

Board of Directors

Non-Executive Chairman
Rob Neale

Executive Deputy Chairman
Norman Seckold

Managing Director
Justin Werner

Non-Executive Director
James Crombie

Non-Executive Director
Weifeng Huang

Non-Executive Director
Mark Lochtenberg

Non-Executive Director
Dasa Sutantio

Non-Executive Director
YuanYuan Xu

Substantial Shareholders

Shanghai Decent	18.7%
PT. KBP	15.1%
BlackRock Group	7.8%
Baillie Gifford & Co.	7.2%

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CONTINUED STRONG PRODUCTION AND EBITDA, WITH OPERATIONS SET TO TRIPLE IN SIZE OVER THE NEXT 12 MONTHS

- RKEF quarterly production of **10,087** tonnes of nickel metal (100% basis) (Sept. quarter: 10,113 tonnes). NIC attributable nickel production was 8,069 tonnes of nickel metal.
- 10,087 nickel tonnes sold (100% basis) (Sept. quarter: 10,113 tonnes).
- RKEF quarterly sales of US\$187.1M (100% basis) (Sept. quarter: US\$168.9M).
- RKEF quarterly EBITDA of **US\$60.8M** (100% basis) (Sept. quarter: US\$62.6M).
- RKEF quarterly EBITDA of **US\$6,028/t** Ni sold (Sept. quarter: US\$6,190/t).
- Underlying cash generation from operations of **US\$67.8M** (100% basis) (Sept. quarter: US\$67.6M).
- RKEF December quarter cash costs:
 - Hengjaya Nickel: US\$12,418/tonne Ni (Sept. quarter: US\$10,429).
 - Ranger Nickel: US\$12,277/tonne Ni (Sept. quarter: US\$10,327).
- Record saprolite nickel ore production from Hengjaya Mine of **847,260 wmt**, up 46.3% from 579,156 wmt in the September quarter resulted in record quarterly EBITDA of **US\$8.0M**, up 37.9% from US\$5.8M in the September quarter.
- Cash + receivables + inventory at quarter end of US\$333.4M (Sept. quarter: US\$297.4M).
- Definitive Agreement signed to acquire a 70% interest in the Oracle Nickel Project.
- MOU signed to secure a new phase of growth, including future energy and HPAL collaborations.
- Subsequent to quarter end, commissioning commenced at the first Angel Nickel RKEF line with material corporate tax concessions confirmed.
- Declaration of a A\$0.02 per share final dividend.



The Directors are pleased to present the December 2021 Quarterly Activities Report for Nickel Mines Limited ('Nickel Mines' or 'the Company') and its controlled entities ('the Group').

The Group's principal operations, located in Central Sulawesi, Indonesia, are the Hengjaya Nickel and Ranger Nickel rotary kiln electric furnace ('RKEF') projects located within the Indonesia Morowali Industrial Park ('IMIP'), and the Hengjaya Nickel Mine. For the quarter under review the Company held an 80% interest in the Hengjaya Nickel, Ranger Nickel and Angel Nickel RKEF projects, as well as an 80% interest in the Hengjaya Mine. The Angel Nickel RKEF project ('Angel Nickel' or 'ANI') is currently commissioning within the Indonesia Weda Bay Industrial Park ('IWIP') on Halmahera Island. During the quarter the Company also executed a binding definitive agreement ('Definitive Agreement') to acquire a 70% interest in the Oracle Nickel RKEF project ('Oracle Nickel' or 'ONI') which is currently under construction at IMIP.

RKEF Operations

Hengjaya Nickel Project (80% interest held by Nickel Mines)

During the December quarter, Hengjaya Nickel produced 4,957 tonnes of nickel metal, at an average nickel pig iron ('NPI') grade of 12.7% and a production-weighted average cash cost of US\$12,418/t.

Nickel Mines' attributable nickel production was 3,965 tonnes of nickel metal, a decrease of 0.7% from the September quarter.

The Hengjaya Nickel operating results for the December quarter were:

HENGJAYA NICKEL		October	November	December	December quarter	September quarter
NPI production	tonnes	12,272	12,899	13,961	39,132	36,174
NPI grade	%	13.2	12.3	12.5	12.7	13.8
Nickel metal production	tonnes	1,618	1,589	1,750	4,957	4,990
Cash costs	USD/t Ni	12,387	12,730	12,164	12,418	10,429

For the December quarter, Hengjaya Nickel recorded (on a 100% basis) sales of US\$91.4M for 4,957 tonnes of nickel metal sold, underlying EBITDA of US\$29.3M¹ and an underlying net profit of US\$27.4M¹.



Hengjaya RKEF operations

¹ Unaudited numbers from monthly operating entity financial reporting. Final tonnes sold are adjusted for each contract following the receipt of final assay results, which are generally received approximately 60 days following the original contract date. Where final assay results have not yet been received, tonnes sold is reported as stated in the original contract. The weighted average contract price for contracts delivered in the December quarter, before receipt of final assay results, was US\$18,508/t of nickel.

Ranger Nickel Project (80% interest held by Nickel Mines)

During the December quarter, Ranger Nickel produced 5,130 tonnes of nickel metal, at an average NPI grade of 12.9% and a production-weighted average cash cost of US\$12,277/tonne.

Nickel Mines' attributable nickel production was 4,104 tonnes of nickel metal, an increase of 0.1% on the September quarter production.

The Ranger Nickel operating results for the December quarter were:

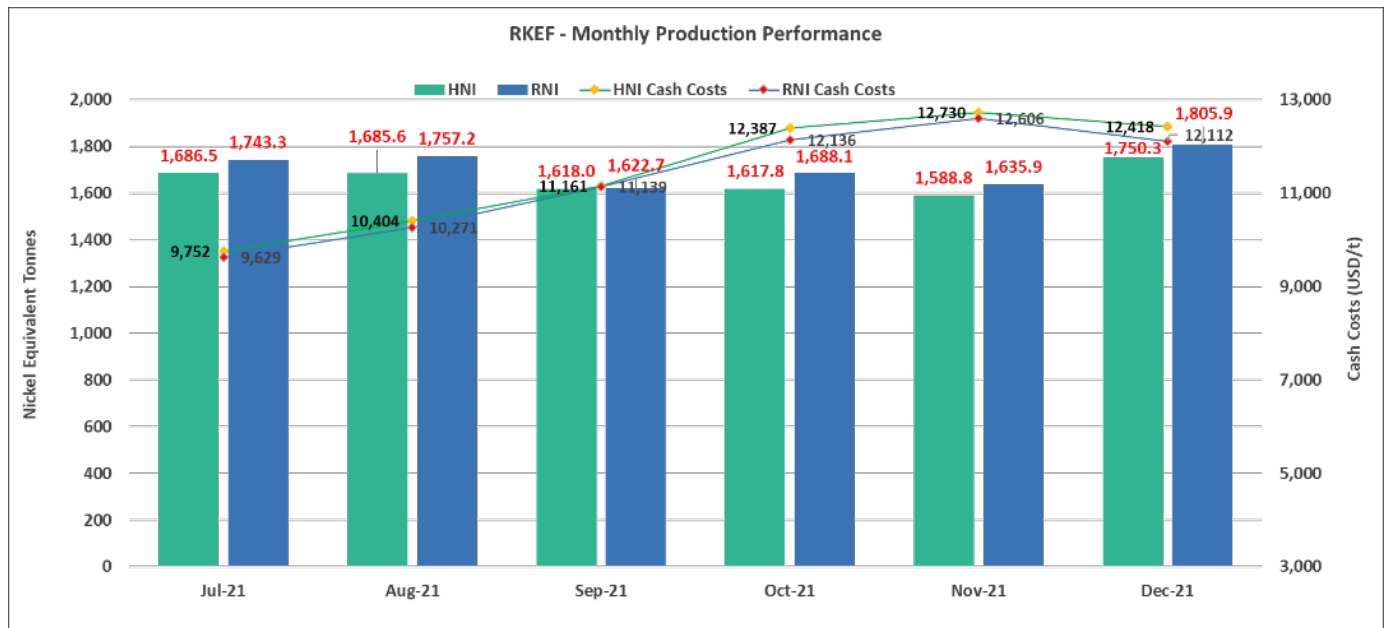
RANGER NICKEL		October	November	December	December quarter	September quarter
NPI production	tonnes	12,317	13,129	14,195	39,641	36,980
NPI grade	%	13.7	12.5	12.7	12.9	13.9
Nickel metal production	tonnes	1,688	1,636	1,806	5,130	5,123
Cash costs	USD/t Ni	12,136	12,606	12,112	12,277	10,327

For the December quarter, Ranger Nickel recorded (on a 100% basis) sales of US\$95.6M for 5,130 tonnes of nickel metal sold, underlying EBITDA of US\$31.5M² and an underlying net profit of US\$29.6M².



Ranger Nickel operations

² Unaudited numbers from monthly operating entity financial reporting. Final tonnes sold are adjusted for each contract following the receipt of final assay results, which are generally received approximately 60 days following the original contract date. Where final assay results have not yet been received tonnes sold is reported as stated in the original contract. The weighted average contract price for contracts delivered in the December quarter, before receipt of final assay results, was US\$18,546/t of nickel.



Production and cost performance from the Hengjaya Nickel and Ranger Nickel RKEF projects

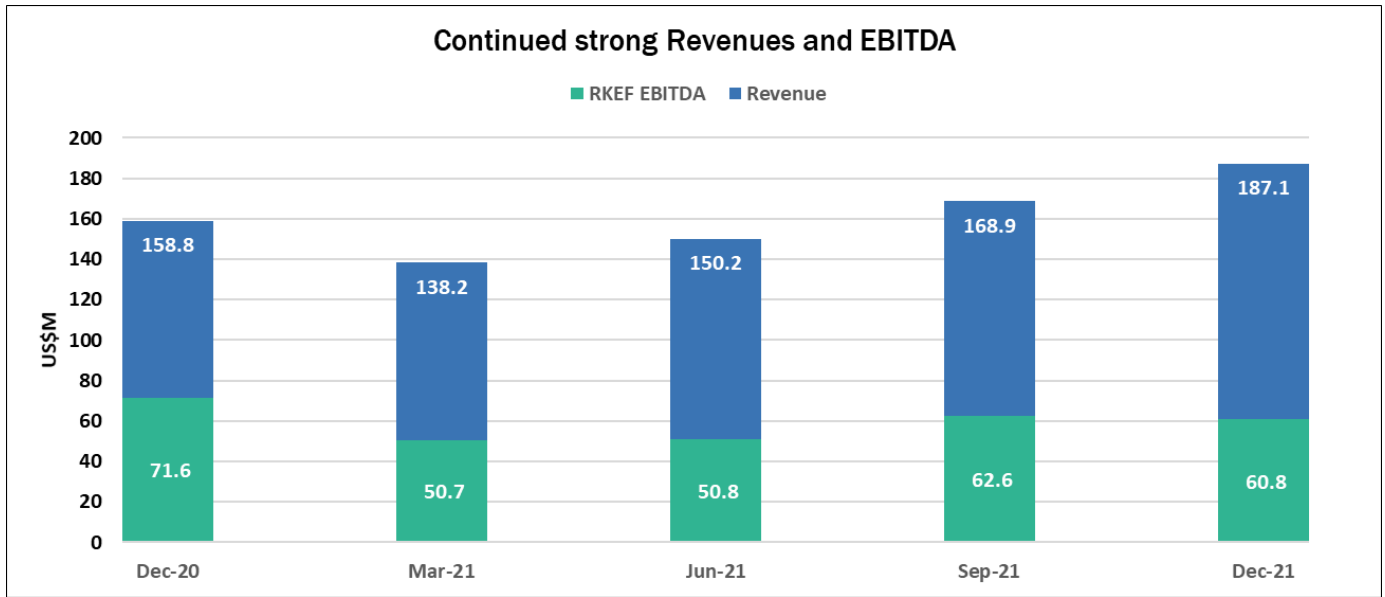
COMBINED RKEF OPERATIONS		October	November	December	December quarter	September quarter
NPI production	tonnes	24,589	26,028	28,155	78,772	73,154
NPI grade	%	13.4	12.4	12.6	12.8	13.8
Nickel metal production	tonnes	3,306	3,225	3,556	10,087	10,113

During the December quarter, the combined Hengjaya Nickel and Ranger Nickel projects recorded (on a 100% basis) sales of US\$187.1M for 10,086.7 tonnes of nickel metal (down 0.3% from the September quarter), underlying EBITDA of US\$60.8M and underlying net profit of US\$57.0M.

Commentary on RKEF Operations

KEY RKEF METRICS		December quarter	September quarter	% movement
Nickel production	tonnes	10,087	10,113	-0.3%
Realised price	US\$/t Ni	18,545	16,701	+11.0%
Sales revenue	US\$M	187.1	168.9	+10.8%
RKEF EBITDA	US\$M	60.8	62.6	-2.9%
RKEF EBITDA/tonne produced	US\$ Ni	6,028	6,190	-2.6%
RKEF EBITDA/tonne sold	US\$ Ni	6,028	6,190	-2.6%

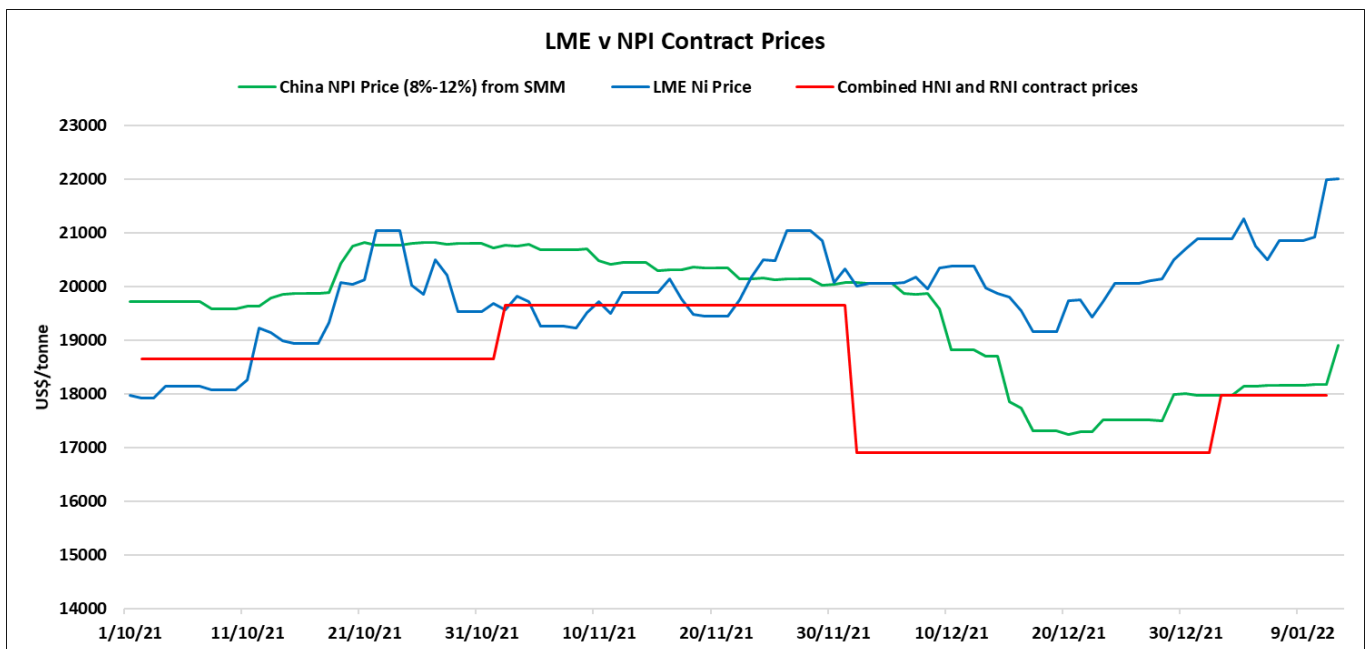
Production and Revenue



The December 2021 quarter represented another period of consistent nickel metal production with 10,087 tonnes produced by the Hengjaya and Ranger RKEF projects. The continued strong financial performance from the RKEF operations was again underpinned by strengthening NPI prices which for most of the quarter were on an upwards trend, driven higher by rising production costs (mainly energy related) particularly for China-based NPI producers.

Global stainless steel production levels remained strong over the quarter meaning demand for NPI also remained robust. With Indonesian NPI insufficient to meet input requirements, stainless steel producers (including Tsingshan) were required to procure material amounts of NPI from Chinese producers whose significantly higher cost base (in some cases greater than US\$19,000/t) supported the record NPI prices during the quarter.

The strong NPI prices for much of the December quarter resulted in quarterly realised contract prices of US\$18,545/t (+11% from US\$16,701/t Ni in the September quarter) and delivered record quarterly RKEF revenues of US\$187.1M, a 10.8% increase on the September quarter. December realised pricing was however negatively impacted due to the timing of contracts signing, with some contracts being signed mid-December, which was the low point of NPI market prices for the month.



As can be seen from the chart above, while the China NPI price traded above the LME nickel price for much of the quarter; however, a sharp retracement in coal prices from mid to late November (further details below) drove a similarly sharp reversal in NPI prices, which fell more than 15% from their highs and resulted in materially lower December contract prices. NPI prices in early January 2022 have recovered from their December fall, with the most recent contracts agreed just below US\$18,000/t.

During the December quarter, 63% of the Company’s NPI sales were to stainless steel operations within the IMIP. With Indonesian stainless-steel production continuing to ramp up, 100% of 2022 YTD sales have been made within the IMIP.

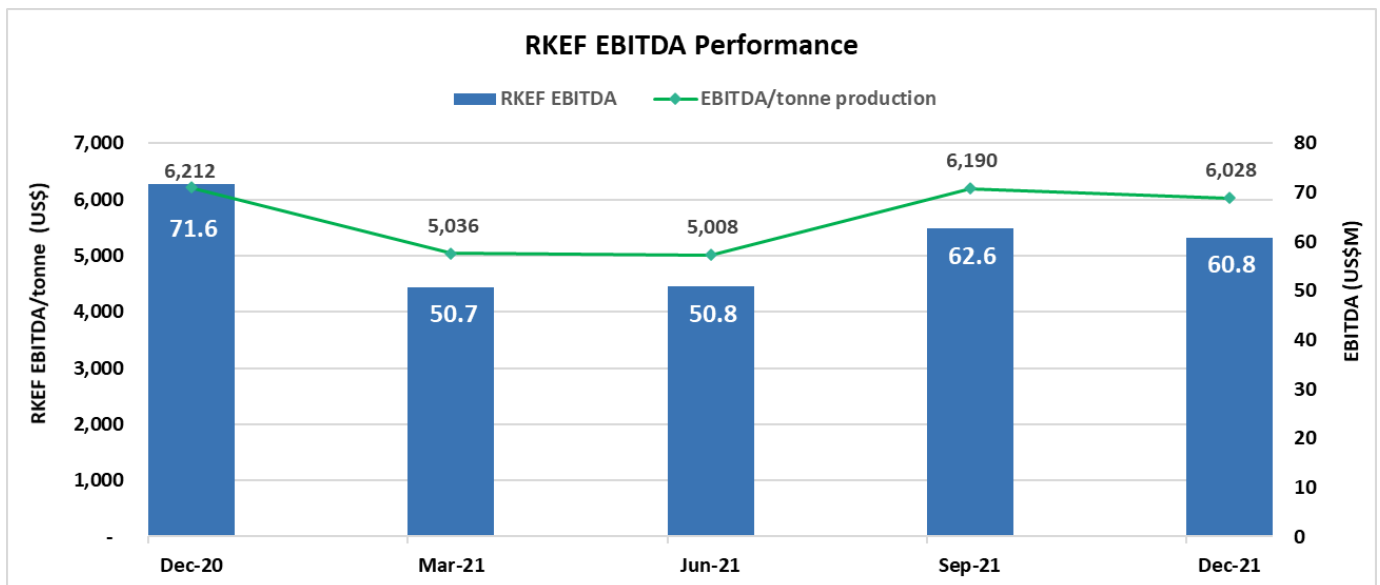
Operating Costs

Operating cash costs for the December quarter at Hengjaya Nickel (US\$12,418/t Ni) and Ranger Nickel (US\$12,277/t Ni) rose by US\$1,989/t Ni (+19.1%) and US\$1,950/t Ni (+18.9%) respectively, compared to the September quarter; approximately 75% of these increases were attributable to rising coal and electricity prices. The upwards trend in coal and electricity prices evident across most of 2021 appears to have peaked in the current price cycle. Supply shortages and the resulting price spikes, which affected the entire coal complex in the early part of the December quarter, have now eased and resulted in a notable reduction in energy-related cash operating costs in December compared to November.

Most of the balance of the cost increases were attributable to nickel ore prices; these are linked to LME Nickel prices, which for the December quarter averaged ~US\$580/t higher than the September quarter. The Company’s four operating RKEF lines currently consume approximately 4Mt of nickel ore per year; Hengjaya Mine’s current production levels of 3Mtpa provide a natural hedge of approximately 75% to these ore input costs.

EBITDA and Operating Margins

As noted above, average contract nickel prices rose 11% from the previous quarter to US\$18,545/t Ni despite the NPI price decrease in December. These higher contract prices underpinned another strong quarterly RKEF EBITDA result of US\$60.8M and resulted in a record Half Year EBITDA of US\$123.4M. EBITDA per tonne of sales was maintained above US\$6,000/t (at US\$6,028/t), an excellent achievement despite the abovementioned operating cost pressures over the quarter; this result highlights the attractive, ‘industrial nature’ of the RKEF operations.



Hengjaya Mine Operations

Hengjaya Mine (80% interest held by Nickel Mines)

In the December quarter, the Hengjaya Mine set a new production record of 847,260 wet metric tonnes ('wmt') of saprolite ore mined, a 46% increase on the previous record of 579,156 wmt in the September quarter. Current operational momentum, along with detailed mine planning and associated support services, has positioned the mine to deliver on its budgeted 3 million tonnes of saprolite ore production for 2022.

Hengjaya Mine continues to focus on achieving safe, consistent quality production rates with the December quarter increasing production in 2021 to over 2.5 million wmt of saprolite for the year at a grade of 1.74% Ni. The overburden strip ratio for the quarter was 1.4:1 and averaged 1.5:1 for the year.

In November the first barges of limonite were delivered to the Huayue Nickel Cobalt project located within the IMIP. A total of 98,313 tonnes of limonite ore were delivered in November and December and supply will continue during 2022. The limonite will be processed by the high-pressure acid leach ('HPAL') plant for the electric vehicle ('EV') battery market.

Production results continue to reconcile well against the geological model, providing confidence in the continued delivery of quality saprolite ore to the RKEF plants while also enabling the separation of limonite ore for supplying the HPAL plant.

		October	November	December	December quarter	September quarter
Saprolite mined	wmt	339,672	205,722	301,866	847,260	579,156
Overburden mined	BCM ³	518,139	321,916	343,312	1,183,367	793,045
Limonite mined	BCM	51,984	31,669	68,569	152,222	257,448
Overburden and limonite mined	BCM	570,123	353,585	411,881	1,335,589	1,050,493
Strip ratio ⁴	BCM/wmt	1.68	1.72	1.36	1.58	1.81
Saprolite tonnes sold	wmt	230,916	159,197	244,374	634,486	568,692
Average saprolite grade	%	1.76	1.77	1.74	1.75	1.74
Average saprolite price received	USD/wmt	37.64	37.52	37.48	37.55	36.45
Average saprolite cost of production ⁵	CIF USD/wmt	24.50	26.49	24.50	24.98	24.61

³ BCM represents 'billion cubic metres'.

⁴ Strip ratio includes limonite as overburden.

⁵ Monthly production costs are a six-month average of mining costs plus port/selling costs for the actual month. Reported production costs also include US\$599,920 of drilling costs incurred during the December quarter.



Bete Bete pit



Central pit operations



Stockpiles and jetty operating at 2.5 mtpa

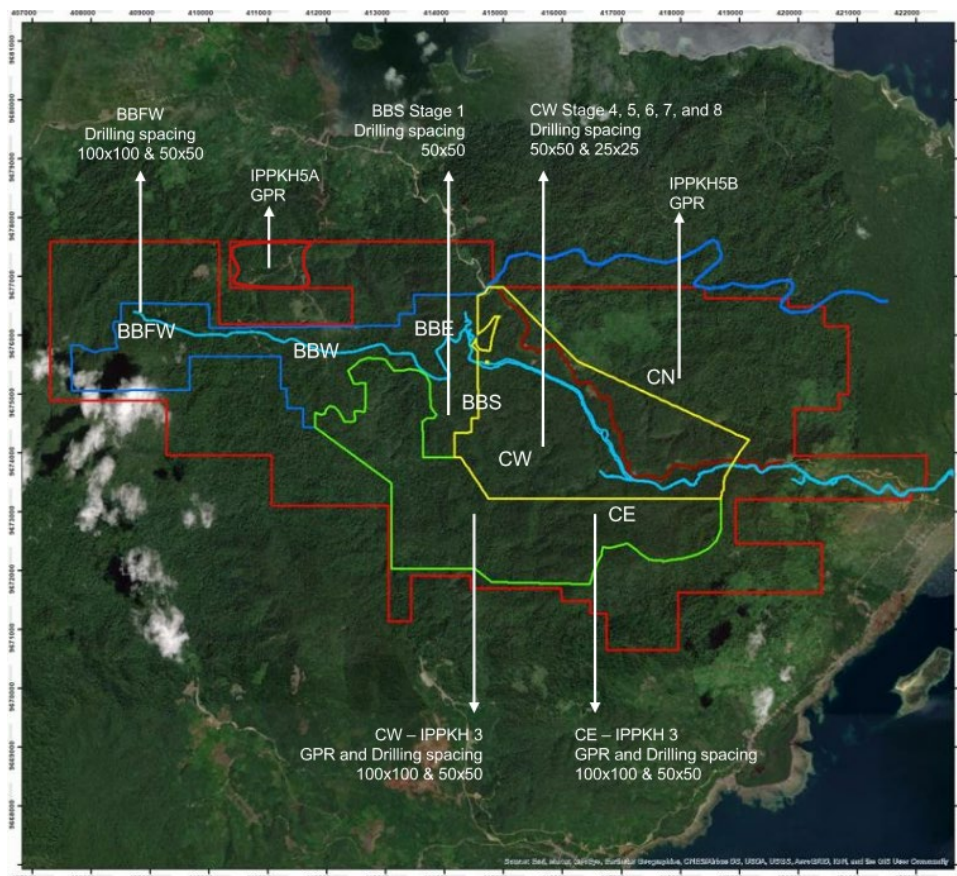
Hengjaya Mine Expansion

With the majority of the operational improvements now fully implemented, in conjunction with opening new mine areas at the Bete Bete and Central pit operations, Hengjaya Mine has been able to successfully deliver its production targets. Jetty operations have also operated at a significantly higher capacity since their expansion and upgrade, whilst the finalisation of the 6.5km of mine haul road to IMIP is planned to be completed in 2022. Internal haul roads connecting several Bete Bete and Central pits are now in full operation and have been a significant contributor to improved mining efficiencies.

Extensive drilling has continued to set the mine up for higher production rates in the coming years. The grade control infill drilling continues in the Central pit areas to enhance the rolling 12-month mine plan, whilst the Bete Bete areas continue to be drilled with new exploration commencing in areas east of the Central pit operations.

A total of 10,873 metres from 482 holes were drilled during the quarter. The split between infill grade control and exploration was 5,836 metres and 5,037 metres respectively. The on-site laboratory upgrades are fully functional, enabling a majority of sample preparation and assays to be performed on site with third-party checks for quality assurance undertaken on a regular basis. The current laboratory capacity is approximately 40,000 samples per month covering all aspects of the project’s operations, from exploration to final ore sales.

Exploration work on IPPK3’s (‘Central East’) 984 hectares commenced with a ground penetrating radar program with drilling planned to begin during Q1 2022 at 100 metres spacing. Historical drill holes have already identified several prospective laterite ore targets.



Map showing boundary of IUP and various drilling programs

Safety, Environment and Community

Safety

The dedicated focus on safety at the Hengjaya Mine resulted in over 3.4 million-man work lost time injury free ('LTIF') hours being achieved by early November. Sadly, an accident involving a contractor haul-truck driver occurred on the 19 November resulting in a fatality. The Group's sincere condolences are extended to the deceased's family, friends and fellow workers. The ESDM (Mines and Energy) worked with senior mine site staff to review the accident and revisit training and safety protocols for its drivers.

Community

Nickel Mines is strongly committed to contributing to both human and infrastructure development around the Hengjaya Mine and local communities and as such is actively involved in numerous Community Development and Empowerment (PPM) and Community Social Responsibility initiatives.



Fresh water program at Bete Bete village

Environment

Nickel Mines is committed to improving the sustainability of the Indonesian nickel industry with this objective being a key factor in many of the Company's planning and investment decisions. The Company is continually exploring opportunities to decarbonize its operations along the value chain and in the December quarter established a "Future Energy" collaboration framework with its major shareholder and strategic partner, Shanghai Decent Investment (Group) Co., Ltd ('Shanghai Decent'). This framework aims to jointly explore opportunities to transition current energy sources utilised across the Company's operations to renewable energy and other lower carbon-emitting solutions. Discussions are already well advanced on collaborations involving solar power (see further details below) and LNG-based energy solutions to transition away from current coal-fired power sources.

During the quarter, Nickel Mines made significant progress on improving its energy and emissions reporting, including the calculating of its carbon footprint from its Hengjaya Mine and RKEF operations. These metrics will be presented in the Company's maiden Sustainability Report (expected in the second quarter of 2022) and will serve as baseline data for future reporting and decarbonization projects.

During the quarter, the Hengjaya Mine successfully maintained its 'Blue PROPER rating' for the second consecutive year. The site is one of only two mining companies in the Central Sulawesi Province to achieve this recognition and is an acknowledgement from the Government of Indonesia that the Company complied with all environmental standards and licences during 2021.

The 450kWp solar project at the Hengjaya Mine is nearing completion. This will significantly reduce the requirement for diesel-fired generators to power the mine and camp facilities and make a meaningful contribution to carbon footprint reductions. The Company continues to work closely with an expert team from the global engineering and consulting expert, Hatch, to identify other decarbonization opportunities in its operations and to consider potential collaborations in carbon offset projects in Indonesia.



450kWp solar panel installation at the Hengjaya Mine camp

Finance⁶

Balance Sheet

At 31 December 2021, the Group held:

- Cash and cash equivalents: US\$137.9M (30 September 2021 - US\$120.8M);
- Trade receivables: US\$86.0M (30 September 2021 - US\$82.5M); and
- Inventories: US\$109.5M (30 September 2021 - US\$94.2M).

Cash and cash equivalents of US\$137.9M were held by Group companies as follows:

- US\$55.4M held by Nickel Mines;
- US\$33.2M held by Hengjaya Nickel and its related entities, in which Nickel Mines holds an 80% interest;
- US\$20.7M held by Ranger Nickel and its related entities, in which Nickel Mines holds an 80% interest;
- US\$21.7M held by Angel Nickel and its related entities, in which Nickel Mines holds an 80% interest; and
- US\$6.9M held by Hengjaya Mine, in which Nickel Mines holds an 80% interest.

Following the Company's increase to an 80% ownership interest in the Angel Nickel project on 30 September 2021, the Company commenced the consolidation of Angel Nickel in the Group. On acquisition date Angel Nickel held US\$11.5M in cash.

Trade receivables of US\$86.0M were held by Group companies as follows:

- US\$35.8M held by Hengjaya Nickel;
- US\$40.6M held by Ranger Nickel; and
- US\$9.6M held by Hengjaya Mine⁷.

Trade receivables of US\$82.5M reported at the end of the September quarter have been received in full.

Inventories (valued at the lower of cost or net realisable value) of US\$109.5M were held by Group companies as follows:

- US\$51.9M held by Hengjaya Nickel, being raw materials;
- US\$53.8M held by Ranger Nickel, being raw materials; and
- US\$3.8M of nickel ore held by Hengjaya Mine.

There was no NPI inventory on hand at the end of the December quarter, as all NPI produced was sold.

Following the declaration of dividends by the Indonesian RKEF operating entities for the September quarter, these dividends were distributed during the December quarter to Nickel Mines and Shanghai Decent and its associates, in proportion to their ownership interests (80% to Nickel Mines and 20% to Shanghai Decent and its associates) as follows:

- from Hengjaya Nickel: Nickel Mines received US\$12.9M, Shanghai Decent received US\$3.2M; and
- from Ranger Nickel: Nickel Mines received US\$12.9M, Shanghai Decent received US\$3.2M.

These distributions to Nickel Mines constitute Conduit Foreign Income ('CFI') which will enable any future dividends paid by Nickel Mines from these funds to be designated as sourced from CFI, meaning that Nickel Mines' foreign shareholders will not incur withholding tax deductions in Australia. Distributions to Shanghai Decent represent outgoings from the consolidated entity as presented in the cash flow waterfall on the following page.

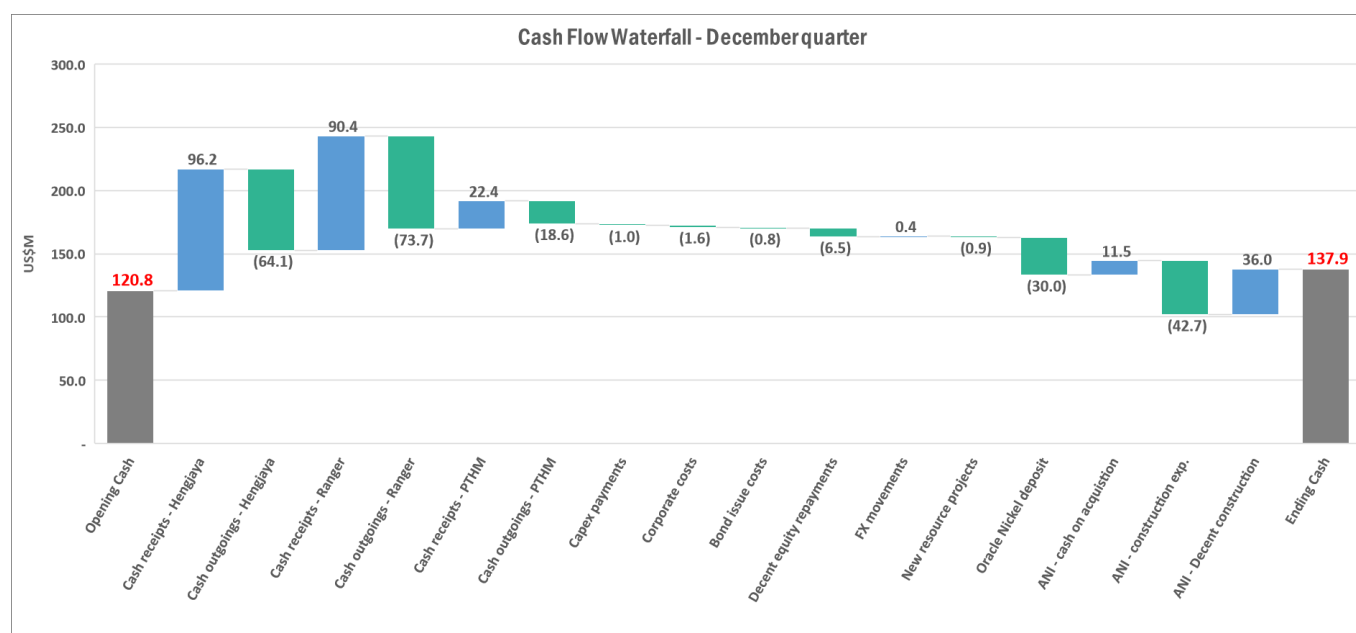
A further US\$4.5M was repatriated to Nickel Mines from Hengjaya Mine during the December quarter. Nickel Mines will receive 100% of fund repatriations from the Hengjaya Mine until intercompany loan funds advanced by Nickel Mines to the Hengjaya Mine have been fully repaid.

⁶ Unaudited numbers from monthly operating entity financial reporting.

⁷ Sales by Hengjaya Mine to Hengjaya Nickel and Ranger Nickel are intra-group transactions and are eliminated on consolidation.

Cash Flow

The following cash flow waterfall provides a reconciliation of cash movements for the Group during the December 2021 quarter.



Underlying cash generation from operations (defined as EBITDA from operations less capex) was US\$67.8M.

Following the Company's increase to an 80% ownership interest in the Angel Nickel project on 30 September 2021, Angel Nickel has been included in the Group. Ongoing construction costs of the Angel Nickel project will be funded by the Company's operating partner, Shanghai Decent, via the Company's 80%-owned Indonesian operating entity PT Angel Nickel Industry ('ANI') and will appear in the Group's cash flow movements.

Expenditures

Expenditure on mine production and development activities during the quarter totalled US\$19.2M, of which US\$1.0M was capex.

Exploration activities during the quarter included infill drilling of US\$0.6M, which have been expensed as part of the Hengjaya Mine production costs.

Exploration expenditure across new project opportunities totalled US\$0.4M. Additionally, a US\$0.5M partially refundable deposit was paid in relation to the acquisition of the Tablasufa Nickel Project (refer below for further details). With the significant growth of Indonesia's downstream nickel processing industry, the value of, and competition for, nickel ore resources is increasing and intensifying the requirement for securing high-quality, long-life resources. The Company views the new resource project exploration and acquisitions as important to satisfying this objective and strategically important for securing future downstream processing opportunities.

Related Party Expenditures

During the December quarter, the aggregate amount of payment to related parties and their associates totalled US\$853,961, comprising US\$773,719 of payments to Directors or Director-related entities for Directors' consulting fees and US\$80,242 in fees were paid to MIS Corporate Pty Limited ('MIS'), an entity in which Director Norman Seckold and former Director Peter Nightingale have a controlling interest. MIS provides full administrative services, including administrative, accounting, company secretarial and investor relations staff both within Australia and Indonesia, office premises, services and supplies to the Group.

Corporate

Resignation of a Director and Appointment of a Chief Financial Officer

During the quarter the Company advised of the resignation of Mr Peter Nightingale as Executive Director and Chief Financial Officer ('CFO') of the Company. As a founding director of the Company and serving in the capacity of CFO since 2007, Peter played a leading role in navigating the Company through its development years and orchestrated its strategic relationship with the Tsingshan Group before overseeing its Initial Public Offering in August 2018 and leading the various transactions and financings that today has positioned the Company as a leading global nickel producer.

Mr Chris Shepherd has replaced Peter as CFO. Chris is a Chartered Accountant who holds degrees in Applied Finance and Commerce. Most recently Chris acted as a Partner and Managing Director of The Pallinghurst Group in London and has over 20 years' experience in private equity, investment banking and corporate finance. Chris commenced employment with the Company in early August 2021.

MOU Secures Next Phase of Growth

In November the Company announced it had signed a multi-faceted memorandum of understanding ('MoU') with Shanghai Decent, outlining a framework for future collaborations between the parties over the next several years.

The MoU consolidates and expands the strong existing strategic partnership between the parties and outlines a plan for Nickel Mines to participate in numerous future development projects that the Tsingshan Group has planned across Indonesia with an immediate focus on the IMIP and the IWIP.

Importantly, the MoU also outlines a framework under which both parties will collaborate on future energy projects aimed at delivering reduced carbon emissions and cleaner energy solutions across both industrial parks.

Headlining the MoU is a new investment in Oracle Nickel which was formalised in December with the execution of a Definitive Agreement.

Oracle Nickel Project

Nickel Mines has agreed to purchase a 70%⁸ interest in the Oracle Nickel Project ('ONI' or 'ONI Project'), a new development project that has commenced construction within the IMIP comprising four next-generation RKEF lines with an annual nameplate production capacity of 36,000 tonnes of nickel metal (in NPI).

The ONI project company will also separately undertake the construction of a 380MW captive power plant that will support the Oracle Nickel RKEF lines and the IMIP's overall grid power requirements.

The Oracle Nickel asset specifications will replicate those of the Company's Angel Nickel within the IWIP that has recently commenced commissioning.

Oracle Nickel's total valuation of US\$750M (on a 100% basis) is a modest uplift in valuation from Angel Nickel (US\$700M on a 100% basis), but still represents a low level of capital intensity for newly installed nickel production capacity, relative to the industry.

Under the terms of the MoU, the Company will secure its 70% interest in Oracle Nickel through an "acquisition" component comprising US\$371M (US\$530M * 70%), of which US\$30M has already been paid, in addition to providing US\$154M (US\$220M * 70%) of "construction" funding by way of shareholder loans.

⁸ The remaining 30% interest in Oracle Nickel will be retained by Shanghai Decent.

The agreed payment schedule and Nickel Mines’ ownership interest in Oracle Nickel is as follows:

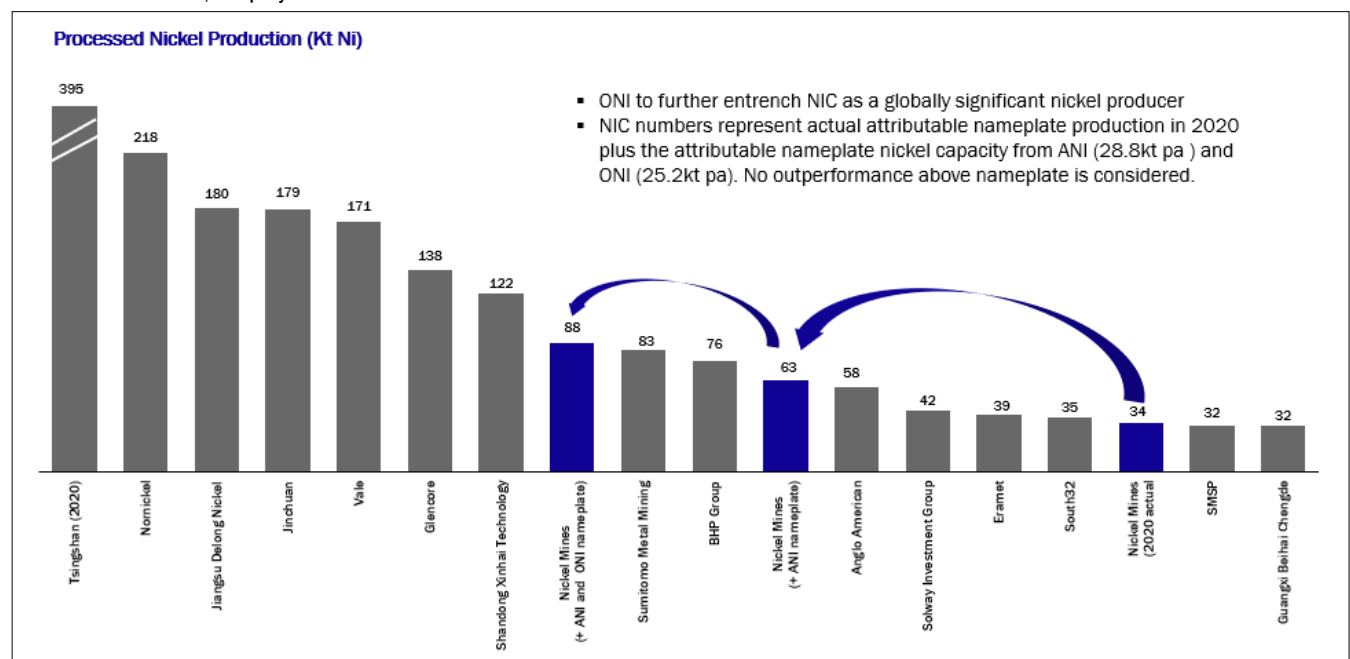
Date	Amount (US\$M)	Cumulative (US\$M)		% of ONI
Signing of MoU	10.0	10.0	Paid	
Definitive Agreement (By 31 January 2022)	20.0	30.0	Paid	
By 31 March 2022	23.0	53.0		10%
By 30 June 2022	106.0	159.0		30%
By 30 September 2022	46.2	205.2	1 st construction shareholder loan	
By 31 December 2022	212.0	417.2		70%
	46.2	463.4	2 nd construction shareholder loan	
By 31 March 2023	61.6	525.0	3 rd construction shareholder loan	
Total	525.0			

Nickel Mines’ 70% interest in Oracle Nickel represents 25,200 tonnes per annum (‘tpa’) of attributable nameplate nickel metal capacity, increasing the Company’s total attributable nameplate capacity to 78,000tpa of nickel metal.

		IMIP	IMIP	IMIP	IWIP	Total
Annual capacity		HNI	RNI	ONI	ANI	
Nameplate	<i>Ni tonnes</i>	15,000	15,000	36,000	36,000	102,000
NIC attributable	<i>Ni tonnes</i>	12,000	12,000	25,200	28,800	78,000

As illustrated in the chart below, the Oracle Nickel will further cement Nickel Mines as a globally significant nickel producer.

Source: Wood Mackenzie, Company data



The terms of the Definitive Agreement provide for Shanghai Decent to take a lead role in the design and construction of Oracle Nickel with commissioning of the four RKEF lines to commence no later than 19 February 2023 and commissioning of the power plant to commence no later than 19 July 2023 (subject to any force majeure event).

Actual construction costs for Oracle Nickel and the power plant shall not exceed US\$750M, with Shanghai Decent undertaking to indemnify Nickel Mines for any costs exceeding US\$750M.

The Company's investment in Oracle Nickel will be undertaken under a replica structure to its Hengjaya Nickel, Ranger Nickel and Angel Nickel investments, with Nickel Mines acquiring its interest in Oracle Nickel through two Singaporean-incorporated holding companies that will wholly own an Indonesian-incorporated PMA operating company, PT Oracle Nickel Industry ('PT ONI'), which will wholly own Oracle Nickel's four RKEF lines and its power plant.

In addition to standard representations and warranties for an agreement of this nature, notable commercial parameters in the Definitive Agreement include:

- (i) shareholder approval: the transaction requires the approval of the Company's shareholders, which was received with overwhelming support (99.99% in favour) at a General Meeting of Shareholders held on 25 January 2022;
- (ii) off-take of NPI: Shanghai Decent irrevocably and unconditionally undertakes to procure all of the NPI product from PT ONI at market prices for NPI in China and shall indemnify Nickel Mines for all and any losses, costs or damages should it fail to fulfil this obligation; and
- (iii) acquisition funding: it is agreed that the acquisition consideration may be funded by existing cash reserves, debt funding and equity funding (or a combination thereof) at Nickel Mines' sole discretion.

Independent Expert Report

The Company released an Independent Expert's Report ('IER') prepared by Lonergan Edwards & Associates. The IER determined the Company's proposed investment to acquire a 70% interest in Oracle Nickel to be both fair and reasonable to shareholders, with the report suggesting:

- (i) an implied valuation of Oracle Nickel (on a 100% basis) under a discounted cash flow methodology in a range of US\$1.45 billion to US\$1.55 billion, approximately double that of the US\$750 million valuation that the Company's 70% interest (US\$525 million) is being acquired for; and
- (ii) the transaction represents an attractive investment proposition in terms of capital intensity (project capital cost divided by annual nickel production capacity) relative to other significant nickel projects.

Future Energy Collaboration Framework

Nickel Mines and Shanghai Decent are committed to reducing carbon emissions from CO₂ production and under a newly devised "Future Energy" collaboration framework have undertaken to jointly explore opportunities to transition current energy sources utilised across the Company's operations to renewable energy and other lower carbon emitting solutions. Discussions are already well advanced on collaborations involving solar power (refer 200MWp Solar Project below) and LNG-based energy solutions to begin the transition away from current coal-fired power sources.

Future HPAL Collaboration

The Company and Shanghai Decent have agreed to actively explore the feasibility of jointly developing and investing in a HPAL project utilising Nickel Mines' current and prospective nickel resources to broaden the Company's product offerings. The identification of suitable land parcels and other preliminary studies are underway, in combination with securing additional limonite resources. The delivery of the HPAL project would position Nickel Mines as a producer of battery-grade nickel (mixed hydroxide precipitate, or MHP, and sulphates) for sale into the booming EV market.

CSPA Executed for Tablasufa Nickel Project

In December 2021, the Company signed a conditional share purchase agreement ('CSPA') to acquire 100% of the Tablasufa Nickel Project ('Tablasufa'), with Bolt Metals Corp. ('Bolt'), a company listed on the Canadian Securities Exchange ('CSE'). Bolt owns a 65% interest in PT Tablasufa Nickel Mining ('TNM') and PT Best Resources owns the remaining 35% interest.

Tablasufa is a 5,000-hectare operation Production IUP located in West Papua Province, Indonesia, which has undergone considerable past exploration by various parties.

Previous exploration from 1952 to 2021 includes 1,633 augur and 189 core holes and 26 test pits, with highest individual grades of **2.65% nickel** and **0.49% cobalt** recorded. Exploration undertaken by Bolt from 2017 includes 657 augur and 123 core holes and 11 test pits.

Tablasufa is located on the north-east coast of West Papua, approximately 200km from the Siduarsi CoW where Nickel Mines is currently undertaking due diligence and drilling activities (see ASX announcement 2 September 2021). Similar to the Siduarsi project, Tablasufa is along geo-tectonic strike from the Ramu nickel-cobalt project in neighbouring Papua New Guinea, which reported cash costs of less than US\$2/lb for the September 2021 quarter.

Under the terms of the CSPA, Nickel Mines can acquire 100% of Tablasufa for a total consideration of US\$8.5 million, with the key conditional terms being (i) the completion of satisfactory due diligence, at Nickel Mines' absolute discretion, (ii) extension of the Tablasufa Production IUP and (iii) Bolt shareholder approval.

Angel Nickel Secures Material Tax Concessions

Subsequent to quarter end, the Company was advised that Angel Nickel's Indonesian operating entity, PT Angel Nickel Industry, had been granted material corporate tax relief for its RKEF project.

Notice of the tax relief was communicated to the Company by official decree from the Minister of Finance of the Republic of Indonesia after the Ministry of Investment/Investment Coordination Committee conducted a study to assess whether Angel Nickel "complies with the standards and requirements for tax relief set out in Article 3 of Minister of Finance Decree No. 130/PMK.010/2020 on Granting of Corporate Income Tax Relief Facilities".

Having satisfied these requirements, the following tax concessions were granted:

- a Corporate Income Tax Reduction of **100%** for a period of **ten (10) tax years**, starting from the tax year in which commercial production is achieved; and
- a Corporate Income Tax Reduction of **50%** of payable income tax for a period of **two (2) tax years**, starting from the end of the initial ten-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 **ten (10) tax years**, also commencing from the tax year in which commercial production is achieved.

The Company's existing Hengjaya Nickel and Ranger Nickel projects are currently benefitting from 7-year, 100% corporate tax relief. The increased tenor of the tax-free period (to 10 years) applicable to Angel Nickel is attributed to its materially larger scale and "planned investment value". These concessions may be revoked, amended or adjusted, if any of six conditions are not met, the most important condition being the satisfaction of a minimum investment realisation of not less than Rp100 billion – the expected investment for Angel Nickel comfortably exceeds this threshold.

MOU Signed for 200MWp Solar Project

Subsequent to quarter end the Company signed a MoU with PT Sumber Energi Surya Nusantara ('SESNA') to implement, subject to certain economic parameters being met, 200MWp solar capacity within the IMIP.

SESNA is an established and leading solar development company in Indonesia, owning and operating a portfolio of solar feed-in-tariff ('FIT') and microgrid projects, as well as providing services and solutions such as engineering, procurement and construction ('EPC') capabilities, solar financing, and other technical development support to commercialize solar projects.

The MoU provides for SESNA to undertake the role of 'Project Initiator' for developing, financing, constructing, commissioning, owning and operating a 200MWp solar farm project to significantly scale up the supply of renewable energy to the Company's Hengjaya Nickel and Ranger Nickel operations within the IMIP. Under the proposed agreement, Nickel Mines will be the long-term offtake partner for SESNA and will not be required to contribute any capital funding. The indicative tariff for electricity (expressed as US cents per kWh) is expected to remain constant over the life of the project and is considered competitive with other solar projects of similar scale.

The solar project may be implemented in stages with SESNA committing to finalise and deliver a project proposal within three months of signing the MoU, at which point the Company may elect to proceed or terminate the MoU at its discretion.

It is estimated this solar project could supply up to 20% of Hengjaya Nickel and Ranger Nickel's current electricity requirements and in doing so, account for a material reduction in annual CO₂ emissions. Additionally, the solar project marks an important first step in the Company's "Future Energy" collaboration with Shanghai Decent and their joint commitment to a more sustainable future for Indonesia's nickel industry.

Commencement of Commissioning at Angel Nickel Project

Subsequent to quarter end, the Company announced that its 80%-owned Angel Nickel Project ('ANI') within the IWIP had commenced its commissioning phase with a maiden "NPI tap" occurring on 25 January 2022. With the first of the Project's four RKEF lines having now commenced production, an accelerated timetable will see the remaining three RKEF lines progressively begin commissioning with all lines expected to be producing NPI by the end of April 2022.

The ANI power plant remains on schedule to commence commissioning by the end of September 2022, ahead of the October 2022 contractual delivery date, with the ANI project utilising power from the existing IWIP electricity grid in the interim. During this period NPI production from ANI's RKEF lines will run at less than 100% of the 36,000 tonnes of nickel metal production nameplate capacity per annum depending on power availability. Full NPI production capacity is expected to be achieved around one month after the commissioning of the ANI power plant.

As with the Company’s existing HNI and RNI projects, ANI will require the issuance of an Industrial Business Licence (Izin Usaha Industri) (‘IUI’) to commence commercial sales of NPI. Any NPI produced ahead of the IUI issuance will be stockpiled (as was the case with initial HNI and RNI sales) however it is presently anticipated ANI’s IUI will be in place to allow first commercial sales to be recorded in early Q2 2022.



MD Justin Werner and the Chairman of Weda Bay



Angel Nickel's maiden NPI tap



NPI being poured into an Ingot caster



Weda Bay Power Plant control room

Declaration of Final Dividend

Subsequent to quarter end, the Company resolved to declare a final dividend of A\$0.02 per share in relation to its Full Year 2021 financial results which will be released in February 2022. The record date for the final dividend payment will be 3 February 2022, with the payment date set for 10 February 2022.

QUARTERLY PROGRESS

Commenting on the December quarter's activities, Managing Director Justin Werner said:

"During the December quarter, Nickel Mines continued its operational excellence across both our RKEF and mining operations. Once again Hengjaya Nickel and Ranger Nickel delivered consistent production of more than 10,000 tonnes of nickel at an excellent margin of over US\$6,000/tonne for US\$60M of EBITDA – a highly pleasing result despite continuing cost pressures and one that clearly demonstrates the ability of the Company's downstream industrial processing assets to deliver exceptional returns in any market environment.

We are now excited to have commenced commissioning at Angel Nickel, our first project at Weda Bay, and look forward to this asset demonstrating the same level of operational excellence and consistency as our existing assets, as well as making a meaningful contribution to our Group financials.

Most notably, the December quarter marked another milestone step in the Company's future growth trajectory. Our agreement to acquire a 70% interest in the Oracle Nickel Project is once again transformational for the Company. With Oracle's four RKEF lines set to come online by Q1 2023, the Company is set to triple the current size of its RKEF business with attributable nickel production targeted to reach approximately 100kt pa – a production profile that will firmly establish us as a top-10 global nickel producer.

We are also delighted to be broadening our relationship with Shanghai Decent by collaborating on several "Future Energy" initiatives. Both parties are committed to a more sustainable future for Indonesia's nickel industry and now, as material producers in this industry, we are excited to announce our involvement in the IMIP's first solar energy investment – a project that will result in a transition to renewable energy and a reduction in our carbon footprint.

Hengjaya Mine's expansion and development initiatives undertaken over the course of the last 18 months are continuing to pay dividends with saprolite production levels surpassing 847k wmt for the quarter, eclipsing the previous record of 579k wmt during the September quarter. With limonite sales having also commenced and expected to ramp-up in 2022, we are now well positioned to unlock the full strategic and financial value of Hengjaya Mine in the years ahead".

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