# Bindura Nickel Corporation

A member of Kuvimba Mining House


# Abridged Audited Group Financial Results

**For the year ended 31 March 2021**

**Registered Office:** No.1 Trojan Road, Trojan Mine P.O Box 35 Bindura, Zimbabwe

## NOTICE TO SHAREHOLDERS

### OVERVIEW

Salient issues from the year under review are summarised below:

**SAFETY**

- Zero fatalities and five Lost Time injuries recorded;
- A record 2.6 million Fatality Free hours achieved as at 31 March 2021.

**OPERATIONS**

- 6% decrease in nickel production to 5 363 tonnes (2020: 5 721 tonnes);
- 11% increase in All-in-Sustaining cost per tonne of nickel in concentrate to US$8 552 (2020:US$7 606);
- 3% reduction in nickel sales tonnage to 5 496 tonnes (2020: 5 685 tonnes);
- 7% increase in London Metal Exchange (LME) nickel price to US$14 999 per tonne (2020: US$13 983 per tonne).

**FINANCE**

- Revenue up by 13% to US$59.2 million (2020: US$52.4 million);
- Operating profit up by 17 % to US$3.3 million (2020: US$2.8 million);
- Profit After Tax up 97% to US$1.7 million (2020: US$0.9 million);
- Capital expenditure up 73% to US$8.9 million (2020: US$5.1 million);
- Smelter Restart Bond now fully repaid;
- 21.6 million ordinary shares issued to employees under the Share Option Scheme of 2016.

### SAFETY

No fatalities were recorded at any of the Company's operations or projects during the year under review. A total of 2.6 million fatality-free shifts were achieved as at 31 March 2021. The last fatality occurred in June 2015. The Company is now working towards the attainment of a new milestone of 3 million fatality - free shifts by the end of the first quarter of the new financial year.

The Board and Management take safety very seriously, given the inherently hazardous nature of the mining industry. The Company has a zero tolerance attitude towards injuries in the work place. SHEQ systems are continually being upgraded and improved to enhance performance in line with the Company's Zero Harm policy.

### COVID-19 UPDATE

A nationwide surge in Covid-19 pandemic cases took place in late December 2020. The Company was not spared from this upsurge as 94 positive cases were recorded during the year under review. Out of the 94 cases, 87 were company employees while 7 were employees' dependants.

By the end of January 2021, the negative effects of the Covid-19 virus had drastically reduced, signifying a reduction in the overall disease burden on the community surrounding the Company's operations, in consonance with the country's general Covid-19 pandemic situation.

The Company has continued to implement Covid-19 control and preventative measures, in line with the World Health Organisation protocols, as well as the preventative measures introduced by the Government of Zimbabwe. In addition, the Company did the following to assist the Bindura Community in the fight against the pandemic:

i. Contributed towards the construction of the Chipadze Covid-19 Quarantine centre;
ii. Provided resources to the local community clinic to enable effective screening and management of Covid-19 cases;
iii. Sponsored employment by the local community clinic of a back-up medical team;
iv. Provided Covid-19 consumables to critical national institutions like the Zimbabwe Republic Police.

The Covid-19 vaccination programme being run by the Ministry of Health and Child Care was introduced at Trojan Nickel Mine in April 2021. By the end of May 2021, more than 200 beneficiaries from the local community had been vaccinated voluntarily.

### OPERATIONS

Ore milled was 411 754 tonnes, compared to 434 077 tonnes milled in the previous year. The 5% decrease was due to a loss in production, emanating from the pre-planned shutdown, running from the beginning of March to the end of April 2021, to facilitate commissioning of the Re-deepening and Tie-in Project. Head grade, at 1.52%, was marginally lower than the 1.53% achieved in the prior year. Recovery decreased from 86.3% to 85.9%, in sympathy with the lower grade.

Nickel in concentrate produced was 5 363 tonnes, compared to the prior year's production of 5 721 tonnes. The 6% reduction in production was due to the lower milled tonnage, lower ore grade and lower recovery achieved respectively.

The all-in-sustaining cost of producing nickel in concentrate increased from US$7 606 per tonne in the prior year, to US$8 552 per tonne, mainly due to the decrease in production, increase in the cost of maintaining aged mining equipment and increase in local operating costs.

The industrial relations atmosphere remained calm throughout the year, due to the continued proactive and constructive engagement of employees on all pertinent issues.

### CAPITAL PROJECTS

Total capital expenditure for the year amounted to US$8.9 million, mainly in respect of the following projects:

- Sub-vertical Rock (SVR) Winder mechanical and electrical upgrades: (US$1.7 million)
- Shaft Re-deepening: (US$1.1 million)
- Load-Haul-Dump (LHDs): (US$1.2 million)

The Refinery and Shangani Mine remain under care and maintenance.

### FINANCIAL RESULTS

#### Income Statement

In line with the reduced production, nickel in concentrate sold was 5 496 tonnes, compared to 5 685 tonnes sold in the previous year.

Global nickel prices improved by 7% during the period under review, to an average of US$14 999 per tonne (2020: US$13 983 per tonne). The increase in nickel prices more than compensated for the reduction in sales volume. As a result, the Company realised a 13% increase in annual turnover to US$59.2 million (2020: US$52.4 million).

Cost of sales increased by 19% to US$44.9 million, compared to US$37.7 million in the prior year. This was mainly due to the impact on local input costs, of disparities between the auction exchange rates and the exchange rates that suppliers use in their pricing models, as well as the high cost of maintaining the aged mobile mine plant and equipment.

The commissioning of the Re-deepening Project, as well as the replacement of the aged mobile mining equipment which is under way, will reduce mining operating costs going forward. In view of the exchange rate disparity induced increase in local operating costs, BNC will endeavour to utilise more of its 60% export retention to procure inputs from outside Zimbabwe.

Although the gross profit amount achieved in the period under review remained constant, when compared to the prior year, the gross profit margin, at 24%, was lower than the prior year's margin (2020: 28%) principally due to the cost increases detailed above.

Operating profit increased by 17%, from US$2.8 million for the prior year, to US$3.3 million for the period under review. This is attributable to revenue growth driven by improved nickel prices, coupled with the decrease in marketing and distribution expenses, arising from a new off-take agreement entered into during the year.

Profit and total comprehensive income for the year, at US$1.7 million, was 97% higher than the US$0.89 million recorded in the prior year. The achieved profit translates to basic and diluted earnings per ordinary share of 0.139 and 0.133 United States cents respectively.

#### Balance Sheet

Total equity of US$52.0 million increased by 4%, as a result of the profit achieved for the year. Trade payables increased by 99%, attributable to the pre-planned shutdown, from 1 March to the end of April 2021, which adversely affected the creditor payment cycle. The current portion of the Smelter Restart Bond outstanding at the end of March 2020 was repaid in full during the year. Current assets increased by 14%, mainly due to increases in trade and other receivables, as well as cash and short-term deposits.

During the year under review, a total of 21 601 841 ordinary shares were issued to employees who were eligible to be allotted shares under the Share Option Scheme (2016). This resulted in an increase in the issued share capital of the Company from 1 251 130 797 to 1 272 732 638 ordinary shares, as at 31 March 2021.

#### Cash Flows

Despite the lower production, cash generation during the year was strong, driven by the higher nickel prices on the global markets. Cash generated from operations, at US$10.4 million, was 19% higher than the prior year.

As stated above, all commitments due to Bondholders at the September 2020 and March 2021 intervals, respectively, were honoured. As a result, the Company has now paid off its indebtedness to Bondholders. The Board and Management would like to express sincere gratitude to all the Bondholders and the Bond Trustee, for their support.

### BUSINESS CONTINUITY

#### Current Situation

Trojan Nickel Mine is the only operating unit within Bindura Nickel Corporation Limited (BNC). On average, it mines and produces +/-400 000 tonnes of ore and 5 500 tonnes of nickel in concentrate per annum respectively, which translates into +/- 40% plant capacity utilisation. The low capacity utilization has largely been driven by a mining strategy anchored on a high-grade/low-volume ratio of 1 part massives to 2 parts disseminated ore.

BNC has nickel resources across Zimbabwe under mining, processing and exploration assets. These are Trojan Nickel Mine, Shangani Mine, the BSR (formerly Bindura Smelter and Refinery) facility, Hunter's Road Project, Damba-Silwane, and the Trojan Hill and Kingstone Hill Projects. Collectively, these resources amount to a total of 71.37 million tonnes of ore, at an average grade of 0.59%, containing approximately 420.8 kilo-tonnes of nickel.

#### The future

**Core Strategic Objective:**

BNC's long-term goal is to produce 10 000 tonnes of nickel per annum.

**Key Strategic Advantages:**

The key strategic advantages which BNC will exploit to achieve its set objective are:

- ***High volume - low grade resource:*** availability of a confirmed huge low grade disseminated resource of approximately 8.33 million tonnes, at an average grade of 0.86% at Trojan Nickel Mine, which will support a high-volume strategy; and
- ***Large and underutilized processing capacity:*** Trojan Nickel Mine has a sound processing plant with approximately 60% excess capacity at current production rates. This plant has an installed capacity to process up to 1 million tonnes per annum.

**Environmental Factors**

The most significant environmental factor driving up demand for nickel on the international world markets is the manufacture of electric vehicles (EVs), in order to mitigate adverse impacts to the natural environment. BNC will also leverage on the increasing nickel prices to exploit previously marginal nickel resources so as to extend the life of mine, and in fulfilling its strategy of volume-based growth, anchored on fully utilizing currently installed processing capacity.

**Strategies**

The strategies adopted by BNC, going forward, are:

- ***High volume, low grade operation:*** This model will enable the Company to exploit the predominantly low-grade resource, subject to the nickel prices remaining above US$13 000 per tonne and
- ***Full utilization of processing plant capacity:*** This will see the Company fully utilizing the installed processing capacity of the Trojan Mine concentrator (one million tonnes per annum).

**Critical Activities to Support the Strategic Direction**

***Development***

The Company will ramp up development from 3 330 to 8 000 metres per annum in order to attain and then sustain the production of 10 000 tonnes of nickel per annum.

***Exploration***

In order to extend the current BNC ore resource, exploration work will be carried out at Trojan Nickel Mine and near-mine sources such as Trojan Hill and Kingstone Hill, in addition to Hunter's Road and Damba-Silwane.

**The Trojan Mine Re-deepening Project (Phase 1)**

Trojan Nickel Mine completed and successfully commissioned the Shaft Re-deepening Project during an almost 8-week long shutdown as described above. The Trojan Nickel Mine Re-deepening Project involved two major components, namely:

*(i) **The Shaft Re-deepening and Tie-in.*** This involved the deepening of the existing sub-vertical shaft system by 244 metres, so as to enable access to known ore resources below the then existing shaft bottom. This work has resulted in the transfer of the crusher station and the loading station to lower levels. The lowest depth of the mine after this project is now 1 321 meters below surface (mbs).

*(ii) **Sub-Vertical Rock (SVR) winder mechanical and electrical upgrades.*** This work involved the replacement of the mechanical braking system, rope drum cheeks and bearings and the complete replacement of the old electrical controls, switch gear, and cabling. The hoist's two direct current (D.C.) motors were also refurbished and additional cooling fans were installed.

The electrical and mechanical upgrades were necessary to enable the SVR winder to carry the additional load from the main loading station, which is now 244 metres deeper than its previous location.

During commissioning of the Re-deepening Project, the following works were also carried out on surface infrastructure, to support future production:

*(i) **Refurbishment of the Main Shaft Headgear.*** This entailed the replacement of corroded beams and the diverter, as well as the general painting of structures.

*(ii) **Refurbishment of the Processing Plant.*** This work involved the replacement of one of the two tertiary crushers, the upgrading of conveyors to take additional tonnage from the new crusher, the replacement of mill gearboxes, repairs on floatation tanks and the replacement of tailings thickener rakes. The obsolete SCADA plant control system was also replaced, while the plant structures and plate work were repaired and painted.

**Benefits of the Re-deepening and Tie-In Project**

The benefits of the project on mining, mineral resource and mobile equipment efficiency for the business are summarised as follows:

a) Improved productivity - due to significant reduction of trucking distances underground;
b) Elimination of double handling of material;
c) Creation of mining flexibility for both disseminated and massive ores;
d) Increase in capacity utilization – which enables sustainable production and conservation in mining, through the transition from a high grade/ low volume plan to a high volume/low grade plan;
e) Facilitating deeper exploration and evaluation. The completion of the Re-deepening Project facilitates the establishment of deeper level platforms for further down-dip exploration drilling. This extends the Life of Mine, hence contributes to business continuity.

### THE MARKET

Sales for the year under review were 5 496 tonnes of nickel in concentrate, compared with the 5 685 tonnes sold during the prior year. The nickel LME cash settlement price for the year rose by 7%, compared to the prior year, to US$14 998.76 per tonne.

After two successful spot sales, Trojan Nickel Mine agreed on an annual contract with ZOPCO SA for the sale of nickel concentrate. Performance under the subsisting contract is proceeding smoothly.

### OUTLOOK

Base metal prices were weak at the beginning of the financial year under review as a result of low economic activity due to COVID-19 lockdowns. Market sentiment eventually recovered after the rollout of COVID-19 vaccines and the gradual resumption of economic activity. Sentiment was also bolstered by economic stimuli from central banks globally and improved demand from China.

Speculative investment into nickel propelled prices towards highs of US$20,000 per tonne in February 2021 after comments of potential shortages in battery grade nickel. Tsingshan's announcement of new technology to generate nickel sulphate from laterites, led to nickel price corrections in March 2021. Market demand is expected to be robust, supported by growth developments in the automotive and electric vehicle (EV) sector, stimulus packages by governments for infrastructural spending and the United States of America's current stance on green energy.

The easing of production suspensions in Russia, New Caledonia, Madagascar and Australia, coupled with capacity expansions in Indonesia are expected to increase the supply of nickel.

The nickel price is expected to remain firm in the new financial year.

### DIVIDEND

The Board of Directors has determined that, under the current circumstances, it is not feasible to declare a dividend for the period under review.

### CONTINGENCIES

Prior year tax dispute between Trojan Nickel Mine Limited (TNML), a 100% subsidiary of BNC, and the Zimbabwe Revenue Authority (ZIMRA).

#### Brief Summary

As has been previously reported, the Company is involved in a dispute with the tax authorities emanating from tax assessments which were issued in February 2018, amounting to approximately ZWL14 million. The tax differences mainly related to historical issues concerning how the Company was structured many years ago, as well as issues arising from the varying interpretation of standard commercial agreements in the industry.

For the outstanding amount, both parties agreed to declare a dispute and pursue the matter through the courts. The matter was finally heard on 12 November 2020 and since then, TNML has been awaiting judgement on the matter, which was delayed by the COVID-19 national lockdown. The matter is still before the Special Court for Income Tax Appeals for determination. The Company remains confident that the matter will be resolved in its favour, and the potential liability has therefore not been provided for.

### SHAREHOLDER AND BOARD CHANGES

Subsequent to the previous announcement relating to the change in the shareholding structure of the Company, whereby Asa Resource Group Plc, sold its entire shareholding in BNC, amounting to 74.73% of the issued shares of the Company to Sotic International Limited, a company registered in Mauritius, this shareholding was transferred to Kuvimba Mining House (Private) Limited (KMH). As at 31 March 2021, KMH held 73.24% shareholding in the Company.

The following changes to the Board of Directors of the Company took place during and after the financial year.

#### Resignations

- Mr Christopher Fourie stepped down as Non-Executive Director with effect from 8 July 2020.
- Mr Batirai Manhando resigned as Managing Director of the Company with effect from 1 November 2020.

#### Appointments

The following appointments have been previously reported:

- Mr David Hugh Brown joined the Board as Non-Executive Director on 1 April 2020.
- Mr Thomas Lusiyano was appointed Managing Director of the Company on 1 November 2020.
- Mrs Cynthia Dinka Malaba and Mrs Roseline Nhamo were appointed as Non-Executive Directors with effect from 1 December 2020.

The following further appointments took place after December 2020:

- Dr. Charity Chiratidzo Jinya was appointed as Non-Executive Director with effect from 1 February 2021.
- Mr Patrick Maseva-Shayawabaya joined the Company in the executive position of Finance Director, with effect from 1 April 2021.

#### Profiles of the Latest Board Appointees

We welcome two new appointees to the Board of Directors, viz, one Independent Non-Executive Director and one Executive Director.

**Charity Chiratidzo Jinya (Dr.) (Independent Non-Executive Director)**

Throughout her professional banking career spanning over 30 years, Charity has established herself as an astute executive with domestic and regional banking experience at Board level. Prior to her retirement in 2020, she was the Managing Director of a leading bank after serving the organisation for ten years. She has held positions of President, Bankers Association of Zimbabwe , Chairman, SADC Bankers Association and Chairman, Institute of Bankers, Zimbabwe. Among her accomplishments she has been a recipient of various awards including the Institute of Directors of Zimbabwe's (IODZ) Director of the Year for Large Corporates and overall Director of the Year. She is a holder of an Honours Degree in Economics and an Honorary Doctorate in Business Administration. She serves on various boards and is a current member of the Monetary Policy Committee of the Reserve Bank of Zimbabwe.

**Patrick Maseva-Shayawabaya (Executive Director)**

Patrick is a member of the Institute of Chartered Accountants (Zimbabwe). He holds a Bachelor of Accountancy Degree from the University of Zimbabwe. He joined the Company as Finance Director with effect from 1 April 2021.

He brings to the Company over 25 years experience in executive financial management in the mining, agro-industrial and construction concerns in Zimbabwe and the SADC Region. He has previously served as Financial Director of a ZSE listed agro-industrial company, an ASX listed mining company in Zimbabwe as well as an AIM listed mining entity in Tanzania.

### 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**

**M A Masunda**
**Board Chairman**

30 June 2021

## PRODUCTION AND SALES

| | 31-Mar-21 Tonnes | 31-Mar-20 Tonnes |
|---|---|---|
| Production of Nickel in Concentrates | 5 363 | 5 721 |
| Sales of Nickel in Concentrates | 5 496 | 5 685 |

## ABRIDGED GROUP STATEMENT OF COMPREHENSIVE INCOME

**for the year 31 March 2021**

| | Note | 31-Mar-21 US$ | 31-Mar-20 US$ |
|---|---|---|---|
| **Revenue** | 3 | **59,169,461** | **52,354,635** |
| Cost of sales | | (44,873,096) | (37,664,050) |
| **Gross Profit** | | **14,296,365** | **14,690,585** |
| Other Income | | 139,483 | 279,414 |
| Profit on disposal of treasury bills | | 550,000 | - |
| Marketing and distribution expenses | | (1,769,598) | (6,242,199) |
| Administrative expenses | | (7,497,830) | (6,382,059) |
| Net foreign exchange (loss)/gain | | (2,426,663) | 457,387 |
| Exchange gains | | 19,204,506 | 20,961,806 |
| Exchange losses | | (21,631,169) | (20,504,425) |
| Profit from operating activities | | 3,291,757 | 2,803,128 |
| Net finance cost | | (235,648) | (470,511) |
| Finance income | | 132 | 28,938 |
| Finance expenses | | (235,780) | (499,449) |
| **Profit before taxation** | | **3,056,109** | **2,332,617** |
| Taxation | | (1,307,811) | (1,445,980) |
| **Profit and total comprehensive income for the year** | | **1,748,298** | **886,637** |
| **Basic earnings per ordinary share (cents)** | 4 | **0.139** | **0.071** |
| **Diluted earnings per ordinary share (cents)** | | **0.133** | **0.069** |

## ABRIDGED GROUP STATEMENT OF FINANCIAL POSITION

**As at 31 March 2021**

| Note | Note | As at 31 -Mar-21 US$ | As at 31-Mar-20 US$ |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| Share capital | | 13,119 | 12,896 |
| Non-distributable reserves | | 32,339,248 | 32,327,879 |
| Capital contribution | | 2,631,877 | 2,631,877 |
| Share based payments reserves | 6 | 2,478,023 | 2,138,355 |
| Retained earnings | | 14,488,079 | 12,739,781 |
| **Total equity** | | **51,950,346** | **49,850,788** |
| **Non-current liabilities** | | | |
| Environmental rehabilitation provision | | 9,936,830 | 9,943,733 |
| Deferred taxation | | 20,270,935 | 19,979,099 |
| Lease liability | | 11,757 | 36,324 |
| | | **30,219,522** | **29,959,156** |
| **Current liabilities** | | | |
| Trade payables | 7 | 18,506,347 | 12,782,502 |
| Provisions | | 35,822 | 79,271 |
| Interest bearing loans & borrowings | 8 | - | 1,118,267 |
| Lease liability | | 943 | 5,348 |
| Income tax payable | | - | 168,486 |
| | | **18,543,112** | **14,153,874** |
| **Total equity and liabilities** | | **100,712,980** | **93,963,818** |
| **Assets** | | | |
| Non-current assets | 9 | 80,071,425 | 75,904,707 |
| **Current assets** | | | |
| Inventories | | 9,553,707 | 10,215,279 |
| Trade and other receivables | 10 | 9,150,750 | 7,119,769 |
| Cash and short term deposits | | 1,937,098 | 724,063 |
| | | **20,641,555** | **18,059,111** |
| **Total assets** | | **100,712,980** | **93,963,818** |

## ABRIDGED GROUP STATEMENT OF CASH FLOWS

**for the half year ended 31 March 2021**

| | 31 -Mar-21 US$ | 31-Mar-20 US$ |
|---|---|---|
| **Cash flows from operating activities** | | |
| Operating profit from operations before interest and taxation | 3,291,757 | 2,803,128 |
| Adjusted for: | | |
| Depreciation of property, plant and equipment | 4,662,924 | 3,684,962 |
| Unrealised foreign exchange gain | 2,047,702 | (457,387) |
| Prepayments written off | - | 602,337 |
| Profit on disposal on investments | (550,000) | - |
| Share based payments | 339,668 | 1,112,094 |
| Provision for expected credit losses | 4,228 | - |
| Provision for obsolete inventory | 105,402 | - |
| Related party receivables written off | 126,184 | - |
| Increase in provision | 13,495 | - |
| Operating cash flow before working capital changes | 10,041,360 | 7,745,134 |
| Decrease /(Increase) in inventories | 661,572 | (1,720,453) |
| (Increase)/ Decrease in trade and other receivables | (1,173,592) | 678,248 |
| Increase in trade and other payables | 836,637 | 1,972,649 |
| Net cash flows from operations | 10,365,977 | 8,675,578 |
| **Returns on investments and servicing of finance** | | |
| Interest received | 132 | 28,938 |
| Interest paid | (192,152) | (297,263) |
| Tax paid | (2,359,390) | - |
| | (2,551,410) | (268,325) |
| **Net cash flows from operating activities** | **7,814,567** | **8,407,253** |
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment | (8,873,905) | (5,115,425) |
| Staff loans | - | 48,627 |
| Purchase of investments | (250,000) | - |
| Proceeds from sale of investments | 800,000 | - |
| **Net cash flows from investing activities** | **(8,323,905)** | **(5,066,798)** |
| **Net cash flows before financing activities** | **(509,338)** | **3,340,455** |
| **Cash flows from financing activities** | | |
| Long term loan repaid | (4,403,916) | (1,852,894) |
| Long term loan received | 5,122,131 | 1,000,000 |
| Lease payments | (16,667) | (2,042) |
| Proceeds from issue of shares | 11,592 | 36,789 |
| Net cash flows from financing activities | 713,140 | (818,147) |
| **Increase in cash and cash equivalents** | 203,802 | 2,522,308 |
| Net foreign exchange differences on cash and cash equivalents | 1,171,151 | 52,943 |
| Cash and cash equivalents at the beginning of the year | 562,145 | (2,013,106) |
| Cash and cash equivalents at the end of the year | 1,937,098 | 562,145 |
| Cash and cash equivalents represented by: | | |
| | **US$** | **US$** |
| Bank and cash balances | 1,937,098 | 724,063 |
| Bank overdraft | - | (161,918) |
| | **1,937,098** | **562,145** |

**Directors: M A Masunda (Chairman), T Lusiyano (Managing Director), P Maseva-Shayawabaya (Finance Director), J C Behr, D H Brown, O Chimuka, C C Jinya (Dr), C D Malaba (Mrs), C G Meerholz, R Nhamo (Mrs).**

## ABRIDGED GROUP STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2021

| | Share capital US$ | Share premium reserves US$ | Capital Contribution US$ | Share based payments reserves US$ | Retained earnings US$ | Total US$ |
|---|---|---|---|---|---|---|
| **Balances at 1 April 2019** | **12,778** | **32,291,208** | **-** | **1,026,261** | **11,853,144** | **45,183,391** |
| Issue of shares | 118 | 36,671 | - | - | - | 36,789 |
| Share-based payment expense | - | - | - | 1,112,094 | - | 1,112,094 |
| **Total comprehensive income for the year** | | | | | | |
| Total profit and other comprehensive income for the year attributable to ordinary shareholders | - | - | - | - | 886,637 | 886,637 |
| Forgiveness of related party payables | - | - | 2,631,877 | - | - | 2,631,877 |
| **Balances at 31 March 2020** | **12,896** | **32,327,879** | **2,631,877** | **2,138,355** | **12,739,781** | **49,850,788** |
| Issue of shares | 223 | 11,369 | - | - | - | 11,592 |
| Share-based payment expense | - | - | - | 339,668 | - | 339,668 |
| **Total comprehensive income for the year** | | | | | | |
| Total profit and other comprehensive income for the year attributable to ordinary shareholders | - | - | - | - | 1,748,298 | 1,748,298 |
| **Balances at 31 March 2021** | **13,119** | **32,339,248** | **2,631,877** | **2,478,023** | **14,488,079** | **51,950,346** |

## NOTES TO THE ABRIDGED GROUP FINANCIAL STATEMENTS
for the half year ended 30 March 2020

### 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 31 March 2021.

The auditor's report on these financial statements is available for inspection at the Company's registered office

| | 2021 tonnage | 2020 tonnage | 2021 US$ | 2020 US$ |
|---|---|---|---|---|
| **3. Revenue** | | | | |
| Nickel | - | - | - | - |
| Nickel in concentrates | 5 363 | 5 685 | 57 825 721 | 55 357 491 |
| **Revenue from contract with customers** | **-** | **-** | **57 825 721** | **55 357 491** |
| **Provisional pricing adjustment** | | | | |
| Fair value gain/ (loss) on | | | | |
| Fair Value adjustment (Trade Receivables) | - | - | 1 343 740 | (3 002 856) |
| Fair value gains | - | - | 1 930 018 | 75 076 |
| Fair value losses | - | - | (586 278) | (3 077 932) |
| **Total** | **-** | **-** | **59 169 461** | **52 354 635** |

Revenue from one major customer of the Group represents approximately US$59 million (2020: US$52 million) of the Group's total revenue.

Revenue is further disaggregated as follows:

| | 2021 US$ | 2020 US$ |
|---|---|---|
| **Revenue** | | |
| - Nickel concentrate | 59 169 461 | 46 671 129 |
| - Freight and insurance | - | 5 683 506 |
| **Total** | **59 169 461** | **52 354 635** |

| | 31 Mar-21 | 31 Mar-20 |
|---|---|---|
| **4. Earnings per share** | | |
| Earnings attributable to shareholders (US$) | 1,748,298 | 886,637 |
| Weighted average number of shares -basic earnings per share | 1,255,301,343 | 1,239,656,591 |
| Weighted average number of shares -diluted earnings per share | 1,314,139,613 | 1,286,052,070 |
| Basic earnings per share (cents) | 0.139 | 0.071 |
| Diluted earnings per share (cents) | 0.133 | 0.069 |
| **5. Capital commitments** | | |
| Authorised by Directors and contracted for (US$) | 5,932,626 | 6,512,448 |

### 6. Share-Based Payment Reserve
The Group operates an equity-settled based share option scheme for employees which was approved by shareholders. Employees are eligible to participate in the BNC share option scheme, the only vesting condition being that the individual remain an employee of the Group over the vesting period. The options are forfeited when the employee leaves the Group or if the options are not exercised within 10 years from the date of grant. The exercise price of the options is based on the market price of the shares on the grant date.

| | 2021 Weighted average Exercise price (ZWL cents) | 2021 Number | 2020 Weighted average Exercise price (ZWL cents) | 2020 Number |
|---|---|---|---|---|
| **Outstanding at 1 April** | **4.3** | **54 146 649** | **4.3** | **83 673 859** |
| Forfeited | **4.3** | - | **4.3** | (18 053 004) |
| Exercised during the year | **4.3** | (21 601 841) | **4.3** | (11 474 206) |
| **Outstanding at 31 March** | **4.3** | **32 544 808** | **4.3** | **54 146 649** |

The total share-based payment expense during the year was US$339 668 (2020: US$1 112 094).
The weighted average share price (at the date of exercise) of options exercised during the year ended 31 March was ZWL4.3 cents per share (2020: ZWL4.3cents per share). Of the total number of options outstanding at 31 March 2021, 9 613 228 (2020: 21 336 222) had vested and were exercisable.
The Group did not enter into any share-based payment transaction with parties other than employees during the current or previous period.

The following information is relevant in the determination of the fair value of options granted in 2017 under the equity-settled share based remuneration scheme operated by the Group.

| | |
|---|---|
| **Equity-settled** | |
| Option pricing model used | Black-Scholes |
| Share price at grant date (cents) | $ 4.3 |
| Contractual life (days) | 2 808 |
| Expected volatility | 95% |
| Risk-free interest rate | 12.04% |

| | US$ | US$ |
|---|---|---|
| **7. Trade and other payables** | | |
| Trade payables | 9,954,519 | 5,003,238 |
| Other payables | 6,248,811 | 6,671,707 |
| Related party payables | 2,303,017 | 1,107,557 |
| | **18,506,347** | **12,782,502** |

| | 31 Mar-21 US$ | 31 Mar-20 US$ |
|---|---|---|
| **8. Interest bearing loans and borrowings** | | |
| Related party Loan -Asa Resource Group Plc | - | - |
| Loans (Smelter bond and asset financing) | - | 956,349 |
| Bank overdraft | - | 161,918 |
| | **-** | **1,118,267** |

| **9. Non-current Assets (Property, Plant and Equipment)** | Land and Buildings US$ | Smelter and refinery plant and equipment US$ | Mining assets US$ | Capital Work in progress US$ | Total US$ |
|---|---|---|---|---|---|
| **Cost/valuation** | | | | | |
| **At 1 April 2019** | **7,119,938** | **22 ,474,230** | **56,507,743** | **47,217,345** | **133,319,256** |
| Additions | 58,286 | - | 2,746,512 | 2,368,913 | 5,173,711 |
| Change in Rehabilitation Asset | - | - | (448,720) | - | (448,720) |
| **At 31 March 2020** | **7,178,224** | **22,474,230** | **58,805,535** | **49,586,258** | **138,044,247** |
| Additions | - | - | 2,438,973 | 6,434,931 | 8,873,904 |
| Change in Rehabilitation Asset | - | - | (44,262) | - | (44,262) |
| **At 31 March 2021** | **7,178,224** | **22,474,230** | **61,200,246** | **56,021,189** | **146,873,889** |
| **Depreciation** | | | | | |
| **At 1 April 2019** | **4,226,791** | **14,558,061** | **38,660,599** | **1,009,127** | **58,454,578** |
| Current year charge | 106,973 | 384,141 | 2,998,566 | - | 3,489,680 |
| Rehabilitation Asset | - | - | 195,282 | - | 195,282 |
| **At 31 March 2020** | **4,333,764** | **14,942,202** | **41,854,447** | **1,009,127** | **62,139,540** |
| Current year charge | 130,787 | 384,141 | 4,008,805 | - | 4,523,733 |
| Rehabilitation Asset | - | - | 139,191 | - | 139,191 |
| **At 31 March 2021** | **4,464,551** | **15,326,343** | **46,002,443** | **1,009,127** | **66,802,464** |
| **Carrying amount :** | | | | | |
| **At 31 March 2021** | **2,713,673** | **7,147,887** | **15,197,803** | **55,021,062** | **80,071,425** |
| **At 31 March 2020** | **2,844,460** | **7,532,028** | **16,951,088** | **48,577,131** | **75,904,707** |

| | 31 Mar-21 US$ | 31 Mar-20 US$ |
|---|---|---|
| **10. Trade and other receivables** | | |
| Trade receivables | 1,134,318 | - |
| Less provision for expected credit losses | (4,228) | - |
| Trade receivables- net | 1,130,090 | - |
| Prepayments | 4,500,580 | 4,155,765 |
| Income tax prepayment | 1,174,927 | - |
| Other receivables | 2,340,676 | 2,837,821 |
| Related party receivables | 4,477 | 126,183 |
| | 9,150,750 | 7,119,769 |

### 11. Events after the reporting period
There are no events which have occurred after the reporting period which would be material to the consolidated financial statements.

Approval of financial statements
These Consolidated Financial Statements were approved by the Board of Directors on 24 June 2021.

**By order of the Board**

**C F Mukanganga**
**Company Secretary**

30 June 2021

**Auditor's Statement**
These financial results should be read in conjunction with the full set of financial statements for the year ended 31 March 2021, which have been audited by Ernst&Young Chartered Accountants (Zimbabwe).

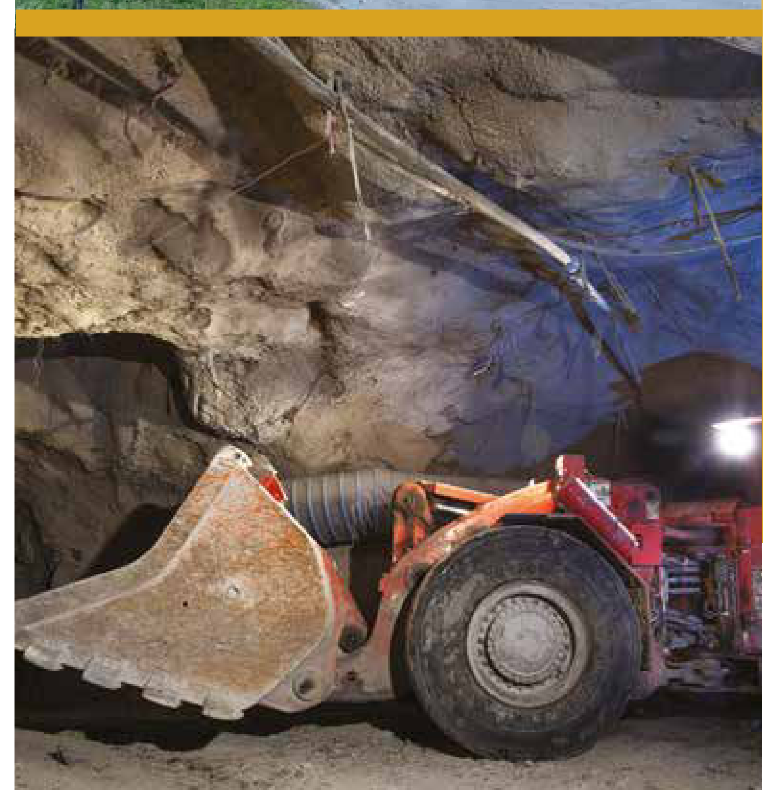
An adverse and qualified audit opinion has been issued for the group and company respectively in respect of non-compliance with the requirements of International Financial Reporting Standards IAS 21: "The Effects of Foreign Exchange Rates" in the current and prior year as well as non-compliance with IAS 8: "Accounting Policies, Changes in Accounting Estimates & Errors" in the current year. The auditor's report on these financial statements is available for inspection at the Company's registered office. The engagement partner on the audit resulting in the independent auditor's report is Walter Mupanguri (PAAB Practicing Certificate Number 367)

**Bindura Nickel Corporation**
A member of Kuvimba Mining House

**Registered Office**
**No.1 Trojan Road, Trojan Mine**
**P.O Box 35 Bindura, Zimbabwe**

# Abridged Audited Group Financial Results

**For the  Year Ended 31 March 2021**

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Building a better working world

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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 on Group Financial Statements and Qualified Opinion on the Company Financial Statements

We have audited the group and company financial statements of Bindura Nickel Corporation Limited (the consolidated and separate) set out on pages 9 to 59, which comprise the group and company statements of financial position as at 31 March 2021, and the group and company statement of profit or loss and other comprehensive income, the group and company statement of changes in equity and the group and company statement of cash flows for the year then ended, and notes to the group and company 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 group financial statements do not present fairly the group financial position of Bindura Nickel Corporation Limited as at 31 March 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying company financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs)

### Basis for Adverse Opinion on Group Financial Statements and Qualified Opinion on the Company Financial Statements

**Non-compliance with International Financial Reporting Standards IAS 21- The Effects of Changes in Foreign Exchange Rates and inappropriate application of IAS 8- Accounting Policies, Changes in Accounting Estimates and Errors**

As explained in note 3 to group financial statements, the group's functional and presentation currency is the United States Dollar (US$)

The Group and Company translated Zimbabwean Dollar (ZWL) denominated transactions and balances into United States Dollars using the interbank rate for the period 1 April 2020 to 22 June 2020 prior to introduction of the Foreign Exchange Auction Trading System. The interbank exchange rates used for the translation did not meet the definition of a spot exchange rate as per IAS 21, as they were not available for immediate delivery. This matter arose in the prior year and our opinion on the prior year group and company financial statements was modified accordingly. Management has not restated the opening balances to resolve the matters which resulted in the adverse audit report in the prior period in accordance with IAS 8 – Accounting Polices, Changes in Accounting Estimates and Errors. The matters are therefore continuing.

**Group**
Therefore, there is continuing impact from the prior year on the group statements of financial position at period end and all amounts on the group statements of profit or loss and statements of comprehensive income except for revenue. The underlying ZWL:US$ exchange rate used to determine the amount shown for Inventories stated at US$ 9 553 707, Deferred Taxation stated at US$20 270 935, Retained Earnings stated at US$14 488 079, Environmental Rehabilitation Provision stated at US$9 936 830, and Income tax prepayment stated at US$1 174 927 on the group statements of financial position at period end does not meet the definition of a spot exchange rate. In addition, for the same reason, all amounts on the current year group statements of profit or loss and statements of comprehensive Income except for revenue are likely misstated.

The impacts to the amounts in USD have not been quantified owing to the lack of accounting records and available information to provide the necessary spot rate.

- Corresponding numbers relating to Current Assets, all Current Liabilities, Deferred tax, Lease liability and Accumulated profits on the group statement of financial position at year end and all expense amounts on the group statements of comprehensive income. Our conclusion on the current period's group financial statements is therefore, also modified because of the possible effects of the above matter on the comparability of the current period's figures and the corresponding figures.

- As opening balances enter the determination of cash flows, performance and position, our current year opinion is modified in respect of the impact of these matters on the group statements of cash flows, group statement of profit or loss and group statement of changes in equity.

The effects of the above departures from IFRS are therefore material and pervasive to the group financial statements

**Company**
Consequently, Retained Earnings stated at US$ 1 318 021 on the company Statement of Financial Position at period end is impacted as it contains material amounts from opening balances. The impacts to the amounts in USD have not been quantified owing to the lack of accounting records and available information to provide the necessary spot rate.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further descried in the *Auditor's Responsibilities for the Audit of the Group and Company Financial Statements* section of our report. We are independent of the Society 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 in Zimbabwe, and we have fulfilled our ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion on the group financial statements and qualified opinion on the company financial statements.

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

**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 and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors. 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.**

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 and Other Business Entities Act (Chapter 24:31), 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 skepticism 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.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Walter Mupanguri (PAAB Number 367).

Ernst & Young.

Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Auditors

Angwa City
Cnr Julius Nyerere Way/Kwame Nkrumah Avenue
P O Box 62 or 702
Harare

Date: 30 June 2021