

## TRADING UPDATE FOR THE NINE MONTHS AND THIRD QUARTER ENDED 31 DECEMBER 2023

### 1. Trading Environment

Nickel prices on the London Metal Exchange (“LME”) experienced a significant decrease of 48% during the calendar year 2023, dropping from \$31,200 per tonne at the beginning of January to \$16,300 per tonne at the end of December 2023. This precipitous slump in Nickel prices can be attributed to market surplus conditions, which have arisen due to a surge in production from both China and Indonesia coinciding with subdued global demand.

China has been producing high-purity class 1 Nickel, which is used in the production of Nickel sulphate and Nickel cathodes for Electric Vehicles (“EVs”). Indonesia, on the other hand, has been producing lower purity class 2 Nickel (nickel pig iron and ferronickel), which is used in products such as steel. The demand for Nickel has been negatively impacted by China’s slow recovery post COVID-19 lockdowns which has hurt the country’s construction sector and has weighed on demand for Nickel, particularly the type used for stainless steel. Demand was also affected by the slow uptake of EVs and increased competition from other battery alternatives utilising little or no Nickel such as Lithium Iron Phosphate (“LFPs”). The Nickel surplus for 2023 was estimated to be 200,000 tonnes (in an estimated 3.2 million tonnes market) while that of 2024 is expected to be 140,000 tonnes.

On the domestic front, foreign exchange instability and power shortages kept Zimbabwe’s economic activity below its potential during Q3 of FY2024 and the greater part of the nine months under review. The increase in electrical power cost compounded already inordinately high-cost structures threatening the viability of the local mining industry.

### 2. Safety, Health, and Environment

As of 31 December 2023, the Company attained a significant milestone by extending its fatality-free shifts record to 4,018,010. The last recorded fatality was in June 2015. No Lost Time Injuries

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("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, procedures, and systems.

### **3. Overall Performance for the Nine Months and Third Quarter Ended 31 December 2023**

The Company's overall performance, during the nine months and third quarter ended 31 December 2023, was affected by the challenging operating environment and the deterioration of the Sub-Vertical Rock Winder ("SVR") bull gear, after the previously reported initial damage that occurred in September 2022. The SVR is one of the Company's major pieces of fixed mining equipment and is used to hoist ore from underground. The deteriorating SVR bull gear subsequently resulted in the hoisting capacity of the SVR declining to just 25% of its installed capacity by September 2023.

To address the limited and deteriorating hoisting capacity problem, the Company procured a replacement SVR bull gear, similar in size and duty, and initiated the SVR Bull Gear Replacement Project (the "Project"), necessitating a transient shutdown from 22 September 2023. The Project was initially scheduled for completion by 31 October 2023. However, the Project faced unforeseen technical challenges that extended its completion date to end of February 2024.

#### **3.1 Performance for the Quarter Ended 31 December 2023**

As a result of the shutdown referred to above, no ore was mined or milled, and no Nickel in concentrates were produced during the third quarter of Financial Year 2024 ("Q3 of FY2024"). In the comparable period, the Company mined 51,770 tonnes of ore, milled 50,907 tonnes of ore, and produced 275 tonnes of Nickel in concentrate.

The Company did not incur unit costs during Q3 of FY2024 at the back of the temporary shutdown necessitated by the Project. However, the Company recorded C1 costs of US\$45,262 per tonne, C2 costs of US\$50,366 per tonne, and C3 costs of US\$52,348 per tonne in the comparative period last year.

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The average LME Nickel price, for the quarter, of US\$17,211 per tonne was 32% lower than the price of US\$25,349 per tonne which was realised in the same period last year. The price decline was attributable to a surge in global Nickel supply and weak demand.

No Nickel in concentrates sales were recorded during the period owing to the shutdown. Nickel in concentrates sales for the same period last year was 207 tonnes.

The lack of production resulted in a significant decline in financial performance and the Company incurred a loss for the quarter.

### 3.2 Performance for the Nine Months Ended 31 December 2023

Tonnes ore mined, at 177,179, decreased by 37% in comparison to 281,560 tonnes achieved for the same period last year. Run-of-mine ore was low due to the deterioration of the SVR bull gear, as explained above. In line with the decrease in the tonnes of ore mined, the tonnes ore milled, at 163,674, decreased by 42% from 281,135 tonnes recorded in a similar period last year. Head grade, at 1.10%, declined by 19% from the 1.35% attained in the comparable period last year due to the down dip reduction in the footprint of the high-grade resource. Nickel in concentrates produced, at 1,314 tonnes, was 40% lower than 2,192 tonnes recorded for the same period last year due to lower milled tonnage and grade of mined ore.

The average LME Nickel price, at US\$19,338 per tonne, decreased by 24% compared to the previous year's price of US\$25,477 per tonne, reflecting the global decrease in the demand for Nickel. Price has fallen 31% from US\$23,757 per tonne at the start of FY2024 to US\$16,389 per tonne at the end of the third quarter of FY2024. Price at the beginning of FY2023 (US\$33,298 per tonne) was higher than that at the beginning of FY2024 as the market was adjusting to fundamentals after the short squeeze rally of March 2022 which saw the price rise above \$100,000 per tonne.

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Nickel in concentrates sales for the period, at 1,416 tonnes, were 40% lower than 2,353 tonnes sold during the same period last year. The sales decreased in line with the decline in production.

The above performance resulted in a significant loss for the nine months period.

#### **4. Outlook for the Quarter Ending 31 March 2024**

##### 4.1 Market Outlook

Analysts expect Nickel prices to remain subdued in the last quarter of FY2024 and to settle at an average of US\$17,000 per tonne during the calendar year 2024. Global Nickel prices are expected to remain under pressure during the calendar year 2024 due to the surplus in the Nickel market coupled with weak demand.

##### 4.2 Operational Outlook

Despite facing operational challenges, particularly the prevailing low Nickel price, Trojan Nickel Mine sits on approximately 13.13 million tonnes of Nickel ore at an average grade of 0.97%. This substantial resource gives a life of mine of at least 10 years at maximum design production capacity.

In the last quarter of FY2024, the Company will focus on commissioning the SVR after bull gear replacement and instituting stringent budgetary controls and cost containment measures in response to the challenging operating environment. To achieve long-term sustainability, the business recognises the need to implement strategic initiatives focused on full recovery and operational efficiency.

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Currently, the Company is faced with several challenges that threaten the survival of the business and the restart of the mine following the replacement of the SVR bull gear. These challenges include but not limited to the following:

1. Low Nickel price on international markets;
2. High domestic input costs, particularly electrical power costs, which have increased by more than 60% over the last 16 months; and
3. The need for capital to refurbish underground mining mobile equipment and the concentrator plant, and development of the mine which has been lagging for the past two decades.

The Company recognises the need to acquire the required investment capital and for a sustainable electrical power tariff, considering the overall low resource grade and the prevailing depressed Nickel prices on global markets. Efforts are ongoing with respect to these critical issues that have a huge bearing on the viability of the business. The Company is cautiously optimistic that the success of these ongoing efforts will lead it onto a path of sustained gradual restart of the mine from the ongoing shutdown that started on 22 September 2023.

By Order of the Board



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B H Dirorimwe  
**Finance Director**  
15 February 2024

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