



RIMC

Resource Mining Corporation Limited



SEPTEMBER 2019 QUARTERLY REPORT

For the period ended
30 September 2019

**Resource Mining
Corporation Limited**
("RMC" or "Company")

ABN: 97 008 045 083

Email: rmc@resmin.com.au

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 is to be held at 10:30am WST on Thursday 14th November in Subiaco Western Australia. A Notice of Meeting and Proxy form were sent to shareholders on 11th October 2019.

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. Diamond and auger drill rigs were operated and maintained during the quarter. A review of equipment, track and area maintenance and training activities were all conducted. Water supply issues required attention following heavy rainfall experienced on site during the reporting period.

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

While primary nickel consumption remains in stainless steel production, increasing amounts of nickel are being used to produce more effective powered lithium ion batteries. As advised last quarter, investment bank UBS estimated growth in the market for Electric Vehicles (EV’s) would increase demand for nickel by 10% to 40% over the next 7 years.

Falling nickel stocks in LME-registered warehouses at 109,950 tonnes, down 20% so far this year, have fuelled supply concerns. Industry sources suggest that this can be seen in the premium for the LME’s cash nickel over the three-month contract, which has risen above US\$100 a tonne – its highest in more than a decade.

In September, nickel supply was delivered a major shock, when Indonesia, which accounts for almost a quarter of global output, announced that it intended to ban all nickel ore exports from January 2020.

Subsequent to the end of the quarter, Indonesia revised this timetable by announcing on 28 October that the ban on nickel ore exports would apply with immediate effect. Commentators suggest that this could

create a major supply deficit next year, against the backdrop of strong demand due to the rising demand for battery production.

The Indonesian export ban of 2014 saw dramatic growth in exports of laterite ore from the Philippines to China with the result that ore reserves in the Philippines dwindled significantly. The Philippines is the world's second-largest producer of nickel laterite ore, after Indonesia, and accounted for nearly 16% of global production in 2018.

However, production volumes fell sharply, particularly from 2016 when the country's Department of Environment and Natural Resources launched an audit process for mines involved in metallic ore extraction resulting in operations suspension and some permanent mine closures. The government shutdown 27 mines, 19 of which were producing nickel laterite ore, for not adhering to the technical, legal, social, and environmental regulations, leading to a significant drop in laterite or output.

It is understood that the country's top high-grade nickel ore supplier, SR Languyan Mining Corp, will cease mining in October/November. Another two mines in the same region as SR Languyan also face potential shutdown before November. Future output will be reliant on a small number of operating mines.

With the planned ban on exports from Indonesia and limited opportunities for growth in output from the Philippines, rising demand from China, where higher demand for lithium-ion batteries and stainless steel is forecast to increase the country's nickel consumption, pressure on nickel supply will continue. By 2023 demand for nickel in China is expected to grow over 2.1Mt versus 1.6Mt estimated for 2019. (It should be noted that the Philippines does not produce significant quantities of high grade saprolite ore currently exported from Indonesia).

Table 1 demonstrates the quite dramatic destocking of LME warehouse nickel stocks over the past 5 years as the supply deficit has continued to widen.

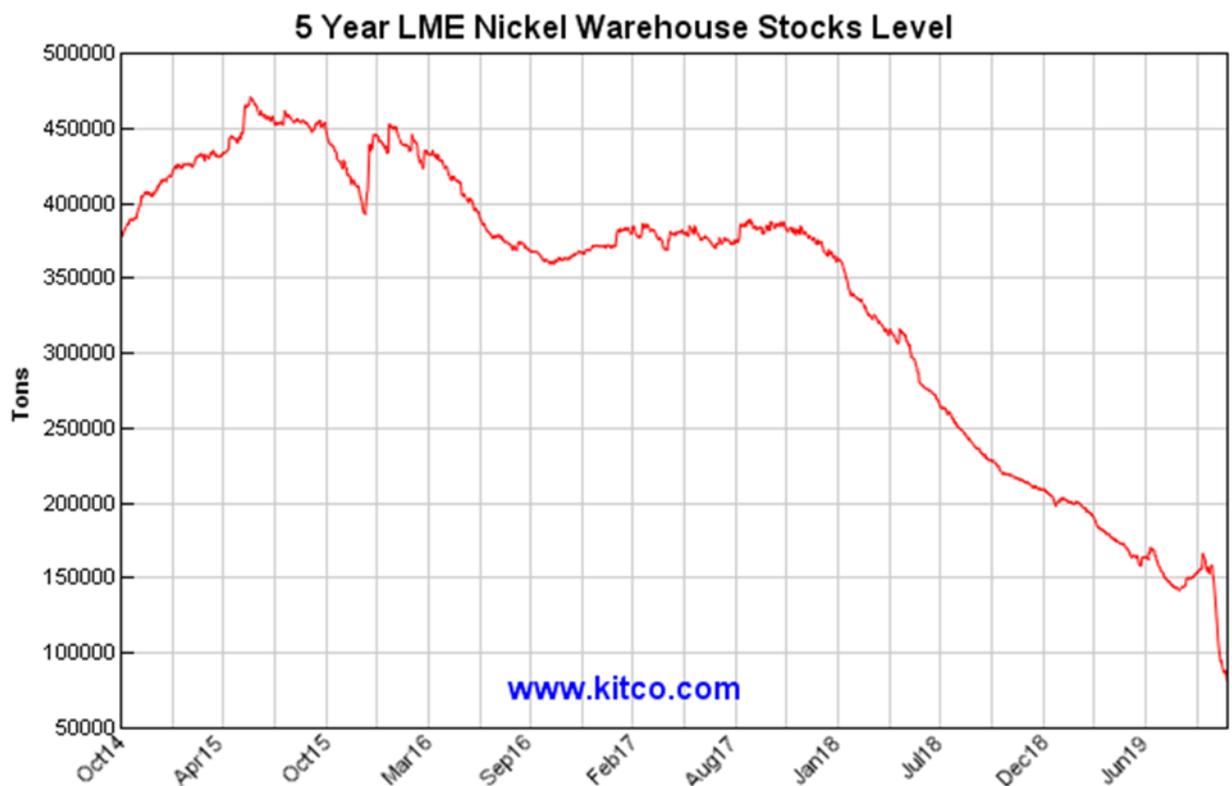


Table 1: 5 Year LME Nickel Stock Levels

The price of nickel is up more than 35% since the beginning of January 2019 as stocks held in warehouses around the world registered with the London Metal Exchange fall to multi-year lows.

With supply constrained, world nickel prices are also forecast to rise. After a steep decline throughout the second half of 2018, owing to the escalated US-China trade war, the price of nickel has risen during 2019 to reach a 56-month high of US\$15,748/t in August 2019. Should the ban go ahead, this would be just the boost the Philippines' nickel sector needs, helping it to recover from the aftermath of the regulatory measures implemented by the country's government and advance new capacities.

The global nickel market is estimated at 14 million tonnes and has been in deficit for 2 to 3 years now, and expectations were for a more balanced market next year. Should the supply deficit continue, prices are likely to fluctuate upwards.



Table 2: 5 Year Nickel Spot Price

Recent news reports suggest that India is putting the final shape on a plan to build at least four Tesla-style giga factories to manufacture batteries with an investment of around \$4 billion, as the country prepares to switch to look to the production of electric vehicles to curb pollution and cut its dependence on foreign oil.

Whilst a very ambitious plan, reports suggest that the focus on battery storage manufacturing will enable India to develop an electric vehicle ecosystem including manufacturing and R&D.

The importance of India for the future of nickel demand should not be underestimated. India has become one of the top renewable energy producers globally with ambitious capacity expansion plans. The country has an installed renewable energy capacity of about 80 gigawatts (GW) with plans to achieve 175GW by 2022 and 500GW by 2030, as part of its climate change commitments.

India as the world's third-largest oil consumer, is particularly vulnerable to Middle East uncertainty as it imports more than 80% of its oil requirements and around 18% of its natural gas from the region. The National Government is understood to be considering offering tax breaks and incentives for setting up

mega-manufacturing plants for solar photovoltaic cells, lithium storage batteries and solar electric charging infrastructure.

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W J Davies
Managing Director
Dated: 29th October 2019

SCHEDULE OF TENEMENTS AS AT 30 SEPTEMBER 2019

Tenement	Tenement No.	RMC Interest
Wowo Gap	EL1165	100%