Price:				9.00
52 Wk High:				9.00
52 Wk Low:				1.25
20 Day VWAP:				4.91
P/E:				4.71
D/Y:				-
PBV:				4.02
EV/EBITDA:				111.57
Issued Shares(mn)				1,240
Market Cap:				111.57

	2013 Actual	2014 Actual	2015 Forecast	2016 Forecast
BNC Production Ni	-	7,027	8,400	7,560
Revenues	1,026	65,011	103,740	143,640
Gross profit/loss	(5,819)	35,444	68,468	102,330
Operating profit/loss	(13,097)	17,302	44,719	75,600
PBT	(12,955)	16,367	42,849	71,860
PAT	(12,955)	23,673	34,279	57,488
Total Equity	3,253	27,762	62,042	119,530
Non current liabilities	31,944	21,487	29,725	29,725
Current liabilities	23,569	25,346	25,346	25,346
Non current assets	44,232	57,054	80,054	103,054
Current assets	14,534	17,542	37,059	71,547
Total Assets	58,766	74,596	117,113	174,601
EPS USc	(1.90)	1.90	2.75	4.61
NAVPS	0.48	2.23	4.98	9.59
ROE	(3.98)	0.85	0.55	0.48
ROA	(0.22)	0.32	0.29	0.33

Results for the year to March 2014

The restart of Trojan mine which has been on care and maintenance gave a new lease of life to BNC pursuant to a change in the mining plan by devising of new mining methods targeted at producing high grade ore. After years of care and maintenance without any production BNC achieved revenues of $65m and posted a gross profit of $35.4m being a 55% gross margin. Operating profit then came in at $17.3 from which net finance charges of $0.9m were taken out to leave the group sitting at a profit before tax of $16.4m. A tax credit arising from losses incurred during the period of care and maintenance the group made a $7.3m tax credit to get after tax profits of $23.7m. The group's balance sheet closed the year valued at $74.6m of which shareholders' funds were deemed to be $27.8m. Amongst the liabilities the group had $9.5m being loans and accrued interest portion as at the end of year. Cash flows generated from operations amounted to $7.8m while cash and cash equivalents at year end amounted to $4.2m.

Operations review

Volumes sold amounted to 7,129tons inclusive of the sale of by-products, namely copper and cobalt from the time the first shipment of Nickel in April 2013. The production for the year was a record quantity and enabled the group to meet the minimum volume for the offtake agreement. Recoveries improved to 86% while the grade improved to 1.38%. The group also managed to settle some legacy issues wetting itself on a firm footing to run operations going forward.

In the outlook period the company plans to restart its smelter to reestablish its former status as the only combined mining and smelting facility in Sub-Saharan Africa. The restart is expected to come with benefits of improved payability, elimination of penalties on deleterious minerals and reduction of transportation costs amongst others. The smelter restart is expected to cost $26m with 50% of the funding expected to be raised from internal resources while the balance will come from debt and the project will have an 18 month payback at a nickel price of $16,000/t. The Global Nickel price has been on a rebound augured by improved sentiment following Indonesia's ban on exports of unprocessed ore, which is believed to be behind the 40% upsurge in Nickel prices this year. The higher nickel prices are a sure source of strength for BNC's cash flows this added

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to the offtake agreement with Glencore which enables them to get cash settlement within fourteen days giving the group higher flexibility and ability to ramp up operations faster.

Valuation

Going into FY2015 we believe BNC can post a turnover of $104m assuming average nickel prices of $19000/t and a stable production of 700t per months. We believe the better prices obtaining in Nickel compared to last year should see the group achieve better margins resulting in profit before tax forecasts of $42.8m after factoring finance costs inclusive of funding for the smelter. At the current corporate tax rates we forecast earnings of $34.3m (EPS 2.75c) which should be 45% ahead of last year. With Bindura currently trading at 6.55c our forecast indicate a PE+1 of 2.78x which we believe is a heavy discount on the nickel miner relative to the international industry averages for players in the same sector that hover in the upper twenties. We believe that a target minimum price of 15c will be a start for the group after considering the inherent risks to the business environment in Zimbabwe.

Comment

We believe our forecasts are conservative given that the refinery which is expected to become operational in the last quarter (Q4) of the current financial year may equally contribute to the topline in the current financial year albeit for probably the last couple of months. The refinery effect on their financials will be that Bindura earns a non-discounted LME price for their nickel and will they face penalty charges. Upon commissioning of refinery Bindura will retain a 100% LME price giving a significant 53% boost to their revenues should prices remain around current levels and consequently better margins on the back of reduced costs.

We also believe the Indonesia effect will continue to shape up nickel price dynamics in the global market. In the near term prices are expected to remain firm after rallying by almost 40% earlier this year from the 2013 year end levels. China the major nickel consumer is hinted to run short on supply by end of year which might drive prices up and massage Bindura's top line. In the mid-term global prices are expected to be much firmer at averages of about $22000/t at a time when Bindura will be accruing 100% of LME price and not the prevailing 65% of an even lower ruling price currently around $19,000.