



# Bindura Nickel Corporation

A Member of Kuvimba Mining House

## INTERIM CONDENSED FINANCIAL RESULTS

For The Half Year Ended 30 September 2021



### NOTICE TO SHAREHOLDERS

The Board is pleased to report on the performance of the Company for the half-year ended 30 September 2021.

#### SALIENT FEATURES

- As at 30 September 2021, 76.5% of all employees had been fully vaccinated against COVID-19. All employees have since been fully vaccinated.
- Two (2) Lost Time Injuries recorded in the period.
- 2,553 tonnes of nickel in concentrate produced, 13% lower than for the same period last year due to lower ore grade and late resumption of production, as a result of the delayed completion of the Shaft Re-deepening and Tie-in project.
- 2,549 tonnes of nickel in concentrate sold, marginally lower than for the same period last year.
- C1 unit cash cost of US\$9,045 per tonne, compared to US\$6,067 for the same period last year due to the lower production and increase in operating costs.
- Average LME nickel price of US\$18,234 per tonne, 38% higher than for same period last year.
- Revenue of US\$35.3 million, 41% higher than for the same period last year in line with the increase in nickel price.
- Profit before tax of US\$6.2 million, up 31% on US\$4.7 million for the same period last year.
- Profit after tax of US\$5.8 million, 70% higher than for the same period last year.
- Equipment replacement and upgrade programme continued with US\$4.7 million capital expenditure.
- Post period-end, the Board resolved to migrate the Company's listing to the Victoria Falls Stock Exchange.

#### RESULTS SUMMARY

	Unit of measure	6 months to 30/09/2021	6 months to 30/09/2020	% Variance
Nickel in concentrate produced	tonnes	2,553	2,929	(13.0)
Nickel in concentrate sold	tonnes	2,549	2,566	(0.8)
Average LME nickel price per tonne	US\$	18,234	13,214	38.0
Revenue	US\$	35,260,965	25,036,354	41.0
Profit before taxation	US\$	6,198,214	4,727,922	31.0
Profit after taxation	US\$	5,846,974	3,427,915	70.6
Capital expenditure	US\$	4,711,316	1,597,763	194.9
C1 cash cost per tonne *	US\$	9,045	6,067	(49.1)

#### \*Definitions:

- C1 cash cost: Cash operating, overhead and selling costs net of by-product revenue.  
 C2 production cost: C1 cost plus Depreciation and Environmental Rehabilitation provision.  
 C3 All-In-Sustaining cost: C2 cost plus royalties, borrowing costs, net exchange gains/losses, care & maintenance and retrenchment costs.

#### ECONOMIC OVERVIEW

The Zimbabwean economy is forecast to grow by between 5% and 7% in 2021, underpinned by a successful 2020/21 agricultural season and high commodity prices. However, the threat of a resurgence of COVID-19, persistent foreign currency shortages, the widening gap between the auction and unofficial exchange rates as well as the potential of an increase in the already high inflation rate, will pose serious threats to continued growth and economic stability.

The operating environment for the remainder of the current financial year is therefore expected to remain challenging.

#### OPERATIONAL PERFORMANCE

##### Safety, Health, Environment and Quality (SHEQ)

##### COVID-19 Update

A total of fifty-eight (58) COVID-19 positive cases were recorded among the 1,039 employees during the six months to 30 September 2021, an increase of forty-four (44) positive cases over the same period last year. Trojan Mine Clinic was granted 'Voluntary Vaccination Site' status on 28 July 2021 and vaccinations have been carried out daily since then, aided by the supply of vaccines to the clinic under the Kuvimba Mining House Private Sector Initiative, for the voluntary vaccination of employees and their dependants.

As at 30 September 2021, 76.5% of the Company's employees had been fully vaccinated against COVID-19. Since then, all employees have been fully vaccinated.

##### Safety

Safety performance in the first quarter was unsatisfactory with two (2) Lost Time Injuries (LTIs) recorded during that period. Safety performance improved in the second quarter with no LTIs recorded and thus, total LTIs for the six months remained at two. Management remains focused on ensuring that the workplace is safe and positive employee behaviour is reinforced to eliminate injuries at work.

##### Operations

Nickel in concentrate production for the half-year to 30 September 2021 was 2,553 tonnes, 13% lower than 2,929 tonnes produced in the same period last year. The decline was mainly due to the head grade of 1.26%, which was 22% lower than for the 6 months to September 2020. In addition, and as previously reported, the late commissioning of the Shaft Re-deepening and Tie-in project, resulted in only four (4) days of production in the month of April 2021.

Tonnes ore milled of 241,325 were 15% higher than the 209,153 tonnes ore milled in the same period last year as the mine initiated the transition from the high grade, low volume strategy to the new low grade, high volume strategy. As the high grade massives (which constitute 5% of the resource) get depleted with depth of mining, ore head grade will continue to decline in view of the fact that the Company's ore reserves and resources are predominantly low grade. The new strategy thus presents the most effective model of exploiting the mineral resource whilst guaranteeing the business' long term economic sustainability.

In making the transition to the new mining strategy, the business is also continuing with its capital expenditure/re-investment program, with specific emphasis on replacing the dilapidated and obsolete underground mining mobile equipment. This will assist the business to mine and process higher volumes of ore, as distinct from the historical over-mining of high grade massives, which approach is being corrected through the new mining strategy. In addition, the rate of development underground has been increased to unlock the higher volumes required going into the future.

Recovery at 84.2% was 2.8% lower than in the previous year, in sympathy with the lower head grade.

Nickel sales volume was 2,549 tonnes, which was marginally lower than last year's sales of 2,566 tonnes. The average LME nickel price of US\$18,234 per tonne was 38% higher than the previous year's price of US\$13,214 per tonne, reflecting the global increase in nickel prices.

The C1 cash cost of US\$9,045 per tonne was 49% higher than the previous period's US\$6,067 per tonne, while the C3 All-In Sustaining cost of US\$10,364 per tonne was 52% higher than last year's unit cost of US\$6,819 per tonne. While both are disappointing, they were an inevitable result of lower production arising from the delay in the commissioning of the Shaft Re-deepening and Tie-in Project. Nickel production in September 2021 was also lower than plan due to both lower tonnage milled and head grade, a result of poor equipment availabilities and unexpected reduction of higher-grade ore sources. In addition, operating costs for the period were higher than plan due to necessary wage adjustments made in May 2021 to align employee wages to the rest of the mining industry. Further NEC negotiated wage increases were effected in July 2021. Costs were also affected by the adverse impact on local operating costs arising out of the disparity between the auction rates and unofficial foreign exchange rates that suppliers use in their pricing models, coupled with the high cost of maintaining the old and obsolete mining equipment.

In terms of the Exchange Control regulations, 40% of the Company's export revenue is compulsorily surrendered to the Reserve Bank of Zimbabwe for Z\$ converted at the auction rate. For the six months to September 2021, the Z\$ auction rate devalued by just under 4% while the Z\$ exchange rate on the unofficial parallel market, devalued by approximately 50%. The combination of compulsory surrender of 40% of revenue and the discrepancy between the auction and parallel market rates, resulted in an estimated loss to the Company of US\$1.2 million for the six months.

The industrial relations atmosphere remained calm throughout the six-month period, as Management continued to proactively and constructively engage employees on all pertinent issues.

#### Capital Expenditure

The Company continued with its on-going programme to replace old and obsolete mobile mining equipment. Total capital expenditure for the period was US\$4.7 million of which US\$1.2 million was spent on a new exploration drill rig, a Load, Haul and Dump (LHD) machine and also on major rebuilds of existing LHDs and drill rigs. A total of US\$1.1 million was spent on Haulage and Ramp developments to provide operational access to deeper resources. The Sub-vertical Rock Winder was upgraded at a cost US\$448,000 while US\$402,000 was spent on refurbishment of the Concentrator. Both were carried out in April 2021 during the Shaft Re-deepening shut down.

#### FINANCIAL RESULTS

##### Income Statement

Although sales volume was in line with the volume sold in the comparative period last year, revenue increased by 41% to US\$35.3 million from US\$25 million, on account of improved nickel prices.

Cost of sales however, increased by 44% to US\$24.3 million, compared to US\$16.9 million for the same period last year. The increase in cost of sales was a result of the following factors:

- Increase in depreciation charge on capitalisation of assets.
- High cost of refurbishing and maintaining old and obsolete mining mobile equipment.
- Increase in employee wages to align with the industry averages.
- Increase in local operating costs which tend to be influenced more by the alternative market exchange rate.

Gross profit of US\$10.9 million was 35% higher than last year's figure of US\$8.1 million, in line with the increase in revenue.

Administrative costs for the period of US\$3.3 million were 120% higher than the US\$1.6 million for the prior period mainly due to the following:

- Increase in wages and salaries as referred to above.
- Increase in Intermediated Money Transfer Tax and bank charges.
- Shangani Mine care and maintenance costs.

Net exchange loss for the period amounted to US\$67,467 and was 96% lower than the US\$1.5 million for the same period last year due to a more stable auction exchange rate during the half-year period under review.

Profit from operating activities of US\$6.2 million was achieved, compared to US\$4.7 million in the first half of last year, an increase of 31%.

Profit and total comprehensive income for the period was US\$5.8 million, compared to US\$3.4 million for the same period last year, reflecting the positive impact of improved nickel prices.

##### Cash Flow Statement

Net cash flow generated from operating activities amounted to US\$2.0 million, compared to a negative US\$0.3 million for the same period last year. However, capital expenditure of US\$4.7 million and net cash inflows from financing activities of US\$0.4 million resulted in a net decrease in cash and cash equivalents of US\$2.3 million. Thus, the cash and cash equivalents balance at 30 September 2021, was a negative US\$0.5 million.

#### THE MARKET

The average LME cash settlement price for the half-year under review was \$18,234 per tonne which was 38% higher than for the same period last year (\$13,214 per tonne). The table below shows the monthly average LME nickel prices for the six-month period ended 30 September 2021.

MONTH	PRICE PER TONNE (US\$/t)	TONNES SOLD (tNI)
April	16,480	-
May	17,606	589
June	17,943	565
July	18,817	623
August	19,160	443
September	19,398	329
<b>Average Price per tonne/Total tonnes sold</b>	<b>18,234</b>	<b>2,549</b>

#### OUTLOOK FOR THE YEAR ENDING 31 MARCH 2022

Poor equipment availabilities combined with lower than expected massive grades in September and October 2021 resulted in nickel production for both months being lower than plan. The focus during the remainder of the year will, therefore, be on recovering the nickel in concentrate production deficit and managing costs. Nickel in concentrate production for the full year is expected to be close to 6,000 tonnes.

Nickel prices rose to a seven-year high of \$20,060 per tonne on the 17th of September 2021, supported by unanticipated demand as Chinese stainless-steel producers ramped up production ahead of the government sanctioned production cuts, due to power rationing. The September 2021 seven-year high was surpassed on the 21st of October 2021 as prices reached \$20,530 per tonne in response to surging energy costs.

Fundamentals are strong and supportive of a nickel price increase. The International Nickel Study Group (INSG) (2021) reports that the nickel market was in a 142 000-tonne deficit in the first eight months of the calendar year. Nickel demand from electric vehicles remains high as electric vehicle production and sales in China and Europe reach record highs. LME nickel inventories continued on a downward trend, dropping to 162,690 tonnes at the end of September 2021, compared to 259 182 tonnes at the start of the financial year. Falling stocks and rising energy costs are expected to result in higher prices, going into the next half of the year.

The average LME nickel price is forecast to remain above US\$18,000 per tonne for the rest of the financial year.

#### DIRECTORATE CHANGES

Mr. Jozef Clifford Behr resigned from the Board on 30 September 2021. He had joined the Board on 1 November 2019 as a Non-Independent, Non-Executive Director. He was actively involved in the corporate restructuring that resulted in the eventual assumption by Kuvimba Mining House (Private) Limited, of majority control of the Company. We thank Mr. Behr for his contribution to the affairs of the Company, including his able chairmanship of the Audit Committee. We wish Mr. Behr success in his future endeavours.

Mr. Michiel Jakobus Bronn was appointed a Non-Executive Director on 1 October 2021. Mr. Bronn is a seasoned mining engineer with over 30 years executive mining and project management experience in the gold, PGM and coal sectors in South Africa. Mr. Bronn joined Kuvimba Mining House in May 2020 as Group Chief Operations Officer, a role in which he has responsibility for managing all group mining assets to ensure they meet their respective business objectives.

The Board extends a warm welcome to Mr. Bronn and looks forward to his contributions.

#### MIGRATION OF LISTING FROM THE ZIMBABWE STOCK EXCHANGE ("ZSE") TO THE VICTORIA FALLS STOCK EXCHANGE ("VFEX")

On 15 October 2021, the Board considered and approved a proposal by Management for the Company to be delisted from the ZSE and to subsequently list on the VFEX. A circular with details of the proposal and the benefits thereof has been sent to Shareholders ahead of an Extra-Ordinary General Meeting scheduled for 13 December 2021.

#### APPRECIATION

The Board pays tribute to Management and all employees of the Company for their dedication and hard work during a difficult and challenging period.

On behalf of the Board  
Bindura Nickel Corporation Limited

M.A. Masunda  
Chairman  
25 November 2021

#### AUDITOR'S STATEMENT

These interim condensed consolidated financial statements have been reviewed by our auditors Ernst & Young Chartered Accountants (Zimbabwe). They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the full set of financial statements for the year ended 31 March 2021 which they audited. A qualified/adverse review conclusion has been issued thereon due to non-compliance with International Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates" and IAS 8" Accounting Policies, Changes in Accounting Estimates & Errors".

The auditors' review conclusion is available for inspection at the Group's registered office. The Engagement Partner for the review is Walter Mupanguri (PAAB Practising Number 367).



### INTERIM CONDENSED FINANCIAL RESULTS

For The Half Year Ended 30 September 2021



#### INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2021

	Notes	REVIEWED 30/09/2021 US\$	REVIEWED 30/09/2020 US\$
Revenue	5	35 260 965	25 036 354
Cost of sales		(24 316 345)	(16 934 025)
<b>Gross Profit</b>		<b>10 944 620</b>	<b>8 102 329</b>
Other income		141 091	600 276
Selling and distribution expenses		(1 111 196)	(750 004)
Administrative expenses		(3 326 402)	(1 511 349)
Net exchange loss		(67 467)	(1 559 887)
Exchange gains		3 268 101	12 989 143
Exchange losses		(3 335 568)	(14 549 030)
<b>Profit from operating activities</b>		<b>6 580 646</b>	<b>4 881 365</b>
<b>Net finance costs</b>		<b>(382 432)</b>	<b>(153 443)</b>
Finance income based on EIR		37	88
Finance costs		(382 469)	(153 531)
<b>Profit before taxation</b>		<b>6 198 214</b>	<b>4 727 922</b>
Taxation	7	(351 240)	(1 300 007)
<b>Profit for the half-year</b>		<b>5 846 974</b>	<b>3 427 915</b>
<b>Profit and total comprehensive income for the period</b>		<b>5 846 974</b>	<b>3 427 915</b>
Basic earnings per ordinary share (cents)		0.46	0.30
Diluted earnings per ordinary share (cents)		0.46	0.30

#### INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2021

	Share capital US\$	Share premium US\$	Capital contribution US\$	Share-based payment reserve US\$	Retained earnings US\$	Total US\$
<b>Balances as at 1 April 2020</b>	<b>12 896</b>	<b>32 327 879</b>	<b>2 631 877</b>	<b>2 138 355</b>	<b>12 739 781</b>	<b>49 850 788</b>
Issue of shares	49	3 445	-	-	-	3 494
Share-based payment expense	-	-	-	178 526	-	178 526
<b>Total comprehensive income for the half year</b>						
Total profit and other comprehensive income for the half year attributable to ordinary shareholders	-	-	-	-	3 427 915	3 427 915
<b>Balances as at 30 September 2020</b>	<b>12 945</b>	<b>32 331 324</b>	<b>2 631 877</b>	<b>2 316 881</b>	<b>16 167 696</b>	<b>53 460 723</b>

#### INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2021

	Note	REVIEWED 30/09/2021 US\$	REVIEWED RESTATED* 30/09/2020 US\$
<b>Cash flows from operating activities</b>			
Profit before taxation*		6 198 214	4 727 922
Adjusted for			
Depreciation of property, plant and equipment		2 576 959	2 088 771
Net unrealised exchange (gain)/ loss		(213 828)	1 646 222
Share-based payments expense		76 521	178 526
Profit on disposal of investment		-	(550 000)
Expected credit losses		2 354	8 858
Finance income		(37)	(88)
Finance costs		382 469	153 531
Operating cash flow before working capital changes		9 022 652	8 253 742
Increase in inventories		(1 577 167)	(2 195 245)
Increase in trade and other receivables		(6 444 550)	(5 319 548)
Increase/(Decrease) in trade and other payables		1 362 641	(784 118)
<b>Net cash flows from operations</b>		<b>2 363 576</b>	<b>(45 169)</b>
<b>Returns on investments and servicing of finance</b>			
Interest received		37	88
Interest paid		(331 743)	(134 345)
Taxation paid		-	(168 486)
Net cash flows on investments and servicing of finance		(331 706)	(302 743)
<b>Net cash flows from operating activities</b>		<b>2 031 870</b>	<b>(347 912)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(4 711 316)	(1 597 763)
Purchase of investment		-	(250 000)
Proceeds from disposal of investment		-	800 000
<b>Net cash flows from investing activities</b>		<b>(4 711 316)</b>	<b>(1 047 763)</b>
<b>Net cash flows before financing activities</b>		<b>(2 679 446)</b>	<b>(1 395 675)</b>
<b>Cash flows from financing activities</b>			
Issue of shares		14 841	3 494
Interest bearing loans repaid	14	(1 091 725)	(2 562 491)
Interest bearing borrowings received	14	1 500 000	4 512 486
Principal paid on lease liability	14	(9 615)	(848)
<b>Net cash flows from financing activities</b>		<b>413 501</b>	<b>1 952 641</b>
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>(2 265 945)</b>	<b>556 966</b>
Net foreign exchange differences on cash and cash equivalents		(133 707)	(117 121)
Cash and cash equivalents at the beginning of the period		1 937 098	562 145
<b>Cash and cash equivalents at the end of the period</b>		<b>(462 554)</b>	<b>1 001 990</b>
<b>Cash and cash equivalents represented by:</b>			
Bank and cash balances		1 000 945	1 001 994
Bank overdraft		(1 463 499)	(4)
		<b>(462 554)</b>	<b>1 001 990</b>

\*Refer to note 13

#### INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2021

	Notes	REVIEWED 30/09/2021 US\$	AUDITED RESTATED* 31/03/2021 US\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	82 281 537	80 071 425
<b>Current assets</b>			
Inventories		11 130 874	9 553 707
Trade and other receivables*	9	14 410 542	7 975 823
Income tax prepayment	10	502 358	1 174 927
Cash and short-term deposits		1 000 945	1 937 098
		27 044 719	20 641 555
<b>Total assets</b>		<b>109 326 256</b>	<b>100 712 980</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	11	13 189	13 119
Share premium		32 354 019	32 339 248
Capital Contribution		2 631 877	2 631 877
Retained earnings		20 335 053	14 488 079
Share-based payment reserve		2 554 544	2 478 023
		57 888 682	51 950 346
<b>Non-current liabilities</b>			
Environmental rehabilitation provision		9 987 555	9 936 830
Deferred taxation		19 949 606	20 270 935
Lease liability		57 009	11 757
		29 994 170	30 219 522
<b>Current liabilities</b>			
Trade and other payables	12	19 536 040	18 506 347
Provisions		13 759	35 822
Lease liability		21 831	943
Short term borrowings		1 871 774	-
		21 443 404	18 543 112
<b>Total equity and liabilities</b>		<b>109 326 256</b>	<b>100 712 980</b>

\*Refer to note 10

#### INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2021

	Share capital US\$	Share premium US\$	Capital contribution US\$	Share-based payment reserve US\$	Retained earnings US\$	Total US\$
<b>Balances as at 1 April 2021</b>	<b>13 119</b>	<b>32 339 248</b>	<b>2 631 877</b>	<b>2 478 023</b>	<b>14 488 079</b>	<b>51 950 346</b>
Issue of shares	70	14 771	-	-	-	14 841
Share-based payment expense	-	-	-	76 521	-	76 521
<b>Total comprehensive income for the half year</b>						
Total profit and other comprehensive income for the half year attributable to ordinary shareholders	-	-	-	-	5 846 974	5 846 974
<b>Balances as at 30 September 2021</b>	<b>13 189</b>	<b>32 354 019</b>	<b>2 631 877</b>	<b>2 554 544</b>	<b>20 335 053</b>	<b>57 888 682</b>

#### NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2021

##### 1.0 INCORPORATION AND ACTIVITIES

Bindura Nickel Corporation Limited (the "Group") is a limited liability company incorporated in Zimbabwe and is listed on the Zimbabwe Stock Exchange (ZSE). The ultimate majority shareholder of Bindura Nickel Corporation Limited is Kuvimba Mining House (Private) Limited. The Group's registered address is Trojan Nickel Mine, Number 1 Trojan Mine Road, P.O. Box 35, Bindura, Zimbabwe.

The principal activities of the Group are the mining of nickel and the extraction of related by-products.

##### 2.0 PRESENTATION

These financial statements are presented in United States dollars (US\$), which is the Company's functional currency, rounded to the nearest dollar unless otherwise stated.

##### 2.1 Statement of compliance

These interim financial statements were approved by the Board of Directors on 25 November 2021.

##### 2.2 Basis of preparation

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and the Zimbabwe Stock Exchange listing rules. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2021 annual report.

##### 2.3 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2021, except for the adoption of new standards effective as of 1 April 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2021, but do not have an impact on the interim condensed consolidated financial statements of the Group.

