



ZSE – COMPANY COVID-19 SPECIAL TRADING UPDATES – 1ST QUARTER 2020

OVERVIEW

Hwange Colliery Company Limited “the Company” (formerly Wankie Colliery Company Limited) is incorporated in the Republic of Zimbabwe. The Company was placed under administration in terms of the Reconstruction of State-Indebted Companies Act [Chapter 24:27] on 26 October 2018. Its Listing on the Zimbabwe Stock Exchange was suspended on 2 November 2018 pursuant to this and remains suspended.

TRADING UPDATE

Hwange Colliery Company Limited hereby issues the following Trading Update for the First Quarter ended 31 March 2020 (“Q1 2020”). The Zimbabwe Stock Exchange (“ZSE”) has authorised the issue of this Trading Update in lieu of compliance with rule 35(5) of the ZSE Listing Requirements, set out in Statutory Instrument 134 of 2019, read in conjunction with the ZSE Practice Note entitled “Publication of Interim Financial Public Reports for the First and Third Quarters in terms of section 35(5)” (“Practice Note 9”).

TRADING /OPERATING ENVIRONMENT

The operating environment continued to be challenging and has been characterized by high inflation, fuel shortages and shortage of foreign currency. The company has obsolete and redundant machinery due to insufficient foreign currency as a result of low retention and low export volumes as well as poor interbank forex availability.

Currently, on an export drive to improve export earnings. The company is targeting regional markets such as Zambia, DRC, Malawi, Mozambique, Botswana and South Africa and must overcome poor logistics to benefit from these markets. Engagements with key logistical partners such as BBR, NRZ and ZRL are on-going to ensure the whole value chain is smoothed and that HCCL coal remains competitive on the export market. The covid-19 pandemic has slowed down the efforts, as almost all countries imposed restrictions on cross border movements.

The World Health Organisation (“WHO”) declared COVID-19 a world pandemic; the Government of Zimbabwe declared COVID-19 a national disaster and the WHO declaration resulted in lockdown measures being taken all over the world in order to slow down the spread of the disease.

TRADING IMPACT OF GLOBAL COVID-19 PANDEMIC

In response to the COVID-19 pandemic HCCL is following the advice and directives of the World Health Organization (WHO) and Government of Zimbabwe in order to provide a safe environment for all our stakeholders including shareholders, customers and employees.

To mitigate the widespread transmission of the virus in the period under review, the Government declared a 21-day national lockdown effective 30 March 2020, which was subsequently extended by a further 14 days to 3 May 2020. Through the Reserve Bank of Zimbabwe (“RBZ”), the Government also announced a raft of measures including the relaxation of currency laws to allow the use of foreign currency free funds in the domestic markets for improved flexibility and convenience on the part of the transacting public in response to the measures adopted to fight the novel virus.

The impact of these measures on our operations was significant in April 2020. The severity and the operational impact of the restrictions for the remainder of the year cannot be reasonably estimated due to the uncertainty of the impact of the pandemic on regional, global and the domestic market. HCCL however continues to monitor the situation closely and further updates will be provided when visibility improves and we have greater clarity over the expected financial performance of the company in 2020.

Local and global economic projections are pointing to a decline in key economic indicators, which may have varying impact on companies, depending on the sector, all of them negative. As a provider of coal, which is essential in the provision of electricity to the nation, as well as for processes for manufacturers, who are currently reopened for production, HCCL’s domestic market which was the target portion of its client base remains in place and so business remains assured.

In spite of the challenges, the company has ensured continued production in order to meet customer requirements and ensure business continuity. HCCL continues to actively monitor the rapidly evolving situation and an extensive range of business continuity measures are in place. These measures include enhanced safety and sanitation protocols at all our operating Units, as well as making significant adjustments to work practices to ensure social distancing.

The uncertainty as to the future impact on the company of the recent COVID-19 outbreak has been considered towards fostering the going concern of the company.

The extent of the impact of COVID-19 on operations and financial performance will depend on certain developments including the duration and spread of the outbreak, impact on our customers, suppliers and employees and government interventions all of which are uncertain and cannot be predicted.

MITIGATION MEASURES

Some actions are currently being implemented to mitigate the financial impact of the current crisis on operations. Some of the measures implemented to date include the following:

- Measures for protecting workers from exposure to infection (PPE)
- Alternating working from home and office as per schedule.
- Reviewing all discretionary and non-essential expenditures.

- Enabling all our customers to transact through our digital platforms.
- Setting up screening sites at identified critical points. Screening is currently being done at opencast entry point, Hospital gate and General Office entrance.
- Everyone encouraged to wash and sanitize hands regularly and religiously.
- In compliance with the above, HCCL established a Rapid Response Team (RRT) comprised of 4 members namely Health Officer , Infection Control Sister , Chief Medical Laboratory Scientist , Medical Officer.

In addition to the RRT, 5 thematic teams have been set up. These are: -

- Case Management Team – this provides medical treatment to presenting cases.
- Health Promotion Team – provides awareness to employees and the community
- Surveillance Team – this tracks and monitors all suspicious cases and acquires any information pertaining to suspected cases within the community;
- Environmental Monitoring Team – for checking and monitoring public outlets compliance to stipulated measures. ZRP is part of this team for enforcement;
- Health Information Team - generates reports on disease trends and pattern for use by management and interested parties for decision making.

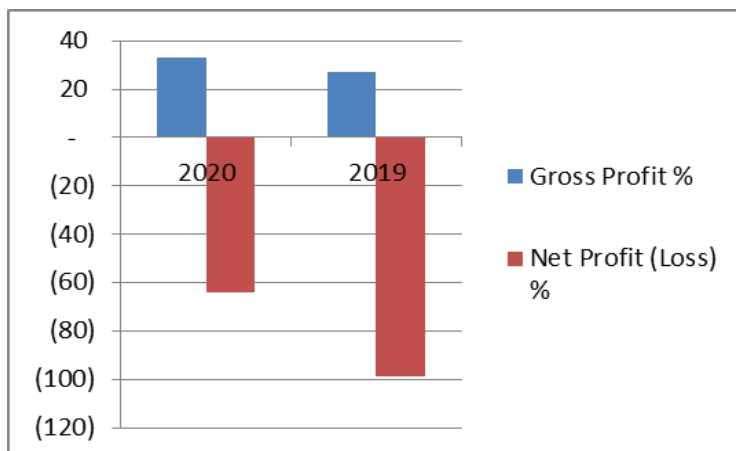
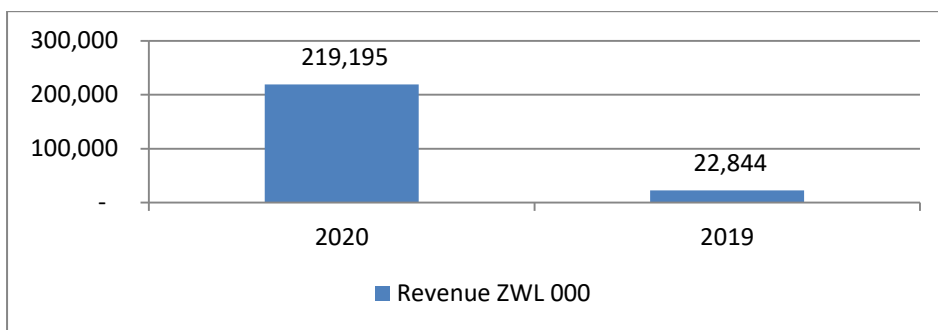
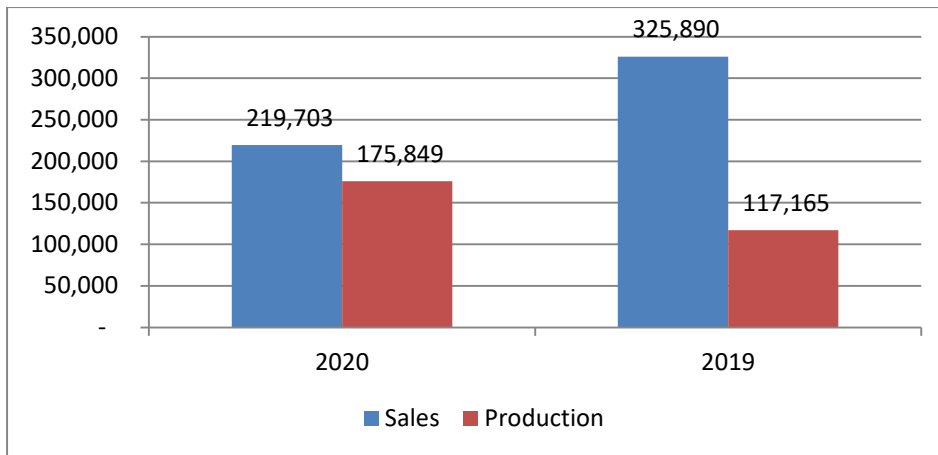
As for the isolation of suspected cases, individuals suspected will self-isolate at home and the surveillance team shall be monitoring the person.

Q1 2020 Trading Performance

In spite of the challenging operating environment, the company recorded increase in production volumes by 50%, a revenue increase of 860%, gross profit percent increase of 22% and net loss decrease of 65% for the 3 months ended 31 March 2020 compared to the corresponding period in 2019. The sales volumes however decreased by 33% for the same period.

The major historical cost financial performance highlights for the company are as shown below:

	2020	2019	% Increase/Decrease
Revenue ZWL 000	219,195	22,844	860
Gross Profit (Loss) %	33	27	22
Net Profit (Loss) %	(64)	(181)	(65)
Sales	219,703	325,890	(33)
Production	175,849	117,165	50



Outlook

The COVID-19 pandemic is expected to have a material impact on the global economic activities in 2020 and Zimbabwe will be equally affected. Due to the nature of the pandemic, the already challenging operating environment in the country and the uncertainty surrounding the extent and duration of the lockdown restrictions the impact on the company's profitability in 2020 cannot be presently estimated to a reasonable degree.

We are hopeful that the efforts from the Government and the Reserve Bank of Zimbabwe will mitigate the adverse economic effects of the COVID-19 crisis, while the key beneficiaries of the existing and any future stimulus packages will recover in the shortest possible time.

Despite the highlighted challenges, the company continues to anticipate improvement of sales as most of our clients have reopened pursuant to the lockdown moving to Level 2.

The company will publish its interim results for the six months ending 30 June 2020 by 31 August 2020.

By order of the Administrator

A handwritten signature in black ink, appearing to read 'RD' followed by a stylized 'e' or 'ie'.

Rugare Dhobbie

A/Company Secretary