\$18,620 per tonne in September 2019, in response to the news of the ban of Indonesian ore exports. The ban, which was effective from 1st January 2020, was expected to starve the market of 12% of the global nickel supply which feeds into the Chinese Nickel Pig Iron (NPI) industry. However, the deficit did not materialize as mining companies in Indonesia ramped up production before their respective quotas expired, thereby creating stockpiles in China. A muted demand, coupled with significant stockpiles of Indonesian ore in China, resulted in deeper than anticipated price corrections. Market sentiment was also dampened by the macroeconomic forces at play, namely the trade wars between China and the United States of America ("USA") as well as the conflict between the USA and Iran.

The COVID-19 Outbreak

The major story of the year was the COVID-19 outbreak, which began in Wuhan City in the Hubei Province of China and quickly spread throughout the major Chinese cities, resulting in full or partial lockdown, thereby decimating global supply chains and the logistics sector. The virus outbreak spread globally, resulting in most countries going into lockdown in an endeavour to curb its spread. Market participants retreated to the traditional safe havens of gold and palladium as risk appetite dried up. The world economy is effectively on hold despite the effort of several central banks to provide economic stimuli and fiscal support for citizens and corporations alike, which have been battered by the effects of COVID-19. The direction of the market will depend on the demand/supply balance: the demand side will depend on how fast economies reopen, while the supply side will depend on the extent of the total reduction in supply due to national lockdowns which have forced mining houses to either stop or reduce production.

Nickel Sales and Price Performance

The sales and price performance are as summarised below.

	Sales			LME Prices		
	2019	2020	% increase	2019	2020	% increase
Q1	1 223.04	1 686.62	37.90	\$14 457.83	\$12 468.99	(13.76)
Q2	1 756.87	1 316.07	(25.09)	\$13 236.45	\$16 734.06	26.42
Q3	1 574.83	1 549.93	(1.58)	\$11 464.62	\$14 173.22	23.63
Q4	1 855.27	1 132.55	(38.95)	\$12 381.11	\$12 301.64	(0.64)
Total	6 410.01	5 685.17	(11.31)			
Average				\$12 885,00	\$13 919,48	8.03

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.

Board Changes

New Appointments

On 27th February 2020, Mr Craig Gerald Meerholz joined the Board as a Non-Executive Director. Mr David Hugh Brown joined the Board as a Non-Executive Director with effect from 1st April 2020. A full announcement in regard to the composition of the Board and its Committees will be made in due course.

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 Good Corporate Governance and in compliance with statutory and regulatory requirements.

By Order of the Board



C F Mukanganga
Company Secretary
15 May 2020

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