Resource Mining Corporation Limited

# DECEMBER 2019 QUARTERLY REPORT

**For the period ended 31 December 2019**


**Resource Mining Corporation Limited (“RMC” or “Company”)**

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**ASX Code: RMI**

**Contact:**

**Warwick Davies – *Managing Director***


**Project:**

**Papua New Guinea**
**Wowo Gap: Nickel-Cobalt**

Resource Mining Corporation Limited (“**RMC**”) is a Perth-based specialist mineral exploration company aiming to create wealth from mineral commodities using innovative technical, marketing and financial skills as it explores for economic metal deposits in Papua New Guinea (“**PNG**”).

# QUARTERLY REPORT

## SUMMARY

### Corporate Update

The Company continued to focus activities on cost control and the main asset of the Wowo Gap Nickel/Cobalt Project ("The Project") in Papua New Guinea.  The key objective continues to be the preservation and maintenance of its interest in the wholly owned Wowo Gap Nickel/Cobalt Project.

The Company's Annual General Meeting was held at 10:30am WST on Thursday 14th November in Subiaco Western Australia where all resolutions were unanimously passed.

### Financial

Funding for the Company's ongoing operations continues to be provided from RMC's largest shareholder, Sinom (Hong Kong) Limited.  Funds are being provided interest free and are not repayable before 30 September 2020.

### Operational Activities

General care and maintenance activities continued on site with an emphasis on training and maintaining drilling equipment in operating order. As part of the annual audit, BDO, the company's auditors, required confirmation of diamond and auger drill rig equipment. Special opportunity was taken to maintain, operate, and photograph equipment in-situ to complete the audit process. Utilisation of site-based personnel was appreciated by those involved. and maintained during the quarter.

Heavy rains and strong winds necessitated track and camp maintenance with support to complete the work being sourced from local villages. Roofs are made from woven sago leaves which provides a more efficient and more readily repairable solution to tarpaulins. Water supply to the exploration camp was interrupted following the extreme weather. As extreme weather events are common in the exploration area, local staff are well trained and experienced in providing quick and efficient repairs.

Discussions with various land-owner groups were held for a variety of matters. The matters range from customary land ownership, to requests for financial and administrative assistance through to assistance with construction of community buildings particularly school and health related construction. Limited essential services are delivered to the EL 1165 Wowo Gap Project area so local community representatives are constantly seeking company assistance.

### Industry Background – Nickel Outlook

By most accounts, nickel has had a good run this year. Among a falling commodity market, nickel has been one of only a couple of metals that have registered strong gains. Nickel price has increased by 35% this year, primarily on the back of supply-side fears.

The supply-side fears based on a combination of the Indonesian minister for mines announcement of the country's intention to ban nickel ore exports from 2020 and falling LME stocks working in tandem with further market fears of tight supply. Since 2015, LME nickel stocks have fallen from some 500,000 tons to under 100,000 tons today.

Industry commentators suggest that there is little argument that the nickel market is in deficit. According to the International Nickel Study Group, the global nickel supply deficit is expected to ease from 144,000 metric tons in 2018 down to 79,000 tons in 2019. The deficit is expected to ease further still, down to 47,000 tons in 2020. The easing of the deficit comes in large part because demand is slowing.

Evidence of the slowing demand can be seen from Table 1 which shows LME Nickel stock levels over the past 5 years. With continuous destocking from Jan 2016 until five-year low stock level in Oct/Nov 2019, there has been a gradual build up at the end of 2019. This could reflect market adjustment following the commencement of the Indonesian laterite ore export ban.

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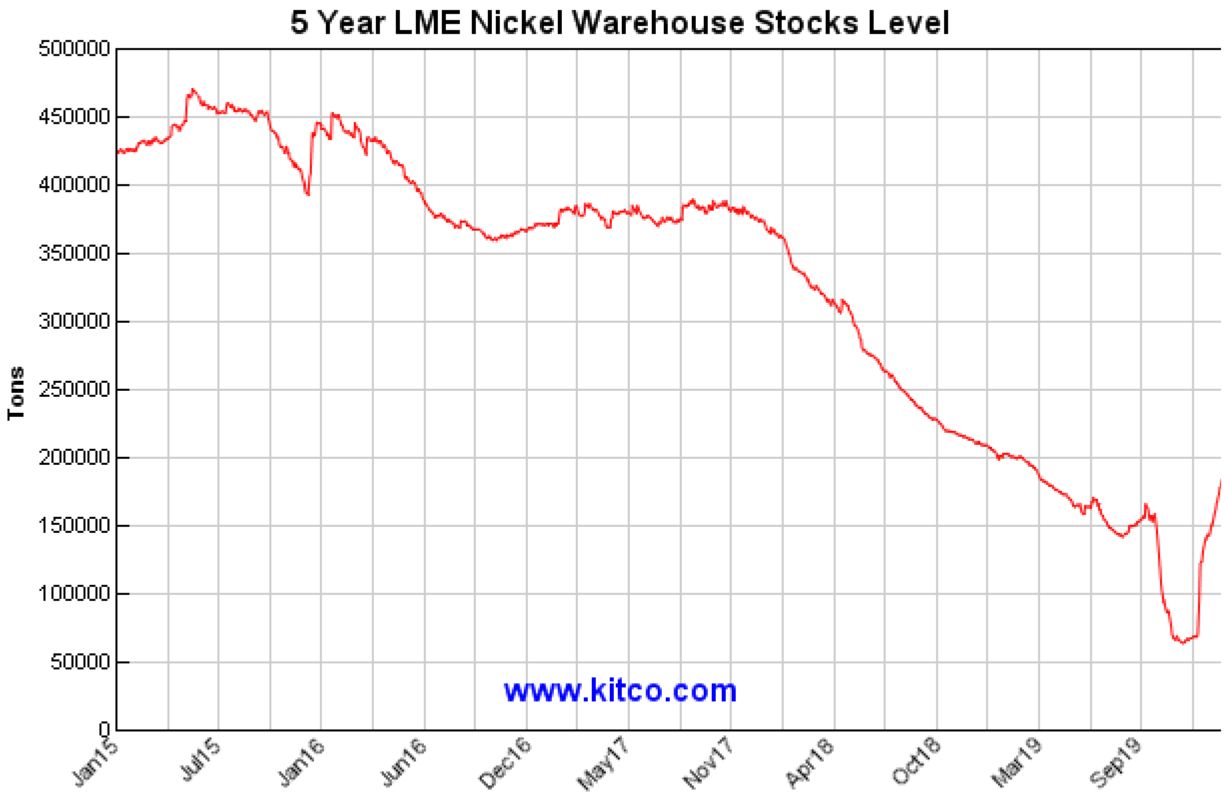


***Table 1: 5 Year LME Nickel Stock Levels***

## Stainless-Steel

Stainless-steel accounts for 70% of all nickel consumed. According to a report from www.RecyclingInternational.com, stainless steel production in Europe declined 4.9% in the first half of 2019 compared to the first half of 2018, falling to less than 3.75 million tons. The International Stainless Steel Forum also expects total stainless steel consumption in Europe/Africa to fall 5.7% in 2019 before rebounding by a modest 0.4% in 2020.

Macquarie Research is quoted as saying it expects Chinese stainless-steel production to rise from 26.7 million tons in 2018 to 29.5 million tons in 2019, then 30.1 million tons in 2020.

All other things being equal, the combination of forecast improvement in stainless-steel production in China and continued LME stocks decline, should have seen Nickel prices continue to rise or, at the very least, plateau at the levels reached in September. However, after reaching a peak of $18,000 per ton, prices have since fallen back to below $15,000 per ton. Table 2 provides insight into nickel prices over the past 5 years.


***Table 2: 1 Year Nickel Spot Price***

Market concerns regarding the trade dispute between China and the USA could have in influence in the price decline.

There are regular comments about expected demand, particularly from electric vehicles (EVs) and the source of growing demand for copper, lithium, cobalt and nickel. The Union Bank of Switzerland predicts demand from electric vehicles will jump from 3% to 12% of global nickel demand in just three years, not least because states and governments are mandating zero-emission targets for the automotive industry (for example, California may need 1.5 million EVs in the next five years).

According to analytics from GlobalData, the number of electric vehicles is expected to increase from 1.6 million in 2018 to 6.8 million in 2023, and the demand for nickel for lithium-ion batteries is expected to quadruple over this period from 3-4% in 2019.

Such predictions, if realized, would certainly spur very significant nickel demand. However, predictions of dramatic increase in nickel demand have been made previously but as States can mandate emissions reductions etc,there needs to be significant investment in charging facilities for EV's to ensure vehicles can operate as efficiently as current internal combustion engine vehicle.s Manufacturers also need to achieve technological advances that extend between charge ranges before EVs are taken up by the mainstream.

## Indonesia's export ban

In response to the risk of this increasing demand tightening local supply, the Indonesian government announced in September 2019 a ban on the export of raw nickel ores, bringing the ban forward from 2022 to January 2020. According to GlobalData analyst David Kurtz, this ban is intended to produce value-added nickel products, stimulate domestic processing of ore, and make the country a hub for electric vehicle production.

Indonesia is the largest global producer of nickel and a major supplier of the metal to China's stainless-steel industry; in anticipation of the ban, Chinese producers are building up nickel inventories. While over half of Indonesia's nickel is processed in the country, around 218,000 tonnes of the metal is unprocessed and would be affected by the ban, which represents around 10% of global stainless steel production.

## Potential for the Philippines and Elsewhere?

The mining sector in the Philippines is expected to benefit from the supply gap created by this export ban, with the country's nickel industry having suffered in recent years. As the second-largest producer of nickel, the Philippines accounted for nearly 16% of global production in 2018.

However, production volumes fell sharply in 2016 when the country's Department of Environment and Natural Resources launched an audit process for over 40 metallic mines, resulting in a number of suspensions and 27 closures. Of these 27 mines, 19 were involved in nickel production, resulting in a drop in nickel production of over 100kt during the mine closures.

However, the shutdowns in the Philippines, as well as the lower quality of nickel ore in the Philippines compared to Indonesia, are expected to challenge demand growth. The lower grade of nickel ore in the Philippines is a particular problem for Chinese RKEF producers, as it affects their ability to achieve the necessary saprolite product quality mix for stainless steel production.

## Future prospects

Primary nickel production is forecast to rise by 9-10% in 2019 to reach 2.4MT, primarily driven by an increase in Indonesia from rising production in new mines. Demand for nickel in China is expected to grow over 2.1Mt in 2020, as opposed to the 1.6Mt estimated for 2019.

With the export bans in place, nickel prices are expected to remain high while stocks remain low. However, any escalation of the trade tensions between the US and China could lead to a fall in prices, and there remains the possibility of Indonesia relaxing their export ban (as it did previously in 2017 for a ban established in 2014).

W J Davies
Managing Director
Dated: 28th January 2020

### SCHEDULE OF TENEMENTS AS AT 31 DECEMBER 2019

| Tenement | Tenement No. | RMC Interest |
|---|---|---|
| Wowo Gap | EL1165 | 100% |