Bindura Nickel Corporation
A member of Kuvimba Mining House

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TRADING UPDATE FOR THE PERIOD APRIL TO JUNE 2023

1. Trading Environment

The global economic environment was characterised by disruptions in the global supply chain because of the protracted effects of the COVID-19 pandemic and the geo-political tensions which were mainly related to the Russia-Ukraine conflict. The disruptions caused uncertainties which lowered demand for Nickel. The Nickel price, on the other hand, was heavily affected by demand-supply issues connected to the production of surplus Nickel Pig Iron by Indonesia, the slow down in China's economy and uncertainty in the United States of America's financial sector, amongst other factors. As a result, Nickel prices were on a downward trend.

Despite the mineral driven boom in export earnings, the Zimbabwean economy has continued to experience significant headwinds such as hyperinflation and exchange rate disparities, amongst other factors. Inflation closed at 175% in June 2023, a decline from a peak of 191% recorded in June 2022. The disparity between the official auction and parallel market rates of exchange continued to widen with local suppliers using the parallel market rates rather than the auction rates in their pricing models. The difference in the two (2) rates had an adverse impact on the Company's costs of local inputs.

2. Safety, Health and Environment

The Company's good safety performance continued, resulting in the achievement of 3,829,410 fatality-free shifts by the end of June 2023. The last fatality was recorded in June 2015. No Lost Time Injuries ("LTIs") were recorded in the quarter, unchanged from the same period last year. The Company continues to comply with all applicable health and environmental legislation, policies, and procedures, and remains ISO 14001:2015 and ISO 45001:2018 certified.

3. Performance for the Quarter Ended 30 June 2023

Ore mined for the quarter, at 117,249 tonnes, increased by 8%, in comparison to the 108,632 tonnes achieved for the same period in the previous year due to the introduction of new underground Load, Haul and Dump ("LHD") equipment. However, the run-of-mine ore was still low due to the deterioration of the Sub-Vertical Rock ("SVR") winder bull gear which subsequently resulted in a 70% decline in SVR capacity. The decline in SVR capacity also constrained development work planned for the quarter as ore hoisting was prioritised over waste hoisting. This consequently caused a delay in the unveiling of planned mining areas. Ore head grade, at 1.02% Nickel, was 2% lower than the 1.04% Nickel grade achieved in the same period last year, due to the unavailability of high-grade massive ore sources.

Ore milled was relatively the same as the milled tonnage in the corresponding period last year. The Concentrator Plant performance was, however, compromised by intermittent breakdowns driven by the unavailability of critical spares for various components of the Plant. Nickel in concentrate produced, at 823 tonnes, was 9% lower than the 902 tonnes produced in the same period last year, reflecting the adverse impact of the lower grade of ore processed.

Unit costs increased during the period under review at the back of the high cost of maintaining aged underground mining mobile equipment and the increase in local operating costs which was driven by exchange rate disparities. In addition, the lower Nickel in concentrate production had a negative impact on unit costs. The cash cost ("C1") for the quarter, at US$14,425 per tonne, was 2% down from the same period in the prior year (US$14,770 per tonne), while the all-in-sustaining cost ("C3"), at US$18,812 per tonne, increased by 15% (Prior Year: US$16,289 per tonne).

The average London Metal Exchange ("LME") Nickel price of US$21,933 per tonne was 1% higher than the US$21,783 per tonne which was forecasted for the quarter and 24% lower than the US$29,029 per tonne which was achieved in the comparative period in the previous year. The price decline was attributable to a surge in global Nickel supply which was outpacing demand. Nickel in concentrate sales for the period, at 799 tonnes, were 19% lower than the 989 tonnes sold during the same period last year. The sales decrease was in line with the decline in production.

As a result of the disproportionately high operating costs and low production, the Company incurred a loss for the quarter.

4. Outlook for the Quarter Ending 30 September 2023

The LME average Nickel prices are expected to trend lower in the quarter due to pessimism over the negative macroeconomic environment and growing Nickel supply. An anticipated acceleration in Chinese economic growth, due to the implementation of additional stimuli, coupled with more accommodative United States of America's Monetary Policies, are likely to have a positive impact on prices after September 2023. Prices are expected to be supported further by demand for Nickel in the energy storage sector. Nickel prices are thus expected to be subdued in the quarter to September 2023 and to improve during the last quarter of calendar year 2023.

The replacement of the damaged SVR winder bull gear during the period September to October 2023 is expected to boost production. In addition, it is anticipated that a combination of the old, new, and hired mobile equipment will increase the availability of equipment, which will result in an increase in production and thus, revenue and profitability.

By Order of the Board

C F Mukanganga
Company Secretary
16 August 2023