NICKEL MINES LIMITED
and its controlled entities

A.B.N. 44 127 510 589

FINANCIAL REPORT

FOR THE YEAR ENDED
30 JUNE 2019

NICKEL MINES LIMITED
and its controlled entities

CONTENTS

Principal Activities and Review of Operations
(All amounts in US$ unless otherwise stated)

The operating profit of the Group for the year ended 30 June 2019 after income tax was $71,826,428 (2018: $2,926,833 loss)

Nickel Mines Limited ('the Company' or 'Nickel Mines') was incorporated on 12 September 2007, under the laws of the State of New South Wales, Australia. The Company is focused on becoming a globally significant, low cost producer of nickel pig iron ('NPI'), a key ingredient in the production of stainless steel. At year end, the Company held a 60% interest in a 2 line Rotary Kiln Electric Furnace ('RKEF') plant ('Hengjaya Nickel') and a 17% interest in another 2 line RKEF plant ('Ranger Nickel'). Subsequent to year end, the Company's interest in Ranger Nickel has been increased to a 60% interest. The Company also holds an 80% interest in the Hengjaya Nickel Mine ('Hengjaya Mine'), a large tonnage, high grade nickel laterite deposit located in the Morowali Regency of Central Sulawesi, Indonesia.

During and following the year ended 30 June 2019 significant milestones were achieved as follows:

Highlights:

- Successful completion of the Company's oversubscribed Initial Public Offering ('IPO'), with A$200 million being raised through the issue of 571,428,571 shares at A$0.35 each, with the Company being admitted to the ASX Official List on 20 August 2018.
- Following successful completion of the Company's IPO, Nickel Mines acquired a further 35% interest in Hengjaya Nickel which was under construction within the Indonesia Morowali Industrial Park ('IMIP'), increasing Nickel Mines' interest from 25% to 60%. The Company paid $70 million in cash to Shanghai Decent Investment (Group) Co., Ltd., ('Shanghai Decent'), a Tsingshan group company, to acquire the additional 35% interest.
- In November 2018, the Company converted a non-binding Memorandum of Understanding ('MoU') with Shanghai Decent to acquire an interest in Ranger Nickel into a binding Collaboration Agreement ('CA') and completed the first acquisition under the CA, acquiring 17% of Ranger Nickel for $50 million.
- In November 2018, Hengjaya Nickel received material relief from Indonesian corporate income tax over a period of 9 years.
- In December 2018, the Company signed a Memorandum of Understanding ('MoU') to supply limonite ore to a new High Pressure Acid Leach ('HPAL') plant announced to be constructed within the IMIP.
- On 31 January 2019, the first of the Hengjaya Nickel RKEF lines was commissioned, well ahead of construction schedule. The second Hengjaya Nickel RKEF line was commissioned on 18 March 2019.
- In March 2019, Ranger Nickel received material relief from Indonesian corporate income tax over a period of 9 years.
- In April 2019, the Company announced its intention to move to a 60% interest of Ranger Nickel, with the acquisition to be funded via a funding package consisting of both debt and equity and in June 2019 the Company completed the successful raising of A$55 million through the issue of 137,500,000 shares at A$0.40 each.
- On 30 May 2019, the first of the Ranger Nickel RKEF lines was commissioned, well ahead of construction schedule. The second Ranger Nickel RKEF line was commissioned on 29 June 2019.
- During the year ended 30 June 2019 a total of 454,615 wet metric tonnes ('wmt') of nickel ore were mined at the Hengjaya Mine, with an average stripping ratio of 1.9. A total of 484,268 wmt were sold during the year at an average grade of 1.96% nickel.
- Subsequent to year end and shareholder approval, the Company has increased its interest in Ranger Nickel to 60% with consideration being the drawdown of an $80 million debt facility, the issue of 139,972,705 shares in the Company for $40 million and a cash payment of $1.4 million.

IMIP OPERATIONS

At the commencement of the current financial year, the Company held a 25% interest in Hengjaya Nickel, which was under construction, and an MoU to acquire an interest in Ranger Nickel.

During the current financial year:

- The Company increased its interest in Hengjaya Nickel to 60%.
- Construction and commissioning of Hengjaya Nickel was completed.
- The Company converted the Ranger Nickel MoU to a definitive agreement and acquired an initial 17% of Ranger Nickel. Subsequent to year end, the Company has increased its interest in Ranger Nickel to 60%.
- Construction of Ranger Nickel was completed and commissioning commenced.

A summary of production from Hengjaya Nickel and Ranger Nickel from commissioning to 30 June 2019 is as follows:

		Hengjaya Nickel	Ranger Nickel	Total
NPI Production	tonnes	39,628.7	2,477.1	42,105.8
NPI Grade	%	13.8	12.6	13.7
Nickel Metal Production	tonnes	5,476.5	311.2	5,787.7

Hengjaya Nickel (60% interest held by Nickel Mines)

Ownership Interest Increased to 60%

During the year, in accordance with its rights under its Collaboration and Subscription Agreement ('CSA'), the Company acquired a further 35% of the issued and paid-up share capital of Hengjaya Holdings Private Limited ('Hengjaya Holdings'), a Singaporean domiciled intermediary company which owns 100% of Hengjaya Nickel, for $70 million. The purchase price was fully funded by proceeds from the Company's IPO and resulted in the Company's interest in the 2-line RKEF plant increasing to 60%. Nickel Mines had a 12 month call option from the date on which the first nickel pig iron is produced by Hengjaya Nickel to increase its ownership of Hengjaya Holdings to up to 100% for an additional amount of up $120 million. Subsequent to the end of the year, the Company and Shanghai Decent agreed that Nickel Mines would limit its contractual option to further equity interest in the Hengjaya Nickel project to not more than 80% and that the option period during which Nickel Mines can acquire further equity interest in the Hengjaya Nickel project was extended until 30 November 2020 (previously 31 January 2020).

Completion of Construction and Commencement of NPI Production

On 31 January 2019, Shanghai Decent, the Company's operating partner and 40% equity holder in the project advised that first NPI had been produced from one of Hengjaya Nickel's two rotary kilns in a maiden production run. On 18 March 2019 the second Hengjaya Nickel kiln also commenced commissioning and produced its first NPI.

Commencement of production at Hengjaya Nickel was a milestone for the Company, achieved less than 12 months after ground was broken at the project and is further evidence of Tsingshan's industry-leading ability to deliver a project in unmatched time and a testament to their commitment, professionalism and work ethic.

The commissioning process and production ramp-up is consistent with that previously implemented across the 20 existing RKEF lines currently in operation within the IMIP with greater than 80% of name plate production capacity now being achieved.

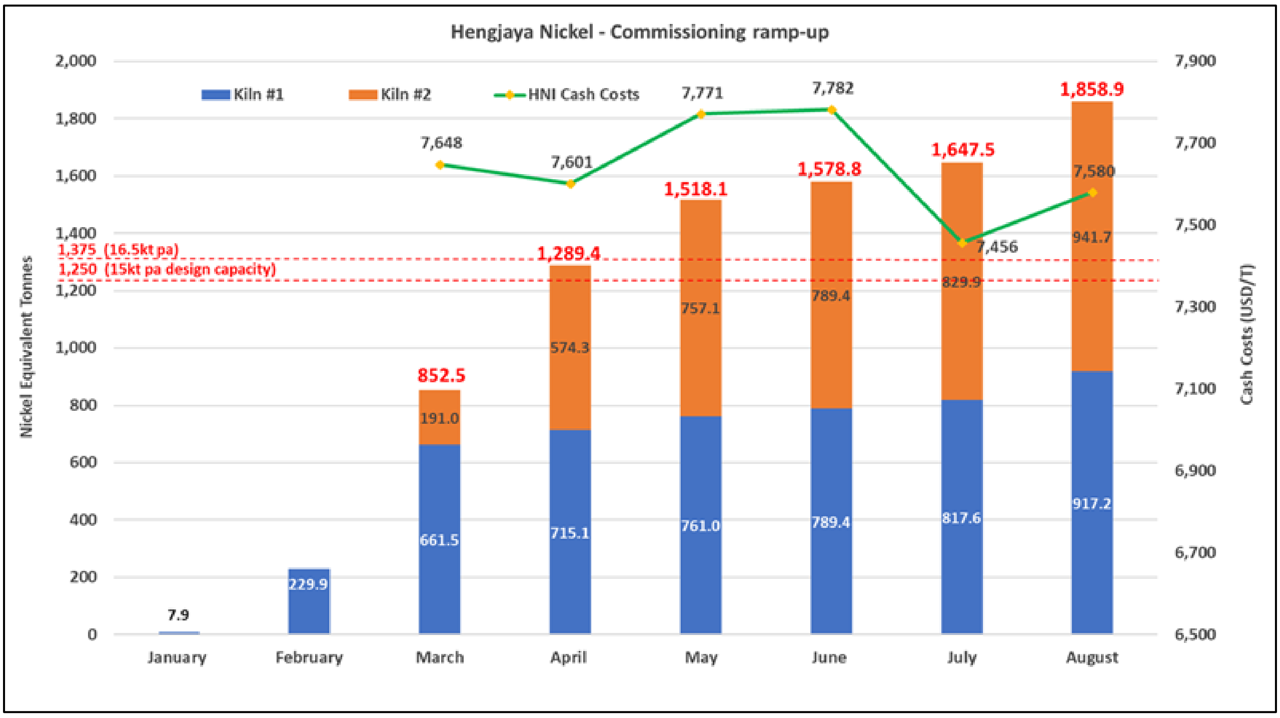
REVIEW OF OPERATIONS

		January	February	March	Quarter Total
NPI Production	tonnes	67.5	1,802.6	6,502.2	8,372.3
NPI Grade	%	11.6	12.7	13.1	13.0
Nickel Metal Production	tonnes	7.9	229.9	852.4	1,090.2
IMIP NPI Pricing(1)	US$/t Ni	12,800	12,800	12,800	12,800
Cash costs(2)	US$/t Ni				7,648

		April	May	June	Quarter Total
NPI Production	tonnes	8,684.8	11,320.5	11,251.1	31,256.4
NPI Grade	%	14.8	13.4	14.0	14.0
Nickel Metal Production	tonnes	1,289.4	1,518.1	1,578.8	4,386.3
IMIP NPI Pricing(1)	US$/t Ni	12,800	11,800	11,700	12,059
Cash costs(2)	US$/t Ni	7,601	7,771	7,782	7,725

(1) The IMIP's NPI price is set on a monthly basis with reference to the average price paid for NPI by several of China's largest stainless steel mills with adjustments made for foreign exchange, VAT in China and freight.
(2) All-in costs (inclusive of depreciation and interest) for the March 2019 quarter averaged $8,246/t Ni and the June 2019 quarter averaged $8,198/t Ni.

During the transition from construction through commissioning, some operating costs may have been classified as capital costs and vice versa.



Corporate Income Tax Relief

In November 2018, the Minister of Finance of the Republic of Indonesia granted the Company's Indonesian operating entity, PT Hengjaya Nickel Industry, material corporate income tax relief.

The corporate income tax reduction is as follows:

- a 100% reduction for a period of seven tax years, starting from the tax year in which commercial production is achieved;
- a 50% reduction for a period of two tax years, starting from the end of the initial seven year period; and
- exemption from withholding and tax collection by third parties on sales proceeds that would normally be remitted to the Indonesian Revenue Department for a period of seven years, also commencing from the tax year in which commercial production is achieved.

These concessions may be revoked and are maximum periods that may be amended or adjusted, if certain conditions are not met, the most important condition being the satisfaction of a minimum investment realisation which the Company's RKEF Project comfortably exceeds.

Subsequently PT Hengjaya Nickel Industry was issued an Industrial Business Licence ('Izin Usaha Industri' or 'IUI') by the Online Single Submission Management and Organizing Agency of the Government of Indonesia, signifying that PT Hengjaya Nickel Industry has fulfilled all commitments and obtained all approvals required by the Government of Indonesia for commercial operation of Hengjaya Nickel, including the production of NPI and the marketing, selling and receiving of payment for the NPI it produces subject to continued compliance with all applicable laws and regulations.

Ranger Nickel (17% interest, increased to 60% interest subsequent to year end, held by Nickel Mines)

Completion of Construction and Commencement of NPI Production

On 30 May 2019, Shanghai Decent, the Company's operating partner and 83% equity holder in Ranger Nickel advised that first NPI had been produced from the first of Ranger Nickel's two rotary kilns. On 29 June 2019 news followed that Ranger Nickel's second kiln had also produced its first NPI in a maiden production run. The commissioning process and ramp-up to full production is anticipated to be consistent with that of Hengjaya Nickel which, as reported above, has enjoyed a seamless ramp-up and is currently producing nickel units well above nameplate capacity.

The commissioning of Ranger Nickel's kilns came well ahead of previous guidance for the middle of the September quarter and now sees all four kilns across the Company's Hengjaya Nickel and Ranger Nickel RKEF projects having been put into production in less than 18 months.

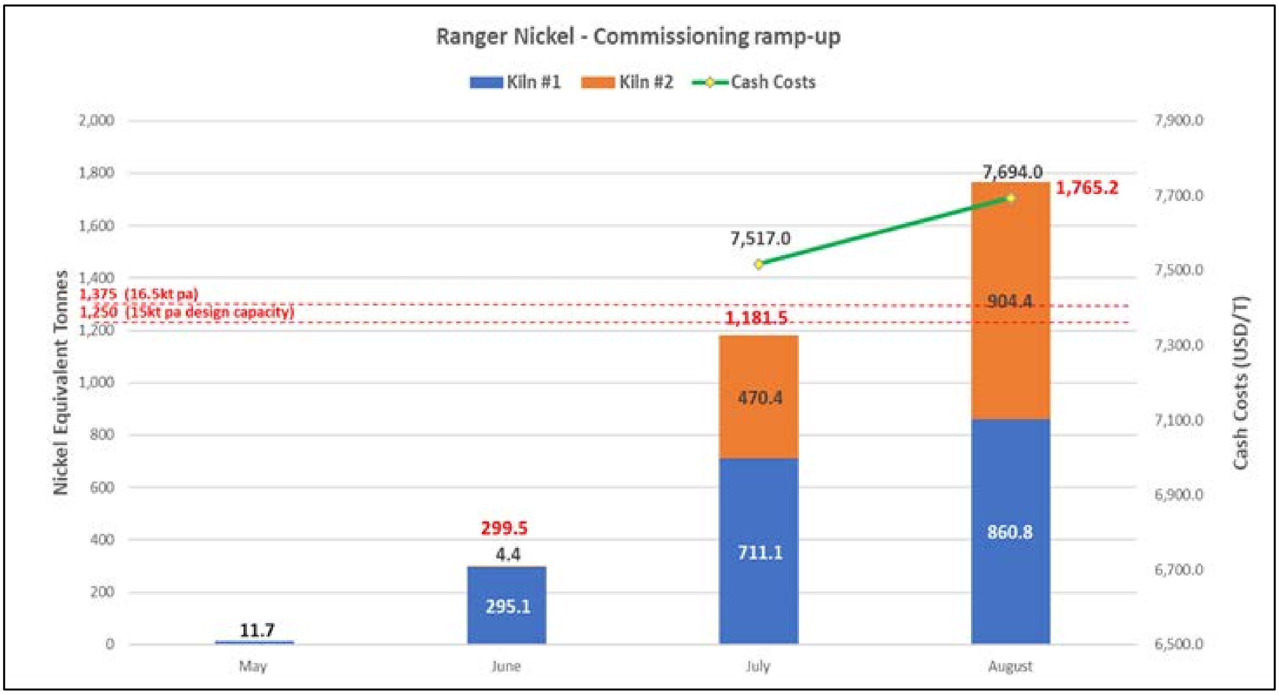
REVIEW OF OPERATIONS

Ranger Nickel's first production run showing the flow of molten NPI

		April	May	June	Quarter Total
NPI Production	tonnes	-	123.1	2,354.0	2,477.1
NPI Grade	%	-	9.5	12.7	12.6
Nickel Metal Production	tonnes	-	11.7	299.5	311.2

Ranger Nickel production in July totalled 8,058.3 tonnes of NPI, containing 1,181.4 tonnes of nickel metal and in August totalled 12,389.1 tonnes of NPI, containing 1,765.2 tonnes of nickel metal.

Cost of production during this transition period from construction through commissioning, from May to the end of July, was $7,517/t Ni on a cash cost basis and $7,980/t Ni on an all-in cost (inclusive of depreciation and interest) basis. Ranger Nickel production from the June quarter was sold subsequent to the end of the financial year.



Ranger Nickel's commissioning profile since production commenced in late May 2019

Corporate Income Tax Relief for Ranger Nickel

In March 2019, the Minister of Finance of the Republic of Indonesia granted the Company's Indonesian operating entity, PT Ranger Nickel Industry, material corporate income tax relief.

The corporate income tax reduction is as follows:

- a 100% reduction for a period of seven tax years, starting from the tax year in which commercial production is achieved;
- a 50% reduction for a period of two tax years, starting from the end of the initial seven year period; and
- exemption from withholding and tax collection by third parties on sales proceeds that would normally be remitted to the Indonesian Revenue Department for a period of seven years, also commencing from the tax year in which commercial production is achieved.

Ownership Interest Increased to 60%

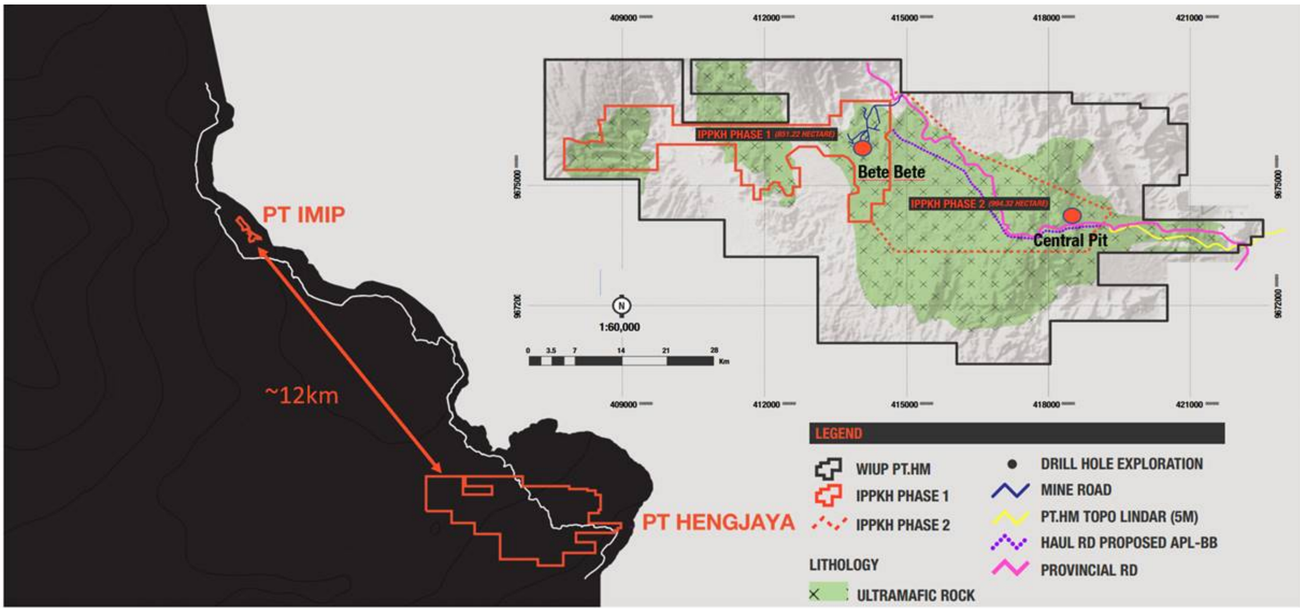
Subsequent to year end and shareholder approval, the Company has increased its interest in Ranger Nickel from 17% to 60% for $121.4 million with consideration being funded by the drawdown of an $80 million senior debt facility provided by a Shanghai Decent associated company, the issue of 139,972,705 shares in the Company for $40 million and a cash payment of $1.4 million.

Hengjaya Mine (80% interest held by Nickel Mines)

Overview

The Company holds an 80% interest in PT Hengjaya Mineralindo, the owner of 100% of the Hengjaya Mine, with the remaining 20% interest owned by the Company's Indonesian partner.

The mine is located in the Morowali Regency, Central Sulawesi, Indonesia within an IUP licence covering 6,249 hectares. The IUP holds a 20 year mining operation/production licence with two further 10 year extension periods.



Map showing the Hengjaya Mine and proximity to the IMIP

The Hengjaya Mine is one of the largest tonnage, high grade operations in close proximity to the IMIP in central Sulawesi. Using a 1.0% Ni cut-off grade, the Hengjaya Mine hosts a JORC compliant resource of 180 million dry tonnes at 1.3% Ni and 0.08% Co, containing 2.3 million tonnes of contained nickel and 140,000 tonnes of contained cobalt.

Category	Dry Tonnes (million)	Ni (%)	Co (%)	Fe (%)
Measured	6.9	1.2	0.07	23
Indicated	50	1.4	0.07	26
Inferred	120	1.3	0.08	29
Total	180	1.3	0.08	28

Resources at the Hengjaya Mine are not fully defined and further exploration activities have commenced as discussed below.

REVIEW OF OPERATIONS

Operations

Mining

Production totalled 454,615 wmt for the year at an average stripping ratio of 1.9:1.0. Sales for the year totalled 484,268 wmt at an average grade of 1.96% with grade being incrementally decreased to maximise mine's resources whilst still meeting the 1.9% RKEF feed grade.

		September 2018 Quarter	December 2018 Quarter	March 2019 Quarter	June 2019 Quarter	Total
Tonnes mined	wmt	125,992	123,176	127,196	78,251	454,615
Overburden mined	Bcm	201,093	254,604	279,781	117,484	852,962
Strip ratio	Bcm/wmt	1.6	2.1	2.2	1.5	1.9
Tonnes sold	wmt	105,620	139,707	142,918	96,023	484,268
Average grade	%	2.04	2.02	1.92	1.84	1.96
Average price received	US$/t	32.44	31.78	27.51	23.42	28.84
Cash costs(1)	CIF US$/t	22.23	25.03	25.44	40.74	27.02

(1) All-in costs (inclusive of depreciation) averaged $30.89/t.

The Company received final approval to access the new mine area in IPPKH Phase 2 (994.32 hectares) in December 2018. Expansion activities continued including land compensation, clearing, and completion of a new jetty stockpile area to allow capacity for increased production, drainage works and road widening. Works on expansion of the jetty have commence which include jetty sea break wall extensions and dredging for larger barges to dock and load.

Whilst the heavy rain during the June 2019 quarter adversely impacted the Hengjaya Mine operations, it had little to no effect on the RKEF operations and production. More than three months of contingency nickel ore stockpiles are held at the IMIP site which can be drawn on whenever ore supply disruptions occur.

Ore Supply Agreements

There is an agreement in place to supply ore from the Hengjaya Mine site to the Hengjaya Nickel and Ranger Nickel RKEF lines. The Hengjaya Mine will commence the ramp up in ore production when access to the IPPKH 2 area is completed.

Mine Expansion

A number of key activities continued during the year in support of the Hengjaya Mine expansion including extension of the existing haul road to the new Central 21 area where the main portion of construction is now completed.

Mine planning initiatives, scheduling and operational improvements have recently shown improved production and ore grade results. The operational team and associated technical ability is being enhanced through both internal training and additional resources in operational readiness for the project to ramp up during the next 12 months. In addition, a new larger mining fleet (40 tonne class trucks, associated excavators and ancillary equipment) is planned to commence operations when mining in the IPPKH 2 area starts.

Widening of mine site haul roads has commenced to accommodate the 40 tonne class trucks required to meet the higher mine production rates planned for later in the year.

Additional mine site laboratory sample preparation and assay equipment has been installed and commissioned to enable additional on-site assays to be completed and faster grade control turnaround times.

The mine camp and infrastructure facilities (accommodation, messing, workshops, warehouse, information technology systems, water and waste treatment plants) scope of works has been awarded and construction works have commenced.

Jetty expansions have commenced and when completed the jetty will have berthing capacity for four x 6,500t to 7,500t class barges.

Exploration

Access to the IPPKH 2 area has allowed ground penetrating radar (‘GPR’) surveys totalling 425 hectares to be completed to the north and east of the current Bete Bete mining blocks (‘Bete Bete Extension’). Initial interpretation indicates significant resource upside potential in the Bete Bete Extension with rocky saprolite thicknesses logged up to 10+ metres thickness. The GPR was followed by exploration and infill drilling with 193 holes drilled for 3,109 metres completed during the year. The program included infill drilling to improve mine planning and scheduling.

Drilling and geological modelling of the Hengjaya Mine resource will continue through the 2019 calendar year through infill and exploration drilling on limonite and saprolite deposits.

Planning for Limonite Ore Supply

In December 2018, the Company signed an MoU to supply limonite ore to a new HPAL plant announced to be constructed within the IMIP.

To support the additional ore supply requirements of the HPAL plant, two options for a direct haul route into the IMIP are currently being considered. Detailed satellite imagery covering over 200km² to an accuracy of 50cm was completed with this detailed survey data to be used enable the detailed design and cost estimates for the preferred haul road route and other future infrastructure options.

The long term opportunity to supply limonite ore to the new HPAL plant continues to be planned for within the long term resource optimisation and, in readiness for eventual delivery, a number of limonite ore stockpiles are being accumulated within the Bete Bete area. In addition to the limonite ore being stockpiled, additional long term mine plans are in progress, including scheduling and stockpile locations which sit inside current and future mine areas and add no additional cost to the short term mine operations.

Drilling in the Central and Bete Bete areas includes modelling of the limonite ore zones and horizons for resource optimisation to reduce future mining costs for this material.

Mine Safety and Environment

There were no lost time injuries reported and no reportable environmental breaches during the year.

As part of the current operations and in preparation for operational readiness for the Hengjaya Mine’s expansion, the occupation health and safety management systems are being restructured and overhauled. New staff have been recruited to support and train current staff with a continued focus to promote a safe work culture.

Environmental improvements and rehabilitation programs continue on site with no environmental issues raised or reported by Indonesian authorities.

The community relations teams continue to work closely with local and regional villages including religious, educational and health programs.

Subsequent to the end of the year, the Hengjaya Mine was voted best site rehabilitation works by the Central Forestry Department in Sulawesi.

Mineral Resources Statement

Summarised below by resource category is the JORC resource estimate for the Hengjaya Mine project, using a 1.0% nickel cut-off grade.

Category	Dry Tonnes (million)	Ni (%)	Co (%)	Fe (%)
Measured	6.9	1.2	0.07	23
Indicated	50	1.4	0.07	26
Inferred	120	1.3	0.08	29
Total	180	1.3	0.08	28

Resource Comparison 2019 to 2018

As detailed in review of operations the Company has been conducting an exploration drilling program at the Hengjaya Mine and anticipates issuing an updated Resource in the coming months. Whilst the underlying Resource has not been updated from that disclosed in the 2018 Annual Report, following the signing of a Memorandum of Understanding to supply limonite ore to a new High Pressure Acid Leach ('HPAL') plant to be constructed within the IMIP, which unlike the IMIP's RKEFs which require saprolite ore (>1.8% nickel), the HPAL plant will utilise a lower grade limonite ore (~1.0% nickel) the Company determined the cut-off grade appropriate given the potential economic extraction of nickel at this level using existing technology.

At 30 June 2018, the Company reported resources at a 1.5% Ni cut-off grade as follows:

Category	Dry Tonnes (million)	Ni (%)	Co (%)	Fe (%)
Measured	0.7	1.8	0.05	16
Indicated	15	1.9	0.06	17
Inferred	22	1.8	0.05	17
Total	38	1.8	0.06	17

Statement of Compliance

The information in this report that relates to Mineral Resources and Exploration Results is based on information compiled by Mr Brett Gunter, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Gunter has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Brett Gunter consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Information relating to the Mineral Resources Statement is based on, and fairly represents, information and supporting documentation prepared by Nickel Mines staff and contractors and approved by Mr Brett Gunter. The Mineral Resource Statement as a whole has been approved by Mr Gunter and he has consented to the form and context in which it appears in this report.

Corporate Governance Statement

The Board is committed to maintaining standards of Corporate Governance. Corporate Governance is about having a set of core values and behaviours that underpin the Company's activities and ensure transparency, fair dealing and protection of the interests of stakeholders. The Company has reviewed its corporate governance practises against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

The 2019 Corporate Governance Statement is dated as at 30 September 2019 and reflects the corporate governance practises throughout the 2019 financial year. The 2019 Corporate Governance Statement was approved by the Board on 30 September 2019. A description of the Company's current corporate governance practises is set out in the Company's Corporate Governance Statement which can be viewed at www.nickelmines.com.au/corporate-governance/.

DIRECTORS' REPORT

The Directors present their report together with the financial report of Nickel Mines Group, being Nickel Mines Limited ('the Company' or 'Nickel Mines') and its controlled entities ('the Group'), for the year ended 30 June 2019 and the auditor's report thereon:

Directors

The names and particulars of the Directors of the Company at any time during or since the end of the period are:

Robert Charles Neale – Non-Executive Chairman

Director since 16 April 2018.

Mr Neale graduated from the University of Queensland with a First Class Honours Degree in Geology and Mineralogy with an additional major in Chemistry. Mr Neale is currently the Non-Executive Chairman of Mayur Resources Limited, an industrial minerals and energy company with assets in Papua New Guinea. Mr Neale is also a non-executive director of Amber Power Limited, an Australian, non-listed public company, developing innovative new energy technologies.

Mr Neale is the former Managing Director of New Hope Corporation Limited (NHC) and non-executive director of Planet Gas Limited until February 2016. He joined NHC in 1996 as General Manager and was appointed as an executive officer in 2005 and to the Board of Directors in 2008 until his retirement in 2014. Mr Neale has more than 45 years' experience in the mining, oil and gas and exploration industries covering base metals, gold, coal, synthetic fuels and conventional oil and gas, bulk materials shipping, and power generation. Prior to NHC he spent 23 years with Esso Australia and EXXON Coal and Minerals Company.

Norman Alfred Seckold – Executive Deputy Chairman

Executive Chairman to 16 April 2018. Director since 12 September 2007.

Norman Seckold graduated with a Bachelor of Economics degree from the University of Sydney and has spent more than 30 years in the full time management of natural resource companies, both in Australia and overseas.

Mr Seckold has been the Chairman of a number of publicly listed companies including Moruya Gold Mines (1983) N.L., which acquired the Golden Reward heap leach gold deposit in South Dakota, USA, Pangea Resources Limited, which acquired and developed the Pauper's Dream gold mine in Montana, USA, Timberline Minerals, Inc. which acquired and completed a feasibility study for the development of the MacArthur copper deposit in Nevada, USA, Perseverance Corporation Limited, which discovered and developed the Nagambie gold mine in Victoria, Valdora Minerals N.L., which developed the Rustler's Roost gold mine in the Northern Territory and the Ballarat East Gold Mine in Victoria, Viking Gold Corporation, which discovered a high grade gold deposit in northern Sweden, Mogul Mining N.L., which drilled out the Magistral and Ocampo gold deposits in Mexico and Bolnisi Gold N.L, which discovered and developed the Palmarejo and Guadalupe gold and silver mines in Mexico.

Mr Seckold is currently Chairman of Alpha HPA Limited, a company planning to produce high purity alumina and operating in Australia and Indonesia, Santana Minerals Ltd., a precious metals exploration company with projects in Chile and Mexico, Sky Metals Limited, exploring for tin and tungsten in NSW, Australia and unlisted public company Mekong Minerals Limited.

Justin Charles Werner – Managing Director

Director since 23 August 2012.

Mr Werner, holds a Bachelor of Management from the University of Sydney and has been involved in the mining industry for 20 years. He was a founding partner of PT Gemala Borneo Utama, a private Indonesian exploration and mining company, which developed a heap leach gold mine in West Kalimantan and also discovered the highly prospective Romang Island with ASX listed Robust Resources Limited which was acquired in 2012 by Indonesian business tycoon Anthony Salim.

Prior to developing projects in Indonesia, Justin worked as a consultant, leading many successful turnaround projects for blue chip mining companies around the world including Freeport McMoran (Grasberg deposit, Indonesia where he spent 2 years), Lihir Gold (Lihir mine, Papua New Guinea), Placer Dome (Nevada, USA), BHP Billiton (Ingwe Coal, South Africa), Rio Tinto (West Angeles Iron Ore, Australia), Nickel West (Western Australia) and QNI Yabulu refinery (Queensland, Australia).

Mr Werner is currently a non-executive director of ASX Listed Alpha HPA Limited.

Peter James Nightingale – Executive Director and Chief Financial Officer
Director since 12 September 2007.

Peter Nightingale graduated with a Bachelor of Economics degree from the University of Sydney and is a member of the Institute of Chartered Accountants Australia and New Zealand. He has worked as a chartered accountant in both Australia and the USA.

As a director or company secretary Mr Nightingale has, for more than 30 years, been responsible for the financial control, administration, secretarial and in-house legal functions of a number of private and public listed companies in Australia, the USA and Europe including Pangea Resources Limited, Timberline Minerals Inc., Perseverance Corporation Limited, Valdora Minerals N.L., Mogul Mining N.L., Bolnisi Gold N.L, Cockatoo Coal Limited and Planet Gas Limited (now Sky Metals Limited). Mr Nightingale is currently a director of ASX Listed Alpha HPA Limited and unlisted public company Prospech Limited.

James Crombie – Non-Executive Director
Director since 23 May 2008.

Jim Crombie graduated from the Royal School of Mines, London, with a B.Sc. (Hons) in Mining Engineering, having been awarded an Anglo American Scholarship. Mr. Crombie held various positions with DeBeers Consolidated Mines and the Anglo American Corporation in South Africa and Angola between 1980 and 1986. He spent the next thirteen years as a Mining Analyst and Investment Banker with Shepards, Merrill Lynch, James Capel & Co. and finally with Yorkton Securities. Mr. Crombie was the Vice President, Corporate Development of Hope Bay Mining Corporation Inc. from February 1999 through May 2002 and President and CEO of Ariane Gold Corp. from August 2002 to November 2003. Mr. Crombie was President, CEO and a director of Palmarejo Silver and Gold Corporation until the merger with Coeur d'Alene Mines Corporation, one of the world's leading silver companies, in December 2007. He was a director of Sherwood Copper Corporation until its business combination with Capstone Mining Corp. in November 2008. Currently, Mr. Crombie is President and CEO of Odyssey Resources Corp., and a director of Arian Silver Corporation and Torex Gold Resources Inc.

Weifeng Huang – Non-Executive Director
Director since 26 April 2018.

Mr Huang has graduated with a Bachelor of Engineering degree from Zhejiang University and a Masters of Business Administration from Zhejiang University.

Mr Huang began his career in several industrial enterprises and has broad management experiences from serving as the Plant Manager of Wenzhou Tractor Plant, the General Manager of Wenzhou Machinery Industrial Corporation, the Vice Mayor of Wenzhou and the Executive Chairman of China Perfect Machinery Industry Corp., Ltd. Mr Huang also served as the Deputy Director of the Management Committee of Shanghai Jinqiao Export Processing Zone, where he was appointed as a Director of Shanghai Jinqiao Export Processing Zone Development Co., Ltd, a publicly-listed company on the Shanghai Stock Exchange and the Deputy CEO of Shanghai Jinqiao Group. Mr Huang was also a former Chairman of the board of Harbin High Tech (Group) Co., Ltd, another publicly-listed company on the Shanghai Stock Exchange.

Mr Huang is currently the Chairman of Shanghai Decent Investment (Group) Co., Ltd, ('Shanghai Decent') a flagship company within the Tsingshan group and a Director of PT Indonesia Morowali Industrial Park. Under his leadership, Shanghai Decent has led in the development of the IMIP.

Mark Hamish Lochtenberg – Non-Executive Director
Director since 10 March 2017.

Mr Lochtenberg graduated with a Bachelor of Law (Hons) degree from Liverpool University, U.K. and has been actively involved in the coal industry for more than 25 years. He was the Executive Chairman and founding Managing Director of ASX-listed Cockatoo Coal Limited.

He was also formerly the co-head of Glencore International AG's worldwide coal division, where he spent 13 years overseeing a range of trading activities including the identification, due diligence, negotiation, acquisition and aggregation of the coal project portfolio that would become Xstrata Coal. Prior to this Mr Lochtenberg established a coal "swaps" market for Bain Refco, (Deutsche Bank) after having served as a senior coal trader for Hansen Neuerburg AG and as coal marketing manager for Peko Wallsend Limited.

Mr Lochtenberg is currently Chairman of ASX listed Equus Resources Limited, a minerals exploration company with operations in Chile and a Director of Australian Transport Energy Corridor Pty Ltd and Montem Resources Limited.

Yuanyuan Xu – Non-Executive Director
Director since 26 April 2018.

Ms Yuanyuan Xu graduated with a Bachelor's Degree in Fashion Business & Fashion Design from Instituto Marangoni.

Since graduation, Ms Xu has participated in the Shanghai Fashion Week with a focus on marketing, public relations and procurement activities.

She is currently an Executive Director of Shanghai Wanlu Investment Co., Ltd.

Richard James Edwards – Company Secretary
Company Secretary since 28 March 2012.

Richard Edwards graduated with a Bachelor of Commerce degree from the University of New South Wales, is a Fellow of the Governance Institute of Australia, a member of CPA Australia and holds a Graduate Diploma of Applied Finance and Investment from FINSIA. Mr Edwards has worked for over fifteen years providing financial reporting and company secretarial services to a range of publicly listed companies in Australia with a focus on the mining sector. He is also Company Secretary of ASX listed Alpha HPA Limited and unlisted public company Prospech Limited.

Directors' Meetings

The number of Directors' meetings held and number of meetings attended by each of the Directors of the Company, while they were a Director, during the year are:

Director	Board meetings		Audit Committee meetings	
	Held	Attended	Held	Attended
Robert Neale	7	7	2	1
Norman Seckold	7	7	-	-
Justin Werner	7	6	-	-
Peter Nightingale	7	6	-	-
James Crombie	7	7	2	2
Weifeng Huang	7	7	2	2
Mark Lochtenberg	7	6	2	2
Yuanyuan Xu	7	4	-	-

The first meeting of the Company's Remuneration Committee was held subsequent to the end of the year. The Company has also formed a Nomination Committee that has not yet met.

Directors' Interests

The beneficial interests of each Director of the Company in the issued share capital of the Company are:

Key management personnel	1 July 2018	Purchased	Sold	Date of this report
Robert Neale	500,000	-	-	500,000
Norman Seckold	123,715,661	-	-	123,715,661
Justin Werner	25,016,297	-	-	25,016,297
Peter Nightingale	22,265,654	-	-	22,265,654
James Crombie	6,580,000	-	-	6,580,000
Weifeng Huang	-	-	-	-
Mark Lochtenberg	11,693,333	-	-	11,693,333
Yuanyuan Xu	149,258,258	-	-	149,258,258

Dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 30 June 2019. No dividends have been paid or declared during the year or in prior years.

Significant Changes in State of Affairs

In the opinion of the Directors, significant changes in the state of affairs of the Group that occurred during the year ended 30 June 2019 were as follows:

- In August 2018 the Company successfully completed its IPO, with A$200 million being raised through the issue of 571,428,572 shares at A$0.35 each.
- Following the IPO, the Company exercised its option to acquire a further 35% interest in Hengjaya Nickel, taking Nickel Mines' interest to 60%, with the Company paying $70 million to Shanghai Decent in cash to acquire the additional 35% interest.
- In November 2018, the Company received notification that Hengjaya Nickel was to receive material relief from Indonesian corporate income tax.

- On 31 January 2019, the first of the Hengjaya Nickel RKEF lines was commissioned, well ahead of construction schedule. The second Hengjaya Nickel RKEF line was commissioned on 18 March 2019.
- In March 2019, the Company received notification that Ranger Nickel was to receive material relief from Indonesian corporate income tax.
- In April 2019, the Company announced its intention to move to a 60% interest of Ranger Nickel, with the acquisition to be funded via a funding package consisting of both debt and equity and in June 2019 the Company completed the successful raising of A$55 million through the issue of 137,500,000 shares at A$0.40 each.
- On 30 May 2019, the first of the Ranger Nickel RKEF lines was commissioned, well ahead of construction schedule. The second Ranger Nickel RKEF line was commissioned on 29 June 2019.

In the opinion of the Directors, there were no other significant changes in the state of affairs of the Group during the year ended 30 June 2019 other than as disclosed in this Directors' Report, or in the financial statements.

Impact of Legislation and Other External Requirements

On 12 January 2014 the Indonesian Government introduced a ban on the export of unprocessed minerals. As a consequence, the mining operations at the Hengjaya Mine ceased. Whilst the ban on the export of unprocessed minerals remains in place, mining operations were recommenced in October 2015 following the signing of a series of ore offtake agreements to supply ore to companies within the Tsingshan Group as detailed above. There were no environmental or other legislative requirements during the year that have significantly impacted the results or operations of the Group.

Environmental Regulations

The Group's operations are subject to environmental regulations in the Republic of Indonesia.

The Board of Directors regularly monitors compliance with environmental regulations. The Directors are not aware of any significant breaches of these regulations during the year covered by this report.

Likely Developments

Information as to likely developments in the operations of the Group and the expected results of those operations in subsequent years has not been included in this report because disclosure of this information would be likely to result in unreasonable prejudice to the Group.

Indemnification of Officers and Auditors

During or since the end of the year, the Company has not indemnified or made a relevant agreement to indemnify an officer or auditor of the Company against a liability incurred by such an officer or auditor. In addition, the Company has not paid or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an officer or auditor.

Non-audit Services

During the year KPMG, the Group's auditor, provided the following non-audit services:

	2019	**2018**
	$	**$**
Taxation services in relation to IPO	-	7,545
Investigating Accountant's services in relation to IPO	11,536	35,884
	11,536	43,429

The Directors have considered the non-audit services provided during the year by KPMG. These services do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants as they did not involve review or auditing the auditors own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards. For this reason the Board is satisfied that the provision of those non-audit services provided during the year by KPMG is compatible with and did not compromise the auditor independence of the Corporations Act 2001.

Events Subsequent to Balance Date

Subsequent to the end of the year:

- On 26 July 2019, the Company's shareholders approved the Company to increase its interest in Ranger Nickel from 17% to 60% for $121.4 million with consideration being funded by the drawdown of an $80 million senior debt facility provided by a Shanghai Decent associated company, the issue of 139,972,705 shares in the Company for $40 million and a cash payment of $1.4 million. The Company completed this acquisition on 15 August 2019.
- In August 2019, subsequent to the drawdown of the $80 million senior debt facility, the Company made a voluntary early repayment of $10M.
- In September 2019, the Company and Shanghai Decent agreed that Nickel Mines would limit its contractual option to further equity interest in the Hengjaya Nickel project to not more than 80% and that the option period during which Nickel Mines can acquire further equity interest in the Hengjaya Nickel project was extended until 30 November 2020 (previously 31 January 2020).

Other than the matters detailed above, there has not arisen in the interval between the end of the financial year and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Remuneration Report - (Audited)

All amounts in this remuneration report are in Australian Dollars unless otherwise stated.

Principles of Compensation - (Audited)

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel comprise the Directors of the Company. No other employees have been deemed to be key management personnel. The policy of remuneration of Directors and senior executives is to ensure the remuneration package properly reflects the person's duties and responsibilities, and that remuneration is competitive in attracting, retaining and motivating people of the highest quality. Compensation levels have been, and will be, set to be in line with Australian listed entities of equivalent size and comparable operations in order to attract and retain suitably qualified and experienced key management personnel but also having regard to the prevailing financial capacity of the Company.

The Board is responsible for reviewing and evaluating its own performance. The evaluation process is intended to assess the Group's business performance, whether long term strategic objectives are being achieved and the achievement of individual performance objectives.

Remuneration generally consists of salary payments. The remuneration disclosed below represents the cost to the Group for the services provided under these arrangements.

Remuneration Report - (Audited)
Principles of Compensation - (Audited)

Consultancy Agreements with key management personnel
The Company has entered into an executive consultancy agreement with a company associated with Norman Seckold. Under this executive consultancy agreement, the consultancy company of Mr Seckold agrees to make Mr Seckold available to perform the duties and responsibilities of the position of Executive Chairman up to the IPO and Executive Deputy Chairman after the IPO. Up until the successful listing of the Company on the ASX, the consultancy company received a fee of $8,500 per month (exclusive of GST) and, subsequent to the successful listing of the Company on the ASX, to 30 June 2019 received a fee of $8,333 per month (exclusive of GST). The consultancy agreement commenced on 1 May 2018 and continues until terminated in accordance with its terms. Prior to 1 May 2018 there was no formal contract with Mr Seckold.

The Company has entered into an executive consultancy agreement with a company associated with Justin Werner. Under this executive consultancy agreement, the consultancy company of Mr Werner agrees to make Mr Werner available to perform the duties and responsibilities of the position of Managing Director. Up until the successful listing of the Company on the ASX, the consultancy company received a fee of $12,500 per month (exclusive of GST) and, subsequent to the successful listing of the Company on the ASX, to 30 June 2019 received a fee of $25,833 per month (exclusive of GST). The consultancy agreement commenced on 1 April 2018 and continues until terminated in accordance with its terms. Prior to 1 April 2018 there was no formal contract with Mr Werner.

The Company has entered into an executive consultancy agreement with a company associated with Peter Nightingale. Under this executive consultancy agreement, the consultancy company of Mr Nightingale agrees to make Mr Nightingale available to perform the duties and responsibilities of the position of Chief Financial Officer and Executive Director. Up until the successful listing of the Company on the ASX, the consultancy company received a fee of $8,500 per month (exclusive of GST) and, subsequent to the successful listing of the Company on the ASX, to 30 June 2019 received a fee of $16,667 per month (exclusive of GST). The consultancy agreement commenced on 1 April 2018 and continues until terminated in accordance with its terms. Prior to 1 April 2018 there was no formal contract with Mr Nightingale.

Each Executive Director is entitled to be reimbursed for reasonable travel and other expenses incurred in connection with attending meetings of the Board and any committee on which he or she serves. The consultancy agreements may be terminated by the Company or the consultancy company by either party giving three months' notice. The Company may terminate the consultancy agreements without notice in certain circumstances, including but not limited to a breach of contract, criminal activity or serious misconduct by the consultancy company or the key management personnel.

Each of the Company's Non-Executive Directors have entered into Letters of Appointment with the Company to serve as Non-Executive Directors. Each of the Letters of Appointment provide that amongst other things, in consideration for their services, the Company will pay the following fees to the Non-Executive Directors, following listing on the ASX.

Name	Position	Annual fee (A$)
Robert Neale	Non-Executive Chairman	150,000
James Crombie	Non-Executive Director	50,000
Weifeng Huang	Non-Executive Director	50,000
Mark Lochtenberg	Non-Executive Director	50,000
Yuanyuan Xu	Non-Executive Director	50,000

No Directors or senior executives received performance related remuneration during the year ended 30 June 2019. There were no remuneration consultants used by the Group during the year ended 30 June 2019, or in the prior year.

Remuneration Report - (Audited)

Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the Board has regard to the following indices in respect of the current financial year and the previous four financial years.

USD	2019	2018	2017	2016	2015
Net profit/(loss) attributable to owners of the Company	65,525,988	(3,311,526)	(3,831,761)	(1,377,084)	(3,732,242)
Dividends paid	-	-	-	-	-

As the Group has only recently transitioned from the development stage into production at the Company's RKEF projects the Board also considers non-financial indices in assessing the Group's performance and the shareholders wealth. This includes obtaining the permits and approvals to further develop the mining operations, identifying opportunities for potential strategic business partnerships and ventures and the success of fund raising ventures.

Details of Remuneration for the Year Ended 30 June 2019 - (Audited)

Details of Director and senior executive remuneration and the nature and amount of each major element of the remuneration of each Director of the Company, and other key management personnel of the Group are set out below. All balances included are denominated in Australian Dollars:

Key management personnel	Year	Short term	Post-employment	Share based payments	Total	Proportion of remuneration performance related	Value of options as a proportion of remuneration
		Salary and fees A$	Superannuation A$	Shares A$	A$	%	%
Executive Directors							
Norman Seckold	**2019**	**100,269**	**-**	**-**	**100,269**	**-**	
	2018	51,000	-	408,000	459,000	89%	-
Justin Werner	**2019**	**288,495**	**-**	**-**	**288,495**	**-**	
	2018	177,859	-	-	177,859	-	-
Peter Nightingale	**2019**	**186,828**	**-**	**-**	**186,828**	**-**	**-**
	2018	51,000	-	408,000	459,000	89%	-
Non-Executive Directors							
Robert Neale(1)	**2019**	**129,833**	**-**	**-**	**129,833**	**-**	**-**
	2018	-	-	-	-	-	-
James Crombie	**2019**	**43,280**	**-**	**-**	**43,280**	**-**	**-**
	2018	-	-	160,000	160,000	100%	-
Weifeng Huang(2)	**2019**	**43,280**	**-**	**-**	**43,280**	**-**	**-**
	2018	-	-	-	-	-	-
Mark Lochtenberg	**2019**	**43,280**	**-**	**-**	**43,280**	**-**	**-**
	2018	-	-	-	-	-	-
Yuanyuan Xu(2)	**2019**	**43,280**	**-**	**-**	**43,280**	**-**	**-**
	2018	-	-	-	-	-	-
Total	**2019**	**878,545**	**-**	**-**	**878,545**	**-**	**-**
Total	2018	279,859	-	976,000	1,255,859	78%	-

(1) Appointed as a Director on 16 April 2018.

(2) Appointed as a Director on 26 April 2018.

Remuneration Report - (Audited)

Details of Remuneration for the Year Ended 30 June 2019 - (Audited)

The total remuneration expense for the year ended 30 June 2019 of A$878,545 (2018: A$1,255,859) has been recognised in the Statement of Profit or Loss at the US$ equivalent of $628,511 (2018: $974,607).

Movement in shares – (Audited)

The movement during the reporting period in the number of ordinary shares in the Company held directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	1 July 2018	Purchased	Sold	30 June 2019
Robert Neale	500,000	-	-	500,000
Norman Seckold	123,715,661	-	-	123,715,661
Justin Werner	25,016,297	-	-	25,016,297
Peter Nightingale	22,265,654	-	-	22,265,654
James Crombie	6,580,000	-	-	6,580,000
Weifeng Huang	-	-	-	-
Mark Lochtenberg	11,693,333	-	-	11,693,333
Yuanyuan Xu	149,258,258	-	-	149,258,258

	1 July 2017	Purchased	Granted as Compensation(3)	Sold	30 June 2018
Robert Neale	500,000(1)	-	-	-	500,000
Norman Seckold	115,272,673	6,184,963(2)	2,258,025	-	123,715,661
Justin Werner	21,099,491	3,916,806(2)	-	-	25,016,297
Peter Nightingale	16,286,787	3,720,842(2)	2,258,025	-	22,265,654
James Crombie	5,775,000	-	805,000	-	6,580,000
Weifeng Huang	-(1)	-	-	-	-
Mark Lochtenberg	11,693,333	-	-	-	11,693,333
Yuanyuan Xu	149,258,258(1)	-	-	-	149,258,258

(1) Number held at the date he/she became a Director.

(2) To enable the company to meet the precondition requirements of the Hengjaya Nickel Collaboration and Subscription Agreement, the Directors agreed to receive shares in lieu of payment to extinguish the debts owing. Norman Seckold received 3,472,777 shares, Justin Werner received 2,416,806 shares and Peter Nightingale received 1,008,656 shares. Additionally, the Company settled all outstanding loan and creditor balances with MIS Corporate Pty Limited, an entity in which Norman Seckold and Peter Nightingale hold a controlling interest by the issuance of 2,712,186 shares to each of Norman Seckold and Peter Nightingale. All other share purchases were made in cash as part of the pre-IPO capital raise which commenced in December 2017.

(3) Following the successful pre-IPO capital raise in December 2017, the Board approved a one-off payment to Norman Seckold, Peter Nightingale and James Crombie totalling A$976,000 (excluding GST) in recognition of the services they have provided leading up to the pre-IPO capital raise. The payment was settled through the issue of shares at the rate of $0.16 per share.

Remuneration Report - (Audited)

Transactions with Key Management Personnel – (Audited)

Norman Seckold and Peter Nightingale hold a controlling interest in an entity, MIS Corporate Pty Limited, which provided full administrative services, including administrative, accounting, company secretarial and investor relations staff both within Australia and Indonesia, rental accommodation, services and supplies to the Group. Fees charged by MIS Corporate Pty Limited during the year amounted to A$402,600 (2018: A$279,452) which included a fee of A$15,000 per month, which increased to A$35,000 per month from 1 January 2019 and reimbursement of consultant expenses incurred on behalf of the Group. At 30 June 2019 A$9,000 (2018: A$51,346) remained outstanding and was included in the creditor's balance.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 23 and forms part of the Directors' Report for the period ended 30 June 2019.

Signed at Sydney this 30th day of September 2019 in accordance with a resolution of the Board of Directors:

Robert Neale
Chairman

Norman Seckold
Deputy Chairman

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Nickel Mines Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Nickel Mines Limited for the financial year ended 30 June 2019 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Stephen Board
Partner

Brisbane
30 September 2019

NICKEL MINES LIMITED
and its controlled entities

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

USD	Notes	2019 $	2018 $
Sales revenue	21	64,937,347	13,551,415
Cost of sales		(43,346,515)	(10,438,886)
Gross profit		21,590,832	3,112,529
Administration expenses:			
Directors' fees and consultants' expenses		(2,641,601)	(1,987,189)
Depreciation and amortisation expense		(6,836,420)	(319,113)
Agency fee charges		-	(1,800,000)
Share of profit of equity accounted investees	15	2,623,212	-
Other expenses	4	(1,122,798)	(626,213)
Results from operating activities		13,613,225	(1,619,986)
Financial income	5	58,315,916	675,890
Financial expense	5	(35,925)	(1,326,476)
Finance income/(expense)		58,279,991	(650,586)
Profit/(loss) before income tax		71,893,216	(2,270,572)
Income tax expense	8	(66,788)	(656,261)
Profit/(loss) for the year		71,826,428	(2,926,833)
Other comprehensive income			
Items that may be classified subsequently to profit or loss		-	-
Total comprehensive profit/(loss) for the year		71,826,428	(2,926,833)
Profit/(loss) attributable to:			
Owners of the Company		65,525,988	(3,311,526)
Non-controlling interest		6,300,440	384,693
Profit/(loss) for the year		71,826,428	(2,926,833)
Total comprehensive profit/(loss) attributable to:			
Owners of the Company		65,525,988	(3,311,526)
Non-controlling interest		6,300,440	384,693
Total comprehensive profit/(loss) for the year		71,826,428	(2,926,833)
Earnings per share			
Basic and diluted profit/(loss) per share (cents)	9	4.95	(0.72)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

NICKEL MINES LIMITED
and its controlled entities

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

USD	Notes	2019 $	2018 $
Current assets			
Cash and cash equivalents	18	49,002,977	806,574
Trade and other receivables	6	43,666,416	387,412
Inventory	10	8,917,474	588,843
Other current assets	7	6,617,630	768,643
Total current assets		108,204,497	2,551,472
Non-current assets			
Other non-current asset	7	4,459,072	242,045
Investment in equity accounted investees	15	49,960,736	50,000,025
Property, plant and equipment	11	340,090,494	26,627,634
Goodwill	16	29,219,349	-
Total non-current assets		423,729,651	76,869,704
Total assets		531,934,148	79,421,176
Current liabilities			
Trade and other payables	12	42,249,023	2,855,385
Current tax payable		303,729	657,471
Provision – employee's benefit obligation		497,886	478,549
Borrowings	13	4,180,333	-
Total current liabilities		47,230,971	3,991,405
Non-current liabilities			
Provision – rehabilitation		198,309	285,057
Deferred income tax liability	8	29,391,174	-
Other non-current liability		346,816	-
Total non-current liabilities		29,936,299	285,057
Total liabilities		77,167,270	4,276,462
Net assets		454,766,878	75,144,714
Equity			
Share capital	14	275,938,304	103,105,128
Reserves		(639,437)	(595,498)
Retained profits/(Accumulated losses)		36,253,532	(29,272,456)
Total equity attributable to equity holders of the Company		311,552,399	73,237,174
Non-controlling interest		143,214,479	1,907,540
Total equity		454,766,878	75,144,714

The above consolidated statement of financial position should be read in conjunction with accompanying notes.

NICKEL MINES LIMITED
and its controlled entities

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Share capital	Retained Profits/ (Accumulated losses)	Reserves	Total	Non-controlling interest	Total equity
USD		**$**	**$**	**$**	**$**	**$**	**$**
Balance at 1 July 2017		26,188,005	(25,960,930)	(595,498)	(368,423)	1,522,847	1,154,424
Total comprehensive income for the year							
Loss for the year		-	(3,311,526)	-	(3,311,526)	384,693	(2,926,833)
Total comprehensive loss for the year		-	(3,311,526)	-	(3,311,526)	384,693	(2,926,833)
Transactions with owners, recorded directly in equity							
Issue of shares	14	79,587,329	-	-	79,587,329	-	79,587,329
Costs of issue		(2,670,206)	-	-	(2,670,206)	-	(2,670,206)
Balance at 30 June 2018		103,105,128	(29,272,456)	(595,498)	73,237,174	1,907,540	75,144,714
Balance at 1 July 2018		103,105,128	(29,272,456)	(595,498)	73,237,174	1,907,540	75,144,714
Total comprehensive income for the year							
Profit for the year		-	65,525,988	-	65,525,988	6,300,440	71,826,428
Total comprehensive profit for the year		-	65,525,988	-	65,525,988	6,300,440	71,826,428
Transactions with owners, recorded directly in equity							
Issue of shares	14	185,710,639	-	-	185,710,639	-	185,710,639
Costs of issue	14	(12,877,463)	-	-	(12,877,463)	-	(12,877,463)
Non-controlling interest arising on acquisition		-	-	(43,939)	(43,939)	135,006,499	134,962,560
Balance at 30 June 2019		275,938,304	36,253,532	(639,437)	311,552,399	143,214,479	454,766,878

The above consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

USD	Notes	2019 $	2018 $
Cash flows from operating activities			
Cash receipts from customers		33,443,269	13,468,402
Cash payments to employees and suppliers		(28,382,928)	(21,513,018)
Interest received		228,042	55,677
Taxes and fees paid		(1,154,626)	-
Research and development repayment		-	(259,102)
Net cash from/(used in) operating activities	18	4,133,757	(8,248,041)
Cash flows from investing activities			
Payments for investments in equity accounted investees	15	(120,000,000)	(50,000,025)
Payments for property, plant and equipment		(19,501,434)	(670,670)
Cash on acquisition of controlled entity	16	9,576,857	-
Loans to equity accounted investees		(10,700,000)	-
Net cash used in investing activities		(140,624,577)	(50,670,695)
Cash flows from financing activities			
Proceeds from issue of shares	14	183,633,648	73,908,362
Costs of issue		(10,800,472)	(1,770,206)
Contribution by non-controlling interest		15,000,000	-
Repayment of borrowings		(2,000,000)	(13,182,546)
Net cash from financing activities	18	185,833,176	58,955,610
Net increase in cash and cash equivalents		49,342,357	36,874
Effect of exchange rate adjustments on cash held		(1,145,953)	490,925
Cash and cash equivalents at the beginning of the year		806,574	278,775
Cash and cash equivalents at the end of the year		49,002,977	806,574

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTE 1 - REPORTING ENTITY

Nickel Mines Limited (the 'Company') is a company domiciled in Australia. The consolidated financial report for the year ended 30 June 2019 comprises the Company and its subsidiaries (together referred to as the 'Group'). The Group is a for-profit entity and is involved in nickel ore mining and nickel pig iron production operations.

NOTE 2 - BASIS OF PREPARATION

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. The consolidated financial report of the Group complies with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board ('IASB').

The financial report was authorised for issue by the Directors on 30 September 2019.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value.

Functional and presentation currency

These consolidated financial statements are presented in United States dollars, which is the Company's functional currency.

Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 8 – Income tax expense.
- Note 15 – Investment in equity accounted associates.
- Note 16 – Controlled entities.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling interest

The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree. Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions.

Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Where a controlled entity issues shares to minority interests which does not result in loss of control by the Group, any gain or loss arising on the Group's interest in the controlled entity is recognised directly in equity.

Investments in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and a joint venture.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

Nickel ore and nickel pig iron sales revenue

Nickel ore and nickel pig iron sales revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over goods or a service to a customer.

Invoices for nickel ore sales are generated twice a month upon receipt of assay results and are usually payable within 10 working days. Invoices for nickel pig iron sales are generated on a monthly basis and are based on the underlying nickel content delivered. They are usually payable within 60 days. No discounts are provided for nickel ore and nickel pig iron products, but adjustments are made to the final sale price for items including final nickel grade, moisture content and nickel content.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Con't)

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to United States dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to United States dollars at foreign exchange rates ruling at the dates the fair value was determined.

The Group transacts in the following foreign currencies: Australian dollars (A$ or AUD) and Indonesian Rupee (IDR).

Financial statements of foreign operations

The assets and liabilities of foreign entities are translated to United States dollars at the foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated to United States dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in the foreign currency translation reserve ('FCTR'), a separate component of equity.

Foreign exchange gains and losses arising from a monetary item receivable or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in the FCTR.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to United States dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to United States dollars at exchange rates at the dates of the transactions. When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss as part of the profit or loss on disposal.

At 30 June 2019 the functional currency of all components in the Group is United States dollars. The FCTR represents the foreign exchange differences which arose on retranslation in prior years on subsidiaries which have not yet been disposed.

Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see below Impairment accounting policy).

Depreciation and amortisation

Mining properties amortisation rate is applied on a straight-line basis over the remaining term of the mining licence. The amortisation is included in the costs of conversion of inventories.

Depreciation is charged to the income statement using a reducing balance method from the date of acquisition using the following rates:

- Furniture and fittings and plant and machinery are depreciated at 25%.
- Land and buildings and infrastructure are depreciated at 5%.
- Mine infrastructure assets are depreciated at 5%.
- Office equipment is depreciated at rates of between 25% and 40%.
- Plant and machinery are depreciated at rates if between 12.5% and 25%.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Con't)

Impairment

Financial assets

Policy applicable from 1 July 2018

The Group recognises expected credit losses ('ECLs'), where material, on:

- Financial assets measured at amortised cost;

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12 month ECLs:

- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at fair value through Profit or Loss are credit impaired.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Policy applicable before 1 July 2018

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Non-financial assets

The carrying amounts of the Group's assets, other than deferred tax assets and inventories, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

Calculation of recoverable amount

The recoverable amount of assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Con't)
Impairment (Con't)

Reversals of impairment
An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Share capital
Transaction costs
Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

Dividends
Dividends are recognised as a liability in the period in which they are declared.

Finance income and finance costs
The Group's finance income and finance costs include:
- interest income;
- interest expense;
- dividend income;
- the foreign currency gain or loss on financial assets and financial liabilities; and
- the gain on the remeasurement to fair value of any pre-existing interest in an acquiree in a business combination.

Interest income or expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:
- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Borrowings
Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs which are directly attributable to the Group's exploration and evaluation and development activities are capitalised in relation to qualifying assets.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Con't)

Income tax

Income tax on the income statement for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for: The initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

Employee benefits

Wages, salaries, annual leave, sick leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Con't)

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on average costs over the relevant period of production, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

Site restoration

In accordance with the Group's environmental policy and applicable legal requirements, a provision for site restoration in respect of disturbed land, and the related expense, is recognised when the land is disturbed.

Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Liabilities classified at fair value through profit or loss

The fair value of those convertible notes that are measured at fair value through profit or loss have been measured with reference to the terms of the Convertible Loan Facility Agreement using a valuation technique that considers inputs that include risk adjusted discount factor, probability of achieving IPO and US treasury bond rate.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Con't)

Exploration, evaluation and development expenditure

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised at cost or fair value, as exploration and evaluation assets on an area of interest basis. Costs incurred before the Group has obtained the legal rights to explore an area are recognised in the statement of comprehensive income.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or other wise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability and facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from exploration and evaluation expenditure to mining property and development assets within property, plant and equipment.

Financial instruments

Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Classification and subsequent measurement – Policy applicable from 1 July 2018

On initial recognition, a financial asset is classified as measured at:

- amortised cost;
- fair value through other comprehensive income (FVOCI) – equity investment; or
- fair value through profit or loss (FVTPL).

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Con't)

Financial instruments (Con't)

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as fair value through profit or loss if:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value through other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Subsequent measurement and gains and losses – Policy applicable from 1 July 2018

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Equity instruments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss.
Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Prior to 1 July 2018, the Group classified its financial assets into the following categories:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as non-current. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which take into account any dividend income, are recognised in profit or loss.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Con't)

Financial instruments (Con't)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. They are included in current assets, except for those with maturities greater than 12 months after the reporting period, which are classified as non-current assets. Loans and receivables comprise cash and cash equivalents and trade and other receivables.

Available-for-sale financial assets

The Group's investments in equity securities are classified as available-for-sale financial assets. Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the cumulative gain or loss is reclassified to profit or loss.

Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Liabilities classified at fair value through profit or loss

When a convertible note is identified to contain an embedded derivative that meets the definition of a liability, the whole contract is measured and accounted for at fair value through profit or loss, unless the derivative is able to be measured reliably, in which case it is separated from the host contract and accounted for separately at fair value through profit or loss.

Any gains or losses arising on the instrument upon fair valuing at inception are not immediately recognised as a gain or loss in profit or loss, but are instead deferred and recognised as a gain or loss in profit or loss on a systematic basis over the life of the instrument. Any subsequent movement in the fair value of financial instruments that are carried at fair value through profit or loss are recognised directly in profit or loss within finance expenses.

Transaction costs of financial liabilities that are carried at fair value through profit or loss are expensed in profit or loss.

Changes in significant accounting policies

The Group has initially applied AASB 15 (see A below) and AASB 9 (see B below) from 1 July 2018. A number of other new standards are also effective from 1 July 2018 but they do not have a material effect on the Group's financial statements.

Due to the transition methods chosen by the Group in applying these standards, comparative information through these financial statements has not been restated to reflect the requirements of the new standards. The effect of initially applying these standards has not had a material impact on the financial report.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Con't)

Changes in significant accounting policies (Con't)

A. AASB 15 *Revenue from Contracts with Customers*

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces AASB 118 *Revenue* and related interpretations. Under AASB 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Group has adopted AASB 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of the initial application (1 July 2018). Accordingly, the information presented for 2018 has not been restated and has been presented as previously reported, under AASB 118. Additionally, the disclosure requirements in AASB 15 have not generally been applied to comparative information.

AASB 15 did not have a significant impact on the Group's accounting policies with respect to nickel ore and nickel pig iron sales.

For additional information about the Group's accounting policies relating to revenue recognition, refer to the Financial Instruments Accounting Policy note.

B. AASB 9 *Financial Instruments*

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces AASB 139 Financial Instruments: Recognition and Measurement.

i. Classification and measurement of financial assets and financial liabilities

AASB 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. AASB 9 eliminates the previous AASB 139 categories of held to maturity, loans and receivables and available for sale. Under AASB 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

AASB 9 largely retains the existing requirements in AASB 139 for the classification and measurement of financial liabilities. The adoption of AASB 9 has not had a significant effect on the Group's accounting policies related to financial liabilities.

For an explanation of how the Group classifies and measures financial instruments and accounts for related gains and losses under AASB 9, refer to the Financial Instruments Accounting Policy note.

i. Impairment of financial assets

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised costs, contract assets and debt instruments at FVOCI, but not to investments in equity instruments. Under AASB 9, credit losses are recognised earlier than under AASB 139.

For assets in the scope of the AASB 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of AASB 9's impairment requirements at 1 July 2018 has not resulted in additional allowance for impairment.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Con't)

New standards and interpretations not yet adopted

New standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2019, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

AASB 16 Leases

AASB 16 replaces existing leases guidance, including AASB 17 Leases. The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply AASB 15 at or before the date of initial application of AASB 16.

AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Group has not yet competed a detailed assessment of the potential impact of applying AASB 16 on the financial statements.

	2019	2018
	$	$
NOTE 4 - OTHER EXPENSES		
Audit fees – KPMG audit of financial reports	246,234	88,767
IPO related fees – KPMG	11,536	43,429
Travel	252,467	91,790
Legal fees	523,706	378,687
Tax charges	88,855	23,540
	1,122,798	626,213

	2019 $	2018 $
NOTE 5 - FINANCIAL INCOME AND FINANCE EXPENSE		
Interest income	249,933	55,677
Interest expense	(35,925)	(315,813)
Loss on extinguishing liabilities	-	(602,881)
Net change in fair value of financial liabilities at fair value	-	(407,782)
Net change in fair value of investment in associate	57,337,499[1]	-
Foreign exchange gain	728,484	620,213
	58,279,991	(650,586)

[1] See note 15 for further details.

NOTE 6 - TRADE AND OTHER RECEIVABLES

	2019 $	2018 $
GST/VAT receivable	58,612	11,291
Trade receivables	43,607,804	367,662
Other	-	8,459
	43,666,416	387,412

NOTE 7 – OTHER ASSETS

	2019 $	2018 $
Current		
Prepayments – IPO Costs	-	483,451
Prepayments - other	1,623,187	268,221
Security deposit	-	8,002
Loan to equity accounted investee	1,709,633	-
Other	3,284,810	8,969
	6,617,630	768,643

In May 2019, the Company provided a $1.7 million working capital loan to an associate, Ranger Nickel during the commissioning phase. Interest is charged at a rate of 6% p.a. and the balance is expected to be repaid within 12 months.

	2019 $	2018 $
Non-current		
Prepayments	4,059,223	-
Other	399,849	242,045
	4,459,072	242,045

NOTE 8 - INCOME TAX EXPENSE

	2019 $	2018 $
Profit/(loss) before tax – continuing operations	71,893,216	(2,270,572)
Prima facie income tax expense/(benefit) at the Australian tax rate of 30% (2018: 30%)	21,567,965	(681,172)
Increase in income tax expense/(benefit) due to:		
- Effect of tax rates in foreign jurisdictions	(38,043)	(136,976)
- Non-deductible expenses/(non-assessable income)	(20,709,711)	1,632,739
- Effect of deferred tax assets for tax losses not brought to account	64,764	(42,686)
- Effect of net deferred tax assets not brought to account	(889,085)	(32,882)
- Effect of foreign currency conversion	70,898	(82,762)
Income tax expense/(benefit) – current and deferred	66,788	656,261
Deferred tax assets/(liabilities) have been recognised in respect of the following items:		
DTL net deductible temporary differences	29,391,174	-
Net	29,391,174	-
Deferred tax assets have not been recognised in respect of the following items:		
Deductible temporary differences (net)	2,229,539	(26,609)
Tax losses	719,898	760,707
Net	2,949,437	734,098

The deductible temporary differences and tax losses do not expire under the current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise the benefits of the deferred tax asset. The Company does not have any franking credits.

	2019 $	2018 $

NOTE 9 – PROFIT/(LOSS) PER SHARE

Basic and diluted profit/(loss) per share have been calculated using:

	2019 $	2018 $
Net profit/(loss) for the year attributable to equity holders of the Company	65,525,988	(3,311,526)

Weighted average number of ordinary shares (basic and diluted)	**Nº of shares**	**Nº of shares**
Issued ordinary shares at the beginning of the year	808,482,230	317,330,516
- Effect of shares issued on 22 December 2017	-	43,011,718
- Effect of shares issued on 28 December 2017	-	15,294,233
- Effect of shares issued on 11 January 2018	-	13,624,425
- Effect of shares issued on 30 January 2018	-	4,148,352
- Effect of shares issued on 31 January 2018	-	6,796,291
- Effect of shares issued on 26 March 2018	-	1,648,352
- Effect of shares issued on 18 April 2018	-	31,180,898
- Effect of shares issued on 26 April 2018	-	28,768,277
- Effect of shares issued on 14 August 2018	509,462,325	-
- Effect of shares issued on 13 June 2019	6,421,703	-
Weighted average number of shares at the end of the year	1,324,366,258	461,803,062

NOTE 10 - INVENTORY

	2019 $	2018 $
Inventory – ore stockpiles	714,190	588,843
Inventory – NPI production raw materials	8,203,284	-
	8,917,474	588,843

During the year, the Group provided nickel ore to PT Indonesia Tsingshan Stainless Steel (‘ITSS’), an Indonesian Tsingshan group company, under an offtake agreement signed in October 2017 with ITSS guaranteeing to take supply of 50,000 wmt per month until 31 December 2018, with a cut-off grade of 1.60% nickel. In January 2019, the Group commenced supplying ore to the Company’s 60% owned subsidiary PT Hengjaya Nickel Industry (‘Hengjaya Nickel’), under an offtake agreement to supply 50,000 wmt per month in anticipation of the commencement of NPI production at Hengjaya Nickel.

Inventories are measured at the lower of cost and net realisable value. The cost of goods for the year ended 30 June 2019 totalling $43,346,515 (2018: $10,438,886) included employee expenses of $1,427,741 (2018: $1,132,787).

	2019	2018
	$	$
NOTE 11 - PROPERTY, PLANT AND EQUIPMENT		
Furniture and fittings		
Furniture and fittings – cost	69,911	37,541
Accumulated depreciation	(46,127)	(34,826)
Net book value	23,784	2,715
Mine infrastructure assets		
Mine infrastructure assets – cost	3,526,044	2,404,029
Accumulated depreciation	(1,166,887)	(705,194)
Net book value	2,359,157	1,698,835
Buildings		
Buildings – cost	30,657,609	250,682
Accumulated depreciation	(602,563)	(64,623)
Net book value	30,055,046	186,059
Mining properties		
Mining properties – cost	27,836,972	24,996,168
Accumulated amortisation	(1,572,159)	(553,855)
Net book value	26,264,813	24,442,313
Office equipment		
Office equipment – cost	619,248	288,485
Accumulated depreciation	(269,485)	(168,726)
Net book value	349,763	119,759
Plant and machinery		
Plant and machinery – cost	286,026,881	661,949
Accumulated depreciation	(5,313,393)	(629,730)
Net book value	280,713,488	32,219
Motor vehicles		
Motor vehicles – cost	348,838	147,367
Accumulated depreciation	(24,395)	(1,633)
Net book value	324,443	145,734
Total property, plant and equipment	340,090,494	26,627,634

Impairment

After consideration of both internal and external factors, the Directors believe that no indicators of impairment existed at 30 June 2019 and have therefore not completed an impairment assessment over the carrying value of the Group's property, plant and equipment assets at 30 June 2019.

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Con't)

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below.

	2019	2018
	$	$
Furniture and fittings		
Carrying amount at beginning of year	2,716	2,480
Additions	32,370	1,184
Depreciation	(11,302)	(948)
Net book value	23,784	2,716
Mine infrastructure assets		
Carrying amount at beginning of year	1,698,835	1,803,321
Additions	1,122,014	129
Depreciation	(461,692)	(104,615)
Net book value	2,359,157	1,698,835
Buildings		
Carrying amount at beginning of year	186,059	189,961
Additions	30,406,927	6,950
Depreciation	(537,940)	(10,852)
Net book value	30,055,046	186,059
Mining properties		
Carrying amount at beginning of year	24,442,312	24,113,579
Additions	2,840,804	471,221
Amortisation	(1,018,303)	(142,488)
Net book value	26,264,813	24,442,312
Office equipment		
Carrying amount at beginning of year	119,759	125,052
Additions	330,762	34,905
Depreciation	(100,758)	(40,198)
Net book value	349,763	119,759
Plant and machinery		
Carrying amount at beginning of year	32,219	41,682
Additions	285,364,932	8,916
Depreciation	(4,683,663)	(18,379)
Net book value	280,713,488	32,219

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Con't)

	2019	2018
	$	$
Motor vehicles		
Carrying amount at beginning of year	145,734	-
Additions	201,471	147,367
Depreciation	(22,762)	(1,633)
Net book value	324,443	145,734

Change in accounting estimate

During 2019, management reassessed the expected pattern of consumption of the mining properties and mine infrastructure assets held in relation to the PT Hengjaya Mineralindo mine. Previously the assets were being amortised on a units of production basis over the life of the economically recoverable reserves. However, as a result of the Company receiving final approval to access a new mine area the expected recoverable reserves have increased significantly and the reserves are estimated to exceed the term of the mining licence currently held. Management do not believe it is appropriate to amortise the current assets over a period in excess of the term of the mining licence. Accordingly, management have completed a reassessment of the expected useful life of mining assets and have determined it appropriate to amortise the remaining carrying balance over the current mining licence term to 2031 on a straight line basis.

These changes have been applied with effect from 1 July 2018 and have resulted in an increase in amortisation expense for the year ended 30 June 2019 of $865,185, included within 'Cost of sales'.

The effect on future periods has not been disclosed because management believe estimating the impact is impracticable as it would require estimates on future mining production.

NOTE 12 - TRADE AND OTHER PAYABLES

Current		
Creditors	39,228,037	2,533,155
Accruals	3,020,986	322,230
	42,249,023	2,855,385

NOTE 13 – BORROWINGS

Current		
Working capital loan	4,000,000	-
Interest on working capital loan	180,333	-
	4,180,333	-

During the year, the indirect shareholders of Hengjaya Nickel, Nickel Mines and Decent Investment International Private Limited ('Decent Investment') an associate of Shanghai Decent, provided working capital loans to Hengjaya Nickel totalling $15 million to fund operations through the ramp-up commissioning phase of operations. These loans were proportionate to the shareholders interest in Hengjaya Nickel. i.e. Nickel Mines provided 60% of the total amount, $9 million and Decent Investment provided 40%, $6 million. Interest is charged at a rate of 6% p.a. In May 2019, $3 million was repaid to Nickel Mines and $2 million to Decent Investment. Total interest payable by Hengjaya Nickel on the working capital loans was $413,833, with $233,500 payable to the Company eliminating on consolidation and $180,333 payable to Decent Investment. There is no fixed repayment date but it is anticipated the loans will be repaid within the next twelve months.

NOTE 14 - ISSUED CAPITAL

	Number of shares	$
Ordinary shares on issue at 30 June 2017 - fully paid	317,330,516	26,188,005
Issue of shares- cash	455,793,411	73,908,362
Issue of shares - share based payments	35,358,303	5,678,967
Costs of issue	-	(2,670,206)
Ordinary shares on issue at 30 June 2018 - fully paid	808,482,230	103,105,128
Issue of shares - cash	708,928,572	183,633,648
Issue of shares – non-cash	8,084,822	2,076,991
Costs of issue	-	(12,877,463)
Ordinary shares on issue at 30 June 2019 - fully paid	1,525,495,624	275,938,304

2019

In June 2019 the Group issued 137,500,000 shares for cash totalling A$55,000,000 (equivalent to $38,109,500). There were no amounts unpaid on the shares issued and share issue costs amounted to $1,566,790.

In August 2018 the Group issued 571,428,572 shares for cash totalling A$200,000,000 (equivalent to $147,601,139). There were no amounts unpaid on the shares issued and share issue costs amounted to $11,310,673. 8,084,822 additional shares were issued as part of the costs of issue.

2018

During the year ended 30 June 2018 the Group issued 455,793,411 shares for cash totalling $73,908,362. There were no amounts unpaid on the shares issued and share issue costs amounted to $2,670,206. In addition to the cash issues the Group had the following share based payment arrangements:

Settlement of liabilities

During the year ended 30 June 2018, 29,408,347 shares were issued as full settlement of liabilities owing totalling $4,726,974. This included the following:

- Repayment of an unrelated party loan and related liabilities: $1,600,000 settled through the issue of 10,000,000 $0.16 shares.
- Repayment of related party loans: $1,396,788 settled through the issue of 8,594,681 shares. This includes 6,898,239 shares issued at $A0.213 per share and 1,696,442 shares issued at $0.16 per share (see note 17).
- Payment of creditors: $1,730,187 of creditor balances were settled through the issues of 10,813,666 shares issued at $0.16 per share.

Director and employee payments

During the year ended 30 June 2018, as noted in note 17, the Directors received a one-off payment in recognition of their efforts in respect of the pre-IPO capital raise in December 2017. The approved payment totalled A$976,000 (excluding GST). The payment of A$1,057,600 (including GST) was converted to $851,368 using the rate of 80.5c and settled through the issue of shares on 31 January 2018 at the pre-IPO capital raising price of $0.16 per share.

Bonus payments totalling $100,625 were granted to employees of the Group in recognition of their efforts in respect of the pre-IPO capital raise in December 2017. The payments were settled through the issue of 628,906 shares at an issue price of $0.16 per share.

NOTE 14 - ISSUED CAPITAL (Con't)

Options

There were no options granted, exercised or lapsed unexercised during the year ended 30 June 2019 or year ended 30 June 2018.

Dividends

There were no dividends paid or declared during the year ended 30 June 2019 or year ended 30 June 2018.

Ordinary shares

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. The holders of ordinary shares are entitled to receive dividends as declared from time to time.

NOTE 15 – INVESTMENT IN EQUITY ACCOUNTED INVESTEE

Investment in Hengjaya Holdings Private Limited

	2019	**2018**
Current	**$**	**$**
Opening balance	50,000,025	-
Acquisition of a 25% interest in equity accounted investee	-	50,000,025
Acquisition of an additional 35% interest	70,000,000	-
Share of profit of equity accounted investee	2,662,476	-
Fair value movement in the carrying value of investment	57,337,499	
Consideration for business combination	(180,000,000)	-
	-	50,000,025

In September 2018, following successful completion of the Company's IPO capital raising, the Company acquired an additional 35% of the issued share capital of Hengjaya Holdings Private Limited ('Hengjaya Holdings'), a Singaporean holding company which holds 100% of the shares (directly and indirectly) of Hengjaya Nickel, an Indonesian PMA company which owns and operates the RKEF project. This acquisition increased the Company's interest in Hengjaya Holdings to 60%. As a result of the terms of an agreement between shareholders of Hengjaya Nickel, the Company continued to equity account this investment until the terms of the agreement were amended whereby it was agreed that Nickel Mines could constitute the Board of Hengjaya Holdings at its discretion once it held a 60% interest in Hengjaya Holdings. It was then deemed that Nickel Mines controlled Hengjaya Holdings and equity accounting of the investment in Hengjaya Holdings was ceased at 31 March 2019.

The Company's equity accounting share of Hengjaya Holdings profit from 1 July 2018 to 31 March 2019 was $2,662,476.

Investment in Ranger Holdings Private Limited

	2019	**2018**
Current	**$**	**$**
Opening balance	-	-
Acquisition of a 17% interest in equity accounted investee	50,000,000	-
Share of loss of equity accounted investee	(39,264)	-
	49,960,736	-

In November 2018, the Company converted a non-binding Memorandum of Understanding with Shanghai Decent to acquire an interest in the issued share capital of Ranger Holdings Private Limited ('Ranger Holdings'), a Singaporean holding company which holds 100% of the shares (directly and indirectly) of PT Ranger Nickel Industry ('Ranger Nickel'), an Indonesian PMA company owns and operates the RKEF project, into a binding agreement. Following the execution of the binding agreement the Company acquired a 17% interest in Ranger Holdings for $50,000,000.

NOTE 15 – INVESTMENT IN EQUITY ACCOUNTED INVESTEE (Con't)

The following table summarises the financial information of the Group's 17% ownership interest of Ranger Holdings.

	2019	2018
	$	$
Current assets	12,097,107	-
Non-current assets	120,238,493	-
Current liabilities	(34,667,439)	-
Net assets (100%)	97,668,161	-
Group's share of net assets (17%)	16,603,587	-
Fair value adjustment at acquisition	33,357,149	-
Carrying amount of interest in Ranger Holdings	49,960,736	-
Loss from continuing operations (100%)	230,963	-
Total comprehensive income (100%)	230,963	-
Group's share to total comprehensive income (17%)	39,264	-

In April 2019, the Company announced the intention to move from 17% to 60% via a funding package comprising a mixture of debt and equity. Subsequent to year end and shareholder approval, the Company has increased its interest in Ranger Holdings from 17% to 60% for $121.4 million with consideration being funded by the drawdown of an $80 million senior debt facility provided by a Shanghai Decent associated company, the issue of 139,972,705 shares in the Company for $40 million and a cash payment of $1.4 million. The acquisition was based on an underlying valuation of $300 million for the Ranger Nickel project, discounted to $280 million upon the early exercise of the option to move to the 60% interest.

At 30 June 2019 the investment in Ranger Holdings is accounted for as an equity accounted investment as the Company believes it has significant influence over Ranger Holdings and Ranger Nickel. The Company's share of the loss for the period is $39,264.

NOTE 16 - CONTROLLED ENTITIES

Acquisition of controlled entities

In August 2018, in accordance with its rights under a Collaboration and Subscription Agreement, the Company acquired a further 35% of the issued and paid-up share capital of Hengjaya Holdings Private Limited ('Hengjaya Holdings'), an intermediary company which owns 100% of the Hengjaya Nickel project, for $70 million. This took the Company's interest in Hengjaya Holdings to 60%. As detailed in note 15, the terms of the agreement were amended whereby it was agreed that Nickel Mines could constitute the Board of Hengjaya Holdings at its discretion once it held a 60% interest in Hengjaya Holdings. It was then deemed that Nickel Mines controlled Hengjaya Holdings and equity accounting of the investment in Hengjaya Holdings was ceased at 31 March 2019.

The acquisition and control of Hengjaya Holdings had the following effect on the Group's assets and liabilities on acquisition date, determined on a provisional basis:

Fair value of net assets of entity acquired:	**Pre-acquisition carrying amounts $**	**Fair value adjustments $**	**Recognised values on acquisition $**
Cash and cash equivalents	9,576,857	-	9,576,857
Other current assets	21,148,737	-	21,148,737
Property, plant and equipment	114,170,669	195,476,576	309,647,245
Other non-current assets	3,537,359	-	3,537,359
Trade and other payables	(28,699,698)	-	(28,699,698)
Borrowings	(15,210,500)	-	(15,210,500)
Goodwill	-	29,219,349	29,219,349
Deferred income tax liability	-	(29,219,349)	(29,219,349)
Net assets and liabilities	104,523,424	195,476,576	300,000,000

Consideration transferred:	
Fair value of equity accounted investment	180,000,000
Non-controlling interest	120,000,000
	300,000,000
Cash/consideration paid	-
Cash acquired	9,576,857
Net cash inflow	9,576,857

The values of assets and liabilities recognised on acquisition are their estimated fair values. The fair value of the assets was determined on acquisition date by reference to a valuation of $300 million, being the underlying valuation when determining the cost of any additional increase in the Company's interest in Hengjaya Holdings. Management also considered the findings of an Independent Experts Report prepared by Lonergan Edwards & Associates Limited who prepared a valuation on a recent comparable transaction basis. This is considered to be a level 3 fair value assessment.

At the date of acquisition, the gross contractual amount of the Hengjaya Nickel project's trade receivables was $13,715,613. The fair value of the trade receivables as at 31 March 2019 and the amount Hengjaya Holdings expects to receive are the same as the contractual amounts. Subsequent to acquisition the trade receivables were collected in full.

NOTE 16 - CONTROLLED ENTITIES (Con't)

Non-controlling interests

The following table summarises the information relating to the Group's subsidiaries that have a material non-controlling interest, before any intra-group eliminations.

	PT Hengjaya Mineralindo		**Hengjaya Holdings and its controlled entities**	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Non-controlling interest percentage	20%	20%	40%	-
Current assets	2,796,988	1,953,623	62,894,012	-
Non-current assets	28,042,814	25,061,559	343,917,180	-
Current liabilities	(6,402,369)	(3,496,488)	(46,982,173)	-
Non-current liabilities	(19,309,503)	(18,598,676)	(29,219,349)	-
Net assets	5,127,929	4,920,018	330,609,670	-
Carrying amount of non-controlling interest	1,949,108	1,907,540	141,265,371	-
Revenue	14,184,410[(1)]	13,551,416	52,717,022[(2)]	-
Profit	207,940	1,987,862	15,647,180	-
Other comprehensive income	-	-	-	-
Total comprehensive income	207,840	1,987,862	15,647,180	-
Profit allocated to non-controlling interest	41,568	384,693	6,258,872	
Other comprehensive income allocated to non-controlling interest	-	-	-	-

(1) Includes nickel ore sales post 1 April 2019 to the Company's controlled entity PT Hengjaya Nickel Industry.
(2) Only includes nickel pig iron sales post 1 April 2019, the date at which Hengjaya Holdings and its controlled entities were consolidated in the Group.

Particulars in relation to controlled entities:

	Ordinary shares – Group interest 2019 %	**Ordinary shares – Group interest 2018 %**
Parent entity		
Nickel Mines Limited		
Controlled entities		
PT Hengjaya Mineralindo (incorporated in Indonesia)	80	80
Hengjaya Holdings Private Limited (incorporated in Singapore)	60	25[(1)]
Hengjaya Nickel Private Limited (incorporated in Singapore)	60	25[(1)]
PT Hengjaya Nickel Industry (incorporated in Indonesia)	60	25[(1)]

(1) Equity accounted in 2018 – refer note 15.

NOTE 17 - RELATED PARTIES

Key management personnel of the Group include the following:

Robert Neale	Chairman (Non-Executive)	Norman Seckold	Deputy Chairman
Justin Werner	Managing Director	Peter Nightingale	Director and Chief Financial Officer
James Crombie	Director (Non-Executive)	Weifeng Huang	Director (Non-Executive)
Mark Lochtenberg	Director (Non-Executive)	Yuanyuan Xu	Director (Non-Executive)

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the group's key management personnel for the year ended 30 June 2019. The total remuneration paid to key management personnel of the Group during the year is as follows:

Key Management Personnel compensation

	2019	2018
	$	$
Short term employee benefits	628,511	213,131
Share based payments	-	761,476
	628,511	974,607

Key Management Personnel transactions

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or joint control over the financial or operating policies of those entities. A number of these entities transacted with the Group during the year. The aggregate value of transactions and outstanding balances (excluding the compensation noted above) relating to key management personnel and entities over which they have control or joint control were as follows:

		Expense		Balance outstanding	
Other related parties	**Transaction**	**2019**	**2018**	**2019**	**2018**
		$	**$**	**$**	**$**
MIS Corporate Pty Limited	Loan and interest	-	11,199	-	-
MIS Corporate Pty Limited	Administration services	288,020	219,431	6,321	37,950
		288,020	230,630	6,321	37,950

Norman Seckold and Peter Nightingale hold an interest in an entity, MIS Corporate Pty Limited ('MIS'), which provided full administrative services, including administrative, accounting, company secretarial and investor relations staff both within Australia and Indonesia, rental accommodation, services and supplies, to the Group. On 1 July 2018 MIS agreed to provide these services for a fee of A$15,000 per month. On 1 January 2019 MIS agreed to provide these services for a fee of A$35,000 per month. This fee will be reviewed quarterly by the Company and MIS. Fees charged by MIS during the year amounted to A$402,600 (2018: A$279,452) which included the agreed monthly fee and the reimbursement of consultant expenses incurred by MIS on behalf of the Group. At 30 June 2019 A$9,000 (30 June 2018: A$51,346) remained outstanding and was included in the creditor's balance.

Apart from the details disclosed in this note, no Director or other related party has entered into a material contract with the Group during the year and there were no material contracts involving director's interests subsisting at year end.

NOTE 17 - RELATED PARTIES (Con't)

PT Hengjaya Nickel Industry

Prior to the Company's consolidation of Hengjaya Nickel on 1 April 2019, Hengjaya Nickel was classified as a related party. During the period from 1 January 2019 to 31 March 2019, the Group supplied ore to Hengjaya Nickel for a total sale amount of $13,715,613.

As detailed in note 13 during the year Nickel Mines and Decent Investment provided a working capital loans to Hengjaya Nickel of $9 million to fund operations through the ramp-up commissioning phase of operations. Interest is charged at a rate of 6% p.a. This loans was made when Hengjaya Nickel was a related party, prior to the Company's consolidation of Hengjaya Nickel on 1 April 2019. In May 2019, $3 million was repaid to Nickel Mines. Total interest payable by Hengjaya Nickel to Nickel Mines on the working capital loan was $233,500 to 30 June 2019, with this amount now eliminating on consolidation.

PT Ranger Nickel Industry

As detailed in note 7, in May 2019, the Company provided a $1.7 million working capital loan to an associate, Ranger Nickel during the commissioning phase. Interest is charged at a rate of 6% p.a. Total interest payable by Ranger Nickel to Nickel Mines on the working capital loan was $9,633 to 30 June 2019.

	2019	**2018**
	$	**$**
NOTE 18 - STATEMENT OF CASH FLOWS		
(a) Reconciliation of cash and cash equivalents		
Cash and cash equivalents at the end of the year as shown in the Statements of Cash Flows is reconciled to the related items in the Balance Sheets as follows:		
Bank balances	49,002,977	806,574
(b) Reconciliation of net loss from ordinary activities after tax to net cash used in operating activities		
Profit/(loss) from ordinary activities after tax	71,826,428	(2,926,833)
Non-cash items		
Depreciation and amortisation	6,836,420	64,425
Foreign exchange gain	(728,484)	(620,213)
Interest expense and loss on extinguished liabilities	35,925	642,213
Net change in fair value of financial liabilities	-	407,782
Net change in fair value of investment in associate	(57,337,499)	-
Changes in assets and liabilities		
Trade receivables and other assets	(30,417,143)	(731,737)
Inventory	(3,317,957)	370,608
Provisions	(67,412)	197,546
Trade and other payables	17,305,479	(5,651,832)
Net cash from/(used in) operating activities	4,133,757	(8,248,041)

NOTE 18 - STATEMENT OF CASH FLOWS (Con't)

(c) Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liabilities Loans and borrowings $	Equity Share capital $	Non-Controlling interest $	Total $
Opening balance at 1 July 2018	-	103,105,128		
Changes from financing activities				
Proceeds from issue of shares	-	183,633,648	-	183,633,648
Costs of issue	-	(10,800,472)	-	(10,800,472)
Borrowings	6,000,000[(1)]	-	-	-
Repayment of borrowings	(2,000,000)	-	-	(2,000,000)
Contribution from non-controlling interest	-	-	15,000,000	15,000,000
Total changes from financing cash flows	4,000,000	172,833,176	15,000,000	185,833,176
Other changes				
Finance expenses	180,333	-		
Total other changes	180,333	-		
Closing balance at 30 June 2019	4,180,333	275,938,304		

(1) Represents a working capital loan from Shanghai Decent to Hengjaya Nickel prior to the Company's consolidation of Hengjaya Nickel from 1 April 2019 and as such does not appear in cash flow reporting.

NOTE 19 - FINANCIAL INSTRUMENTS DISCLOSURE

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. These policies are reviewed regularly to reflect changes in market conditions and the Group's activities.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, currency risk and interest rate risk. The summaries below presents information about the Group's exposure to each of these risks, their objectives, policies and processes for measuring and managing risk, the management of capital and financial instruments.

Credit risk

Credit risk arises mainly from the risk of counterparties defaulting on the terms of their agreements. The carrying amounts of the following assets represent the Group's maximum exposure to credit risk in relation to financial assets:

		2019 $	2018 $
Cash and cash equivalents	18	49,002,977	806,574
Trade and other receivables	6	43,666,416	387,412
Loan to equity accounted investee	7	1,709,633	-
		94,379,026	1,193,986

NOTE 19 - FINANCIAL INSTRUMENTS DISCLOSURE (Con't)

Credit risk (con't)

Cash and cash equivalents

The Group mitigates credit risk on cash and cash equivalents by dealing with regulated banks in Australia and Indonesia.

Trade and other receivables

Credit risk of trade and other receivables is low as it consists predominantly of nickel ore and NPI sales. Nickel ore sales are currently all to the Company's 60% owned PT Hengjaya Nickel Industry and NPI trade receivables are from sales to one customer, PT Indonesia Tsingshan Stainless Steel, a Tsingshan group company operating within the IMIP and amounts recoverable from the Australian Taxation Authority. None of the Group's material trade and other receivables are past due.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

Consolidated	Carrying amount $	Contractual cash flows $	Less than one year $	Between one and five years $	More than five years $
30 June 2019					
Trade and other payables (including tax)	42,552,752	42,552,752	42,552,752	-	-
Borrowings	4,180,333	4,230,000	4,230,000		
	46,733,085	46,782,752	46,782,752	-	-
30 June 2018					
Trade and other payables	3,512,856	3,512,856	3,512,856	-	-
Total liabilities	3,512,856	3,512,856	3,512,856	-	-

Ultimate responsibility for liquidity management rests with the Board of Directors. The Group manages liquidity risk by maintaining adequate funding where possible and monitoring of future rolling cash flow forecasts of its operations, which reflect management's expectations of expected settlement of financial assets and liabilities.

Currency risk

The Group functional currency in 2019 was assessed as being United States dollars. The Group is exposed to foreign currency risks due to the fact that the domestic ore sales of its subsidiaries PT Hengjaya Mineralindo and PT Hengjaya Nickel Industry are in Indonesian Rupiah (although the underlying sale price is denominated in US dollars), liabilities of the Group are denominated in both Indonesian Rupiah and Australian dollars and the issues of shares during the year were denominated in Australian dollars.

NOTE 19 - FINANCIAL INSTRUMENTS DISCLOSURE (Con't)

The Group's gross financial position exposure to foreign currency risk at 30 June is as follows:

	2019		2018	
	Foreign currency	**USD**	**Foreign currency**	**USD**
IDR				
Cash at bank	IDR 35,870,163,502	$2,539,031	IDR 10,220,318,341	$709,547
Accounts receivable	IDR 615,110,927,164	$43,539,970	IDR 5,295,797,056	$367,662
Other current assets	IDR 69,337,705,871	$4,907,995	IDR 4,082,905,254	$283,456
Provisions	IDR 9,385,505,761	$696,196	IDR 10,999,001,109	($763,607)
Taxes payable	(IDR 4,290,938,455)	($303,729)	IDR 6,095,274,009	($423,165)
Trade and other payables	(IDR 450,738,646,685)	($31,905,054)	IDR 6,013,820,947	($417,510)
AUD				
Cash at bank	A$34,986,844	$24,571,261	A$24,969	$18,489
Receivables	A$180,046	$126,446	A$15,248	$11,291
Prepayments	-	-	A$652,870	$483,451
Trade and other payables	(A$172,965)	($121,473)	(A$545,340)	($403,824)

The following significant exchange rates applied during the year:

	Average rate		**Reporting date spot rate**	
USD	**2019**	**2018**	**2019**	**2018**
IDR	14,469	13,608	14,128	14,404
AUD	1.3978	1.2913	1.4239	1.3504

The following sensitivity analysis is based on the exchange rate risk exposures at balance date.

At 30 June if the exchange rate between the United States dollar and the Indonesian Rupiah and the Australian Dollar had moved, as illustrated in the table below, with all other variables held constant, the post-tax loss and equity would have been affected as follows:

Judgement of reasonable possible movements:

	Post tax loss (Higher)/Lower 2019 $	**Total equity (Higher)/Lower 2019 $**	**Post tax loss (Higher)/Lower 2018 $**	**Total equity (Higher)/Lower 2018 $**
+ 10% higher USD to IDR exchange rate	2,353,381	2,353,381	128,359	128,359
- 5% lower USD to IDR exchange rate	(1,176,691)	(1,176,691)	(64,180)	(64,180)
+ 10% higher USD to AUD exchange rate	4,183,263	4,183,263	19,952	19,952
- 5% lower USD to AUD exchange rate	(2,091,632)	(2,091,632)	(9,976)	(9,976)

NOTE 19 - FINANCIAL INSTRUMENTS DISCLOSURE (Con't)

Interest rate risk

The Group's exposure to market interest rate relates to cash assets.

At balance date, the Group had the following mix of financial assets and liabilities exposed to variable interest rate risk:

		2019	**2018**
Financial assets			
Cash and cash equivalents	18	49,002,977	806,574

Sensitivity analysis

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) loss for the period by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for the comparative period.

	2019	**2018**
	$	**$**
Profit for the year	(249,048)	(5,427)

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board ensures, where possible, costs are not incurred in excess of available funds and will seek to raise additional funding through issues of shares for the continuation of the Group's operation. There were no changes in the Group's approach to capital management during the year.

The Group is not subject to externally imposed capital requirements.

NOTE 20 - PARENT ENTITY DISCLOSURES

As at, and throughout the financial year ended 30 June 2019 the parent entity of the Group was Nickel Mines Limited.

	Parent Entity 2019 $	Parent Entity 2018 $
Result of the parent entity		
Net profit/(loss)	55,971,407	(4,850,295)
Other comprehensive income	-	-
Total comprehensive profit/(loss)	55,971,407	(4,850,295)
Financial position of the parent entity at year end		
Current assets	48,932,604	597,847
Non-current assets	244,708,976	64,468,529
Total assets	293,641,580	65,066,376
Current liabilities	265,538	494,917
Total liabilities	266,538	494,917
Net Assets	293,376,042	64,571,459
Equity		
Share Capital	275,938,304	103,105,128
Retained profits/(Accumulated losses)	17,437,738	(38,533,669)
Total Equity	293,376,042	64,571,459

At balance sheet date the company has no capital commitments or contingencies (2018: $nil).

NOTE 21 -SEGMENT INFORMATION

Segment information is presented in respect of the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise interest bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period in that geographic region.

Operating segments

For the year ended 30 June 2019, the Group had two segments, being nickel ore mining in Indonesia and the RKEF projects in Indonesia.

	Indonesia - Nickel ore mining	Indonesia – RKEF Projects	Unallocated	Total
	$	$	$	$
30 June 2019				
External revenues	12,220,325[1]	52,717,022[2]	-	64,937,347
Reportable segment profit before tax	274,629	78,120,349	(6,501,761)	71,893,216
Interest income	25,804	12,262	211,867	249,933
Interest expense	-	35,925	-	35,925
Depreciation and amortisation	1,814,896	5,020,211	1,313	6,836,420
Reportable segment assets	24,519,982	458,481,562	48,932,604	531,934,148
Reportable segment liabilities	(7,119,318)	(69,782,414)	(265,538)	(77,167,270)
30 June 2018				
External revenues	13,551,416	-	-	13,551,416
Reportable segment profit/(loss) before tax	2,579,722	-	(4,850,294)	(2,270,572)
Interest income	25,103	-	30,574	55,677
Interest expense	21,818	-	293,995	315,813
Depreciation and amortisation	64,401	-	24	64,425
Reportable segment assets	28,823,304	50,000,025	597,847	79,421,176
Reportable segment liabilities	(3,781,545)	-	(494,917)	(4,276,462)

(1) From 1 April 2019 sales of nickel ore are internal to the Group and so are eliminated on consolidation.

(2) The Group's external revenue is generated under nickel pig iron supply agreements with Tsingshan group companies. Only includes sales revenue of nickel pig iron from 1 April 2019 as prior to this date Hengjaya Nickel was accounted for as an equity accounted investee.

NOTE 21 -SEGMENT INFORMATION (Con't)

Reconciliations of reportable segment revenues and profit or loss	As at 30 June 2019 $	As at 30 June 2018 $
Profit or loss		
Total profit for reportable segments	78,394,978	2,579,722
Unallocated amounts:		
Interest income		
Net other corporate income/(expenses)	50,835,738	(4,850,294)
Consolidated profit/(loss) before tax	71,893,216	(2,270,572)
Reconciliations of reportable assets and liabilities		
Assets		
Total assets for reportable segments	483,001,545	78,823,329
Unallocated corporate assets	48,932,604	597,847
Consolidated total assets	531,934,148	79,421,176
Liabilities		
Total liabilities for reportable segments	(76,901,732)	(494,917)
Unallocated corporate liabilities	(265,538)	(3,781,545)
Consolidated total liabilities	(77,167,270)	(4,276,462)

Geography of reportable segment assets

	Indonesia $	Singapore $	Total $
30 June 2019			
Reportable segment assets	482,991,778	9,767	483,001,545
30 June 2018			
Reportable segment assets	78,823,329	-	78,823,329

Revenue

All sales during the year were to customers located in Indonesia.

Major customers

All sales of nickel pig iron during the year were to PT Indonesia Tsingshan Stainless Steel ('ITSS'), an Indonesian Tsingshan group company, operating with the Indonesian Morowali Industrial Park. Sales of nickel ore from July to December 2018 were also to ITSS. In January 2019, the Group commenced supplying nickel ore to the Company's 60% owned subsidiary Hengjaya Nickel, under an offtake agreement to supply 50,000 wmt per month.

NOTE 22 – REVENUE

The effect of initially applying AASB 15 on the Group's revenue from contracts with customers is described in note 3. Due to the transition method chosen in applying AASB 15, comparative information has not been restated to reflect the new requirements.

Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by major production and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments.

	Nickel pig iron		**Nickel ore**	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Major products	52,717,022	-	12,220,325	13,551,415
Timing of revenue recognition				
Products transferred at a point in time	52,717,022	-	12,220,325	13,551,415
Revenue from contracts with customers	52,717,022	-	12,220,325	13,551,415
External revenue as reported in Note 21	52,717,022	-	12,220,325	13,551,415

The extent to which an entity's revenue is disaggregated for the purposes of this disclosure depends on the facts and circumstances of the entity's contracts with customers.

NOTE 23 – AUDITOR REMUNERATION

During the year ended 30 June 2019 KPMG, the Company's auditor, has performed other services in addition to their statutory audit duties.

Details of the amounts paid to the auditor of the Group, KPMG, and its related practices for audit and non-audit services provided during the year are set out below:

	2019	**2018**
	$	**$**
Auditors of the Company		
Audit and review of financial reports – KPMG Australia	123,393	47,196
Audit and review of financial reports – KPMG Indonesia	122,840	41,571
Services other than statutory audit		
- taxation services in relation to IPO	-	7,545
- Investigating Accountant's services in relation to IPO	11,536	35,884
	257,769	132,196

NOTE 24 – SUBSEQUENT EVENTS

At an Extraordinary Meeting of Shareholders held on 26 July 2019 shareholders approved the Company's move to a 60% interest in Ranger Nickel. Subsequent to year end and shareholder approval, the Company has increased its interest in Ranger Nickel from 17% to 60% for $121.4 million with consideration being funded by the drawdown of an $80 million senior debt facility provided by a Shanghai Decent associated company, the issue of 139,972,705 shares in the Company for $40 million and a cash payment of $1.4 million. The Company completed this acquisition on 15 August 2019 and management consider the disclosure of a pro-forma acquisition balance sheet to be impractical at the date of this report.

In August 2019, subsequent to the drawdown of the $80 million senior debt facility, the Company made a voluntary early repayment of $10 million against the facility.

In September 2019 the Company and Shanghai Decent agreed that Nickel Mines would limit its contractual option to further equity interest in the Hengjaya Nickel project to not more than 80% and that the option period during which Nickel Mines can acquire further equity interest in the Hengjaya Nickel project was extended until 30 November 2020 (previously 31 January 2020).

Other than the matters detailed above, there has not arisen in the interval between the end of the financial year and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

NOTE 25 – COMMITMENTS AND CONTINGENCIES

There are no contingent liabilities existing at 30 June 2019 (2018: $nil).

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Nickel Mines Limited ('the Company'):

   (a) the consolidated financial statements and notes set out on pages 24 to 61 and the Remuneration report on pages 18 to 22 in the Directors' report, are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the year ended on that date; and

      (ii) complying with Australian Accounting Standards, (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

   (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.

   (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the chief executive officer and chief financial officer for the financial year ended 30 June 2019.

Signed at Sydney this 30th day of September 2019
in accordance with a resolution of the Board of Directors:

Robert Neale
Chairman

Norman Seckold
Deputy Chairman

Independent Auditor's Report

To the shareholders of Nickel Mines Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Nickel Mines Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2019;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies;
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with *the Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

KPMG

Key Audit Matters

The ***Key Audit Matters*** we identified are:

• Consolidation of Hengjaya Holdings Private Limited

• Accounting for the investment in Ranger Holdings Private Limited

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Consolidation of Hengjaya Holdings Private Limited ($300m)

Refer to Note 16 Controlled Entities

The key audit matter	How the matter was addressed in our audit
The Group's investment in Hengjaya Holdings Private Limited (Hengjaya Holdings) increased from 25% to 60% during the financial year. This investment was previously equity accounted, and was consolidated effective 31 March 2019. This was a key audit matter due to the following: • Size of the transaction: The fair value of the net assets of Hengjaya Holdings was assessed as $300m at the date of acquisition; and • Complexity: The acquisition was part of the Collaboration and Subscription Agreement (CSA) with Shanghai Decent Investment (Group) Co., Ltd. (Shanghai Decent) and Shanghai Wanlu Investment Co., Ltd (Wanlu). The terms and conditions of the CSA were complex and the implications had pervasive impacts on the financial report. In addition, the CSA was amended during the period in relation to the requirements governing the composition of the board of directors of Hengjaya Holdings. We focused on significant judgements made by the Group in relation to: - the date of gaining control of Hengjaya Holdings; - the fair value of the consideration	Our procedures included: • Reading the CSA and subsequent amendments to understand the key terms and conditions of the agreement and the obligations of each party to the contract. Using this we challenged the Group's assessment of the date of gaining control of Hengjaya Holdings; • Working with our valuation specialists we assessed and challenged the key assumptions used in the purchase price allocation to identify assets and liabilities acquired, including a consideration of the existence of intangible assets in the form of rights specified in the CSA; • Working with our valuation specialists we assessed and challenged the Group's fair value assessments, including: o The fair value of the consideration transferred by assessing the value of $300m assigned by the Group by reference to an option held to acquire the remaining 40% of Hengjaya Holdings as well as a comparable transaction which was subject to an independent experts report. This included assessing the competence, experience and skills of the independent expert; and o The provisional fair values assigned to identifiable assets and liabilities, including identifiable intangible assets; • Testing of the acquisition date balance sheet of Hengjaya Holdings to the underlying accounting records of that company and assessing the compliance of those accounting records with Australian Accounting Standards;

- transferred, including non-controlling interests; and - the provisional fair values assigned to the identifiable assets and liabilities acquired. These conditions required significant audit effort and greater involvement by senior team members and KPMG valuation specialists.	• Testing of the post-acquisition financial performance and position of Hengjaya Holdings, compliance with the accounting policies of the Group and the accuracy of the consolidation of Hengjaya Holdings in the Financial Report in accordance with the requirements of the accounting standards; • Evaluating the Group's disclosures in the financial report against the requirements of the accounting standards.

Accounting for the investment in Ranger Holdings Private Limited ($49.96m)	
Refer to Note 15 Investment in Equity Accounted Investee	
The key audit matter	**How the matter was addressed in our audit**
The Group's investment in Ranger Holdings Private Limited (Ranger Holdings) was acquired during the financial year ended 30 June 2019. This was a key audit matter due to the following: • Size of the transaction: The Group's 17% interest in Ranger Holdings acquired for $50m represented 9% of total assets of the Group at year end; and • Complexity: The acquisition was part of the Collaboration Agreement (CA) with Shanghai Decent. The terms and conditions of the CA were complex and the implications had pervasive impacts on the financial report. We focused on: - the substance of the transaction, against the requirements of the accounting standards, including assessing the $50m advanced as either a loan receivable or equity accounted associate. The Shareholder Loan Agreement details the terms of the funds advanced; and - further potential accounting implications, in particular unrecorded obligations, of the terms and conditions of the CA and their	Our procedures included: • Reading the CA to understand the key terms and conditions of the agreement and the obligations of each entity party to the contract; • Checking the completeness of the nature of the Group's obligations required by the CA. We assessed the existence of triggering conditions of the obligations to underlying events of the Group and our understanding of the business. We compared these to the criteria for recording liabilities and recognising assets in the accounting standards; • Working with our valuation specialists we challenged the Group's fair value assessment. Of specific note was the financial instruments granted under the CA. We did this by calculating a fair value using comparable market data and comparing it to the value derived by the Group; • Assessing the appropriateness of the Group's accounting treatment of its interest in Ranger Holdings against the criteria in the accounting standards. We read the Shareholder Loan Agreement to understand the terms under which the funds were advanced. We assessed the features of these terms, combined with our understanding of the terms of the CA, against the criteria in the accounting standards for consistency to either loan receivable or equity accounted associate accounting; • Obtaining the accounting records of the equity accounted associate and recalculating the Group's share of the associate's losses for the period. We

treatment by the Group. These conditions required significant audit effort and greater involvement by senior team members and KPMG valuation specialists.	performed audit procedures on the key underlying accounting records of the associate, including checking a sample of significant transactions recorded to the associate's bank records; • Evaluating the Group's disclosures in the financial report against the requirements of the accounting standards and our understanding of the terms and conditions of the CA and Shareholder Loan Agreement.

Other Information

Other Information is financial and non-financial information in Nickel Mines Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001;*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error;
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Nickel Mines Limited for the year ended 30 June 2019, complies with *Section 300A of the Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A of the Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 18 to 22 of the Directors' report for the year ended 30 June 2019.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Stephen Board
Partner

Brisbane
30 September 2019

ADDITIONAL ASX INFORMATION

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 31 August 2019.

Distribution of Equity Securities

ORDINARY SHARES

Range	Number of Holders	Number of Shares
1 to 1,000	46	23,714
1,001 to 5,000	250	728,373
5,001 to 10,000	156	1,324,177
10,001 to 100,000	675	27,990,259
Above 100,001	326	1,635,404,806
	1,453	**1,665,468,329**

The number of shareholders holding less than a marketable parcel is 33.

Twenty Largest Shareholders

The names of the twenty largest holders of quoted shares are:

Nº	ORDINARY SHARES SHAREHOLDER	Nº OF SHARES	TOTAL %
1	HSBC Custody Nominees (Australia) Limited	269,036,399	16.15
2	Shanghai Decent Investment (Group) Co Ltd	161,696,446	9.71
3	Shanghai Wanlu Investment Co Ltd	149,258,258	8.96
4	Decent Investment International Private Limited	139,972,705	8.40
5	UBS Nominees Pty Ltd	92,619,938	5.56
6	J P Morgan Nominees Australia Pty Limited	70,035,737	4.21
7	CS Third Nominees Pty Limited <HSBC Cust Nom Au Ltd 13 A/C>	66,484,010	3.99
8	Altinova Nominees Pty Limited	66,104,526	3.97
9	Citicorp Nominees Pty Limited	63,373,425	3.81
10	Permgold Pty Ltd <The Seckold Super Fund A/C>	57,611,135	3.46
11	Warbont Nominees Pty Ltd <Unpaid Entrepot A/C>	54,593,007	3.28
12	QFSD International Co Limited	23,121,429	1.39
13	Brispot Nominees Pty Ltd <House Head Nominee A/C>	21,786,061	1.31
14	Peng Lim Oon	21,487,143	1.29
15	Bellambi Enterprises Limited	20,949,929	1.26
16	QHCZ International Co Limited	20,313,361	1.22
17	Bell Potter Nominees Ltd <BB Nominees A/C>	17,986,930	1.08
18	Rosignol Pty Ltd <Nightingale Family A/C>	14,950,132	0.90
19	CS Third Nominees Pty Limited <HSBC Cust Nom Au Ltd 11 A/C>	12,510,468	0.75
20	CO2 Capital Private Limited	10,302,679	0.62
Total in Top 20		**1,354,193,718**	**81.31**

ADDITIONAL ASX INFORMATION

Substantial Shareholders

Substantial shareholders and the number of equity securities in which it has an interest, as shown in the Company's Register of Substantial Shareholders is:

Shareholder	Nº of Shares Held	% of Issued Shares
Shanghai Decent Investment (Group) Co Ltd	301,669,151	18.11%
Shanghai Wanlu Investment Co Ltd	149,258,258	8.96%
BlackRock Group	137,890,000	8.28%
Norman Alfred Seckold	123,715,661	7.43%
Regal Funds Management Pty Ltd	118,048,965	7.09%
UBS Group AG and its related bodies corporate	91,909,243	5.51%

Class of Shares and Voting Rights

The voting rights attached to ordinary shares, as set out in the Company's Constitution, are that every member in person or by proxy, attorney or representative, shall have one vote when a poll is called, otherwise each member present at a meeting has one vote on a show of hands.

Tenement Schedule

Project	Tenement number	Interest %
Hengjaya Project	540-3/SK.001/DESDM/VI/2011	80%

NICKEL MINES LIMITED
and its controlled entities

CORPORATE DIRECTORY

Directors:

Robert Neale
Norman Seckold
Justin Werner
Peter Nightingale
James Crombie
Weifeng Huang
Mark Lochtenberg
Yuanyuan Xu

Company Secretary:

Richard Edwards

Principal Place of Business and Registered Office:

Level 2, 66 Hunter Street
SYDNEY NSW 2000
Phone : 61-2 9300 3311
Fax : 61-2 9221 6333
Email : info@nickelmines.com.au
Website : www.nickelmines.com.au

Auditors:

KPMG
Level 16, Riparian Plaza
71 Eagle Street
BRISBANE QLD 4000

Share Registrar:

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
SYDNEY NSW 2000
Phone : 1300 787 272
Overseas Callers : 61-3 9415 4000
Fax : 61-3 9473 2500