

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	21.2%
PT. KBP	13.4%
BlackRock Group	6.5%
L1 Capital	5.2%

Further enquiries

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QUARTERLY ACTIVITIES REPORT

For the quarter ended 30 September 2022

Record nickel production of 20,275 tonnes underpins EBITDA from operations of US\$55.5M

RKEF operations

- RKEF quarterly production of **20,275** tonnes of nickel metal (100% basis)
(June quarter: 15,567 tonnes)
NIC attributable nickel production was 16,220 tonnes of nickel metal
- Record **20,045** nickel metal tonnes sold (100% basis)
(June quarter: 15,817 tonnes)
- Record RKEF quarterly sales of **US\$319.2M** (100% basis)
(June quarter: US\$315.4M)
- RKEF quarterly EBITDA of **US\$45.3M** (100% basis)
(June quarter: US\$84.9M)
- RKEF quarterly EBITDA margin of **US\$2,261/t** Ni sold
(June quarter: US\$5,367/t)
- Underlying cash generation from operations of **US\$54.9M** (100% basis)
(June quarter: US\$102.6M)
- RKEF September quarter cash costs:
 - Hengjaya Nickel: US\$13,879/tonne Ni (June quarter: US\$14,597)
 - Ranger Nickel: US\$14,150/tonne Ni (June quarter: US\$14,338)
 - Angel Nickel: US\$13,167/tonne Ni (June quarter: US\$14,550)
- Angel Nickel power plant commissioned ahead of schedule

Mining operations

- Hengjaya Mine nickel ore production of **1,697,976 wmt**
(June quarter: 1,313,492 wmt)
- Hengjaya Mine EBITDA of **US\$10.2M**
(June quarter: US\$18.4M)
- Upgraded JORC Resource estimate of **300 million dmt**, at average grade of 1.22% nickel and 0.09% cobalt
- Hengjaya Mine received 7 Environmental and Social Innovation ('ENSIA') awards for a range of sustainability initiatives

Corporate

- Cash + receivables + inventory at quarter end of **US\$513.2M**
(June quarter: US\$452.6M)
- Acquisition of a further 40% interest in the Oracle Nickel project, taking NIC ownership to 70%
- Binding term sheet signed for 200MWp (+20MWh battery) solar project within the IMIP to supply the Hengjaya, Ranger and Oracle Nickel processing operations

The Directors are pleased to present the September 2022 Quarterly Activities Report for Nickel Industries Limited ('Nickel Industries' or 'the Company') and its controlled entities ('the Group').

The Group's principal operations, located in Indonesia, are:

- Industrial Processing: the Hengjaya Nickel ('HNI'), Ranger Nickel ('RNI') and Oracle Nickel ('ONI') rotary kiln electric furnace ('RKEF') projects, located within the Indonesia Morowali Industrial Park ('IMIP'), the Angel Nickel ('ONI') RKEF project, located within the Indonesia Weda Bay Industrial Park ('IWIP'); and
- Mining: the Hengjaya Mine, located only 12 kilometres from the IMIP.

For the quarter under review, the Company held an 80% interest in the HNI, RNI and ANI RKEF projects, as well as an 80% interest in the Hengjaya Mine. Additionally, the Company currently holds a 70% interest in the ONI RKEF project, which is currently commissioning and scheduled to produce its first NPI by mid-November 2022.

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

"Against the backdrop of a challenging macro environment we are extremely pleased to have delivered another record quarter of production, along with a number of significant milestones for both our Industrial and Mining operations.

The record quarterly RKEF production was led by ANI, which made a significant contribution to our overall result, particularly over the second half of the quarter upon commissioning of the Project's power plant. With HNI and RNI back producing at historical levels and with the imminent commissioning of ONI, we look forward to seeing our quarterly production levels grow to over 30kt per quarter by mid-2023.

Whilst we experienced a decline in NPI prices during the quarter, which led to margin compression compared to our record June quarter, we have seen a recent increase in NPI prices. Pleasingly, our RKEF operations delivered a significant reduction in operating costs during the quarter decreasing from \$14,989/t in July to \$12,662/t in September –representing a >15% reduction as the benefits of ANI's lower power costs have delivered higher margins towards the end of the quarter. At the same time, through continuous innovation, we have also achieved cost-savings by changing the composition of metallurgical coal injected into the rotary kilns.

At the beginning of October we commenced the transition to the production of nickel matte from our two HNI RKEF lines. This gives us direct exposure to the class 1 nickel market and the SHFE/LME pricing fundamentals which have traded robustly this year. Importantly our matte production is already contracted out to a 3rd party until March 2023, with strong % payabilities of the SHFE price that improve at a higher SHFE price. Our ability to switch production and diversify with exposure to the class 1 and class 2 nickel markets and their different pricing dynamics, makes us unique amongst global listed nickel producers, and we look forward to delivering first results for our matte operations in the December quarter

The Hengjaya Mine delivered several important milestones and achievements, including record nickel ore production, an upgraded JORC Mineral Resource (with 3.7 million tonnes of nickel metal and 270,000 tonnes of cobalt, placing it firmly in the top 10 known global nickel resources) and environmental approval for the completion of our haul road to the IMIP which will allow supply of saprolite and limonite to ramp up significantly during the coming years.

In addition, we signed a strategic cooperation agreement with QMB which is owned by some of the largest battery producers and recyclers in Asia, for the supply of 5-7 million wmt per annum from the Hengjaya Mine for a period of 20 years to QMB's HPAL, which is currently commissioning within the IMIP. This agreement, the value of which at current ore prices is estimated in excess of US\$1.5 billion over the life of the contract, also outlines that the parties will explore in good faith the opportunity for NIC to take an equity interest in the QMB HPAL plant – this would further diversify the Company's nickel offering and allow it to get exposure to the low carbon and low cost mixed hydroxide precipitate that the current wave of Indonesian HPAL plants are producing.

Finally, during the quarter Hengjaya Mine received 7 trophies at the Environmental and Social Innovation (‘ENSIA’) Awards 2022. These accolades were awarded for our sustainability initiatives for energy efficiency (Platinum award), hazardous waste management (Platinum), water reduction (Gold), domestic waste management (Gold), emission reduction (Gold), social innovation (Gold), and biodiversity protection (Silver). Moreover, Hengjaya Mine was the only nickel operation that earned this acknowledgement.

Our ability to still deliver a good margin when many producers on the cost curve currently are loss-making, once again highlights the position that we occupy at the very bottom end of the global cost curve, which we will strive to further consolidate with continuous innovation in cost-cutting and steady output from Angel and Oracle that is expected to exceed their nameplate capacity by approximately 35%. Our growing production profile is locked in and with our first ONI RKEF line commissioning in the fourth quarter, we believe our business is extremely well positioned to leverage a reversion in margins to historical averages and to also diversify into other nickel products where superior margins maybe captured.”

RKEF operations

Key reporting metrics

KEY RKEF METRICS		September quarter	June quarter	% movement
Nickel production	tonnes	20,275	15,567	30.2
Nickel sales	tonnes	20,045	15,817	26.7
Realised price	US\$/t Ni	15,950	19,943	(20.0)
Sales revenue	US\$M	319.2	315.4	1.2
RKEF EBITDA	US\$M	45.3	84.9	(46.6)
RKEF EBITDA/tonne sold	US\$/t Ni	2,261	5,367	(57.9)

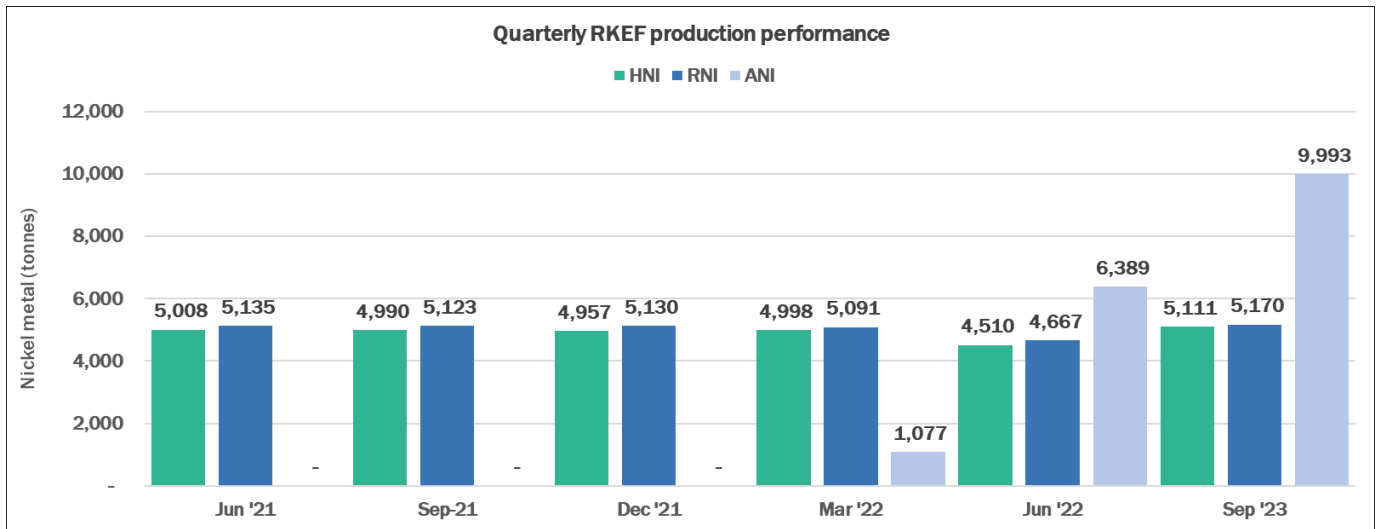
Commentary on RKEF operations

Production

During the September quarter, the Company’s RKEF operations produced a record 20,275 tonnes of nickel metal, at a production-weighted average cash cost of US\$13,597/t. This record production included 9,994 tonnes of nickel metal from Angel Nickel whose power plant commenced commissioning in late July. Benefitting from its own power, production levels steadily increased across the quarter, approaching 130% of nameplate in September, resulting in operating costs of less than US\$12,000/t, down materially from US\$14,550/t in the June quarter. Combined nickel production for the quarter at the Hengjaya Nickel and Ranger Nickel projects (10,281 tonnes) returned to their historical levels following the commissioning of a new 380MW power plant in IMIP in June.

Nickel Industries’ attributable nickel production was 16,220 tonnes of nickel metal, an increase of 30.2% on the June quarter production.

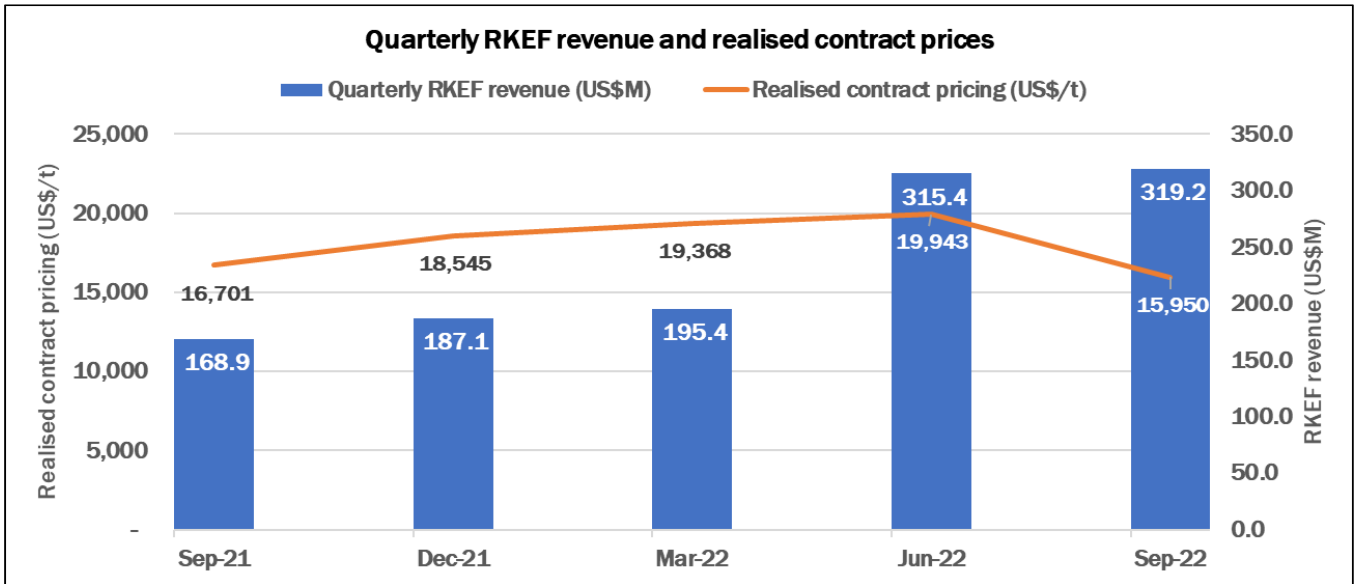
RKEF OPERATIONS		HNI	RNI	ANI	September quarter	June quarter
NPI production	tonnes	37,634	38,219	69,327	145,180	114,106
NPI grade	%	13.6	13.5	14.4	14.0	13.6
Nickel metal production	tonnes	5,111	5,170	9,994	20,275	15,567
Nickel metal sold	tonnes	5,111	5,170	9,764	20,045	15,817
Weighted avg. cash cost	USD/t Ni	13,879	14,150	13,167	13,597	14,503



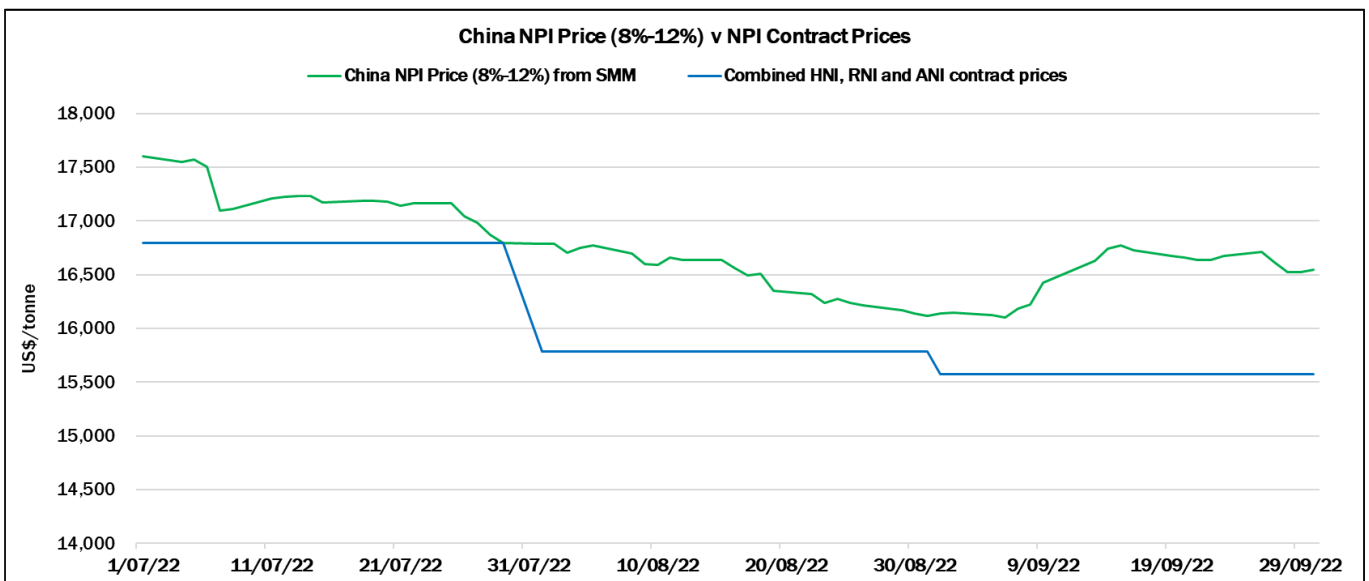
Control room at ANI

Revenue and contract pricing

During the September quarter, the Hengjaya Nickel, Ranger Nickel and Angel Nickel projects recorded combined sales (on a 100% basis) of US\$319.2M, up 1.2% from US\$315.4M in the June quarter. This record RKEF revenue was generated on record sales of 20,045 tonnes of nickel metal, up 26.7% from the 15,817 tonnes of nickel metal sold in the June quarter.



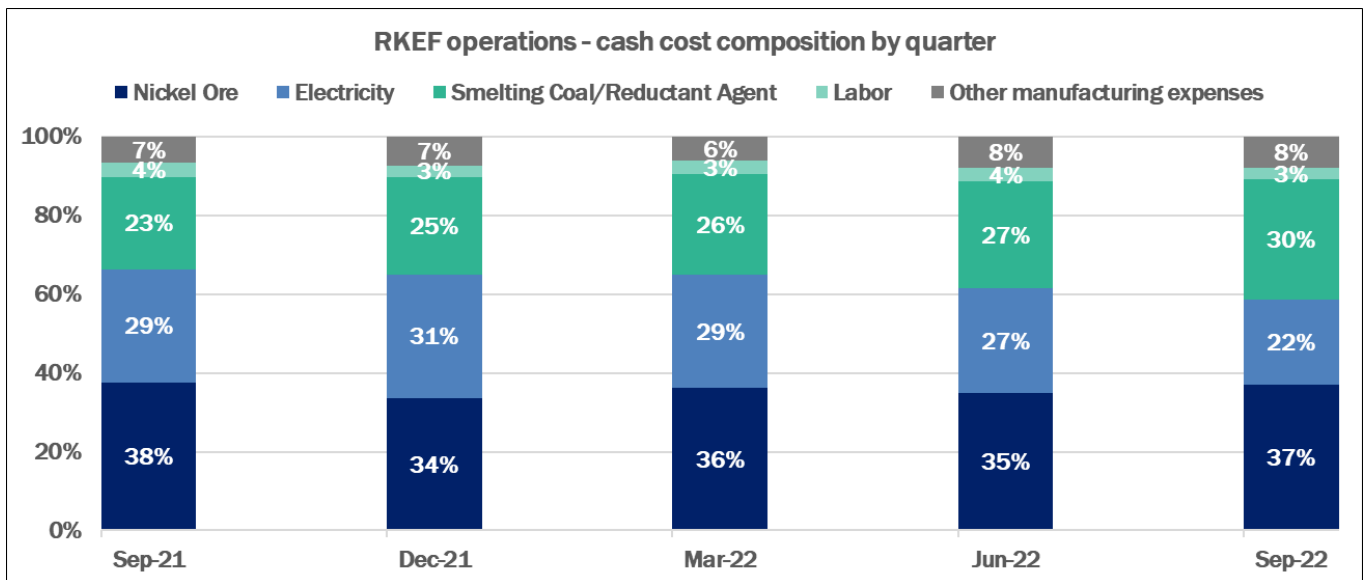
Offsetting the quarter’s strong production growth was a material deterioration in NPI prices. Global economic uncertainty and extended COVID-19 prevention policy across China have negatively affected economic activities for the time being, with current GDP rates well below levels seen over the last decade. Reduced economic activity has resulted in a softening in stainless steel demand which has materially impacted current NPI pricing. A sharp appreciation (~7.5%) of the USD against the RMB, due to rapidly rising US interest rates, also negatively impacted NPI prices during the quarter. The combination of the above resulted in average realised contract prices for the September quarter of US\$15,950/t, down 20% from US\$19,943/t in the June quarter. Pleasingly, stainless steel and NPI prices in China have been increasing across October.



Operating costs

Operating cash costs for the September quarter at Hengjaya Nickel (US\$13,879/t Ni) and Ranger Nickel (US\$14,150/t Ni) were 4.9% and 1.3% lower respectively compared to the June quarter. These cost decreases were predominantly attributable to lower energy input costs and combined production levels returning to normalised levels of >10,000 tonnes (10,281 tonnes) following the commissioning of a new power plant at IMIP in late June. Costs per tonne metrics for the month of September were over US\$700/t (HNI) and US\$400/t (RNI) lower than their September quarter averages. These cost decreases are being driven by lower nickel ore prices (referenced to a falling LME nickel price) and lower thermal coal prices, resulting in electricity prices falling to 9.1c/kwh, down from a 10c/kwh average in the June quarter.

Operating cash costs for the September quarter at Angel Nickel (US\$13,167/t) were 9.5% lower compared to the June quarter. This percentage decrease does not however reflect the full impact of the project’s power plant which commissioned in early August, with material cost savings being realised over the second half of the quarter. Production scaled up significantly, materially lowering unit costs per tonne, and electricity costs over during August and September averaged 6c/kwh, down 40% from a 10c/kwh average in the June quarter. NPI costs at Angel Nickel are expected to decrease further during the December quarter with the project’s power plant running at full capacity. The combined effect was cash costs of less than US\$12,000/t for Angel Nickel in September.



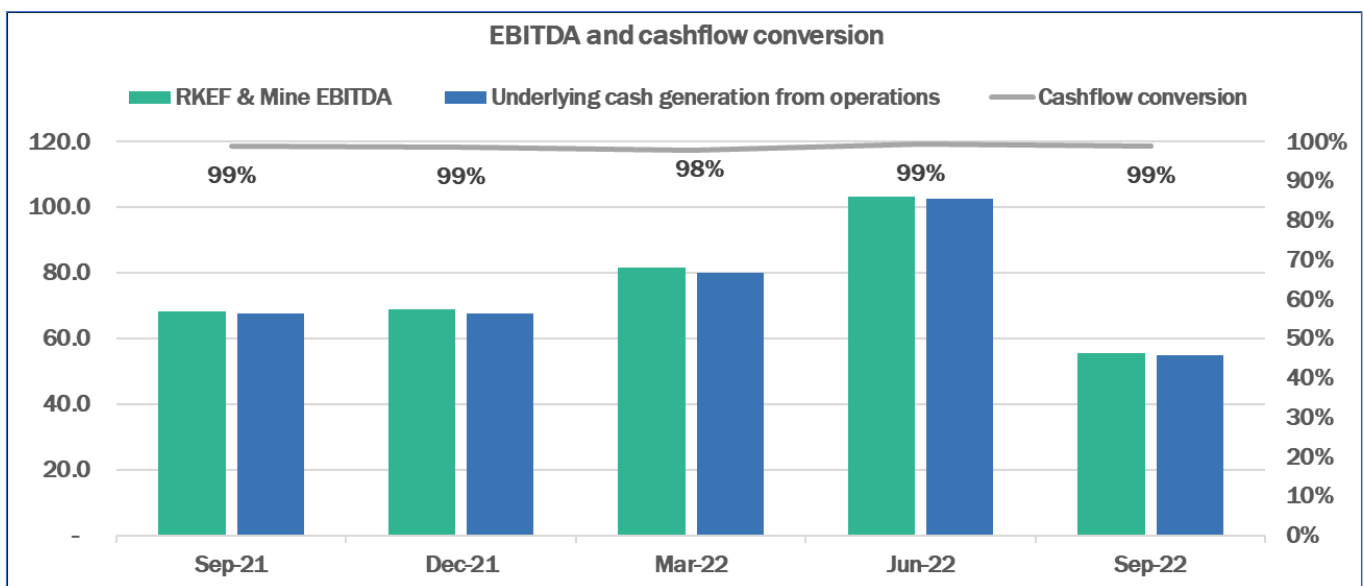
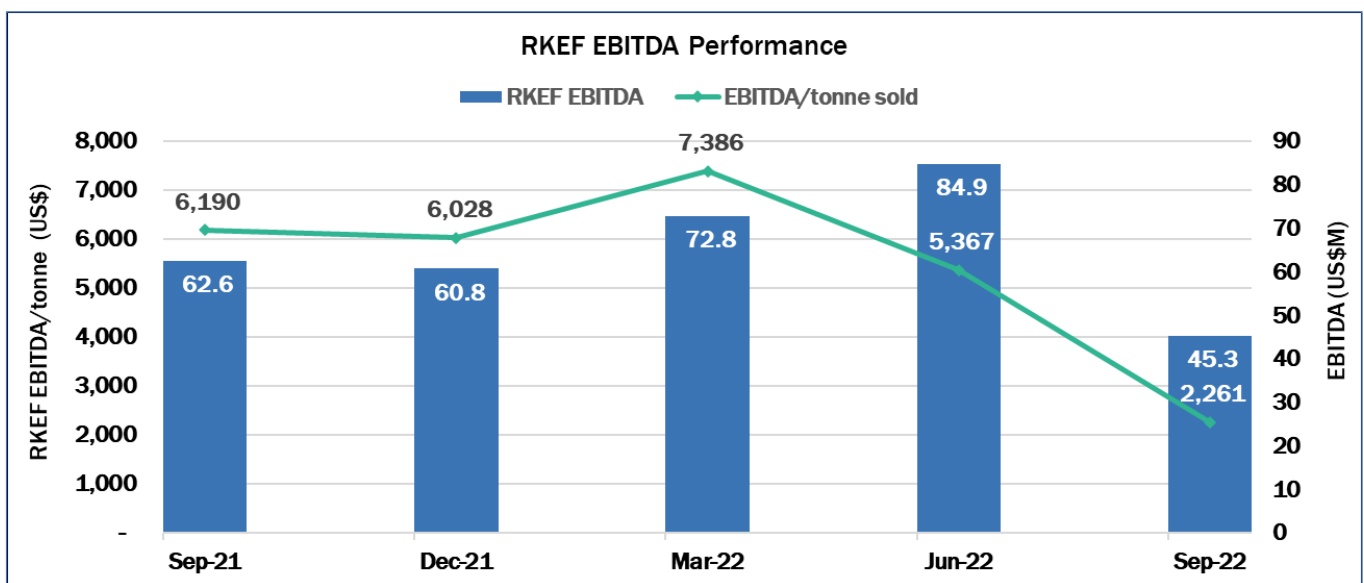
Rotary kilns at ONI under construction

EBITDA and underlying cash generation

The Company’s RKEF operations delivered EBITDA of US\$45.3M during the September quarter, down 46.6% from US\$84.9M in the June quarter. This comprised US\$10.2M, US\$8.5M and US\$26.6M from HNI, RNI and ANI, respectively¹.

The Company’s EBITDA was delivered at an EBITDA margin of US\$2,261/t sold, lower than the level of US\$5,367/t in the June quarter, primarily due to the lower NPI price during the quarter. Despite the declining NPI price during the quarter, the EBITDA margin for September was higher than the quarter average at US\$2,643/t sold, as falling costs, particularly at Angel Nickel, offset the declines in the NPI price.

With the addition of quarterly Hengjaya Mine EBITDA of US\$10.2M (down 44.5% from the June quarter due to lower realised saprolite ore prices and lower sales volumes), the Company’s EBITDA from operations was US\$55.5M, with underlying cash generation from operations of US\$54.9M² – a testament to the comprehensive and resilient low-cost business model built by Nickel Industries.



¹ Unaudited numbers from monthly operating entity financial reporting.

² Defined as EBITDA from operations less capex. Excludes capex from RKEF projects under construction, given costs of construction are fully funded by Shanghai Decent.

Mining operations

Hengjaya Mine (80% interest held by Nickel Industries)

During the September quarter, the Hengjaya Mine delivered record mine production of 1,697,976 wet metric tonnes ('wmt'), up 29.2% from 1,313,492 wmt in the June quarter. However, EBITDA fell 44.5% to US\$10.2M due to lower realised saprolite ore prices which fell in line with softening LME nickel prices and lower sales volumes.

Saprolite ore production for the quarter of 599,790 wmt was slightly lower compared to 792,630 wmt in the previous quarter. The mine pit operations, technical support services, haul road and jetty systems are now operating at an annualised capacity of 3 million wmt of saprolite.

Limonite production continued to increase with a record 1,098,186 wmt mined, up significantly from the 520,862 wmt produced in the June quarter. 185,271 wmt of limonite ore were sold during the quarter with these volumes set to materially increase in line with the growing ore requirements from the IMIP's two operating high pressure acid leach ('HPAL') plants. Stockpiles of limonite had increased to 3.27 million wmt by the end of the quarter at an average grade of 1.16% Ni.

		September quarter	June quarter
Saprolite mined	wmt	599,790	792,630
Limonite mined	wmt	1,098,186	520,862
Nickel ore mined	wmt	1,697,976	1,313,492
Overburden mined	BCM ³	390,940	826,553
Strip ratio ⁴	BCM/wmt	0.23	0.63
Saprolite tonnes sold	wmt	565,624	673,664
Average saprolite grade	%	1.73	1.74
Average saprolite price received	USD/wmt	42.88	52.43
Average saprolite cost ⁵	CIF USD/wmt	26.91	26.02
Limonite tonnes sold	wmt	185,271	258,212
Average limonite grade	%	1.14	1.19
Average limonite price received	USD/wmt	17.24	14.69
Average limonite cost	CIF USD/wmt	7.01	7.99

³ BCM represents 'bank cubic metres'.

⁴ With limonite now being supplied to IMIP, the "strip ratio" reflects overburden mined divided by total nickel ore mined.

⁵ Monthly costs are a six-month average of mining costs plus port/selling costs for the actual month. Reported costs also include US\$1.5M of drilling costs incurred during the September quarter.



Mine operations at 3mtpa capacity. Central in foreground, Bete Bete in background.

Haul road

The AMDAL (Environmental Impact Study) for the final 6km section of the haul road to IMIP was approved during the quarter. A letter of intent was signed with the successful contract company (PT PP Pressisi) to undertake the construction of the final section of the haul road and associated bridge works. The final approval (IPPKH) is expected in November, with construction to commence thereafter. The completion of the haul road (currently expected by the end of the June 2023 quarter) will enable Hengjaya Mine to significantly increase production and sales of saprolite ore to the Company's RKEF projects (improving the inherent hedge to nickel ore input costs in the industrial processing operations) and limonite ore to the HPAL plants which are currently operating in the IMIP – the latter positions the Hengjaya Mine to underpin the growth of IMIP as an emerging and important electric vehicle ('EV') battery material supplier. The haul road completion will be an important milestone in the long-term planning for Hengjaya Mine, which is also complemented by the recent Resource upgrade.

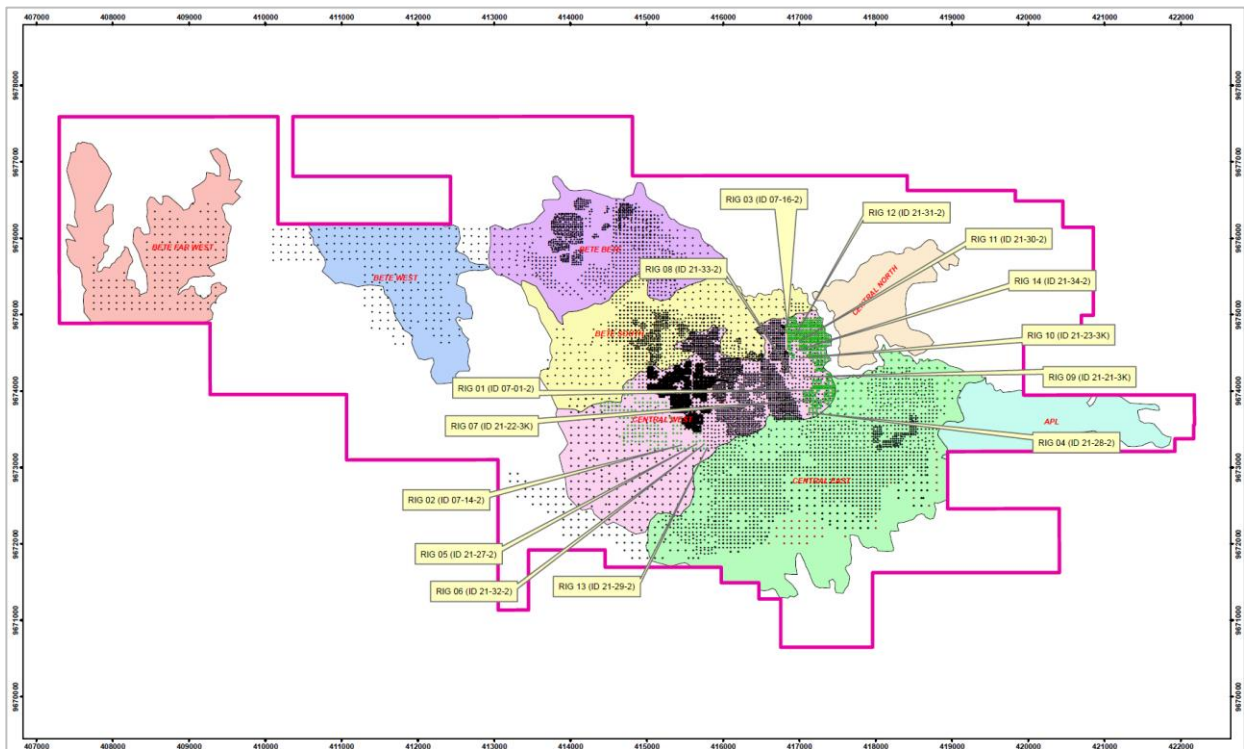


Water sampling as part of jetty operations

Resource Drilling

With the exploration drilling completed in IPPKH 3, the drill rigs shifted focus to infill drilling required to further update and enhance the mine plan, schedule and production sequencing required for increasing production in 2023.

During the quarter, fourteen drill rigs completed 1,139 holes for 28,685 metres. The drill spacing was a combination of 25x25 and 50x50 metre grids, depending on the associated geology. The same drilling frequency is planned to continue to the end of 2022. Another exploration area of approximately 525 hectares inside the IUP is being mapped and planned for UGPR and drilling in 2023.



Drilling progress September 2022

Resource Upgrade

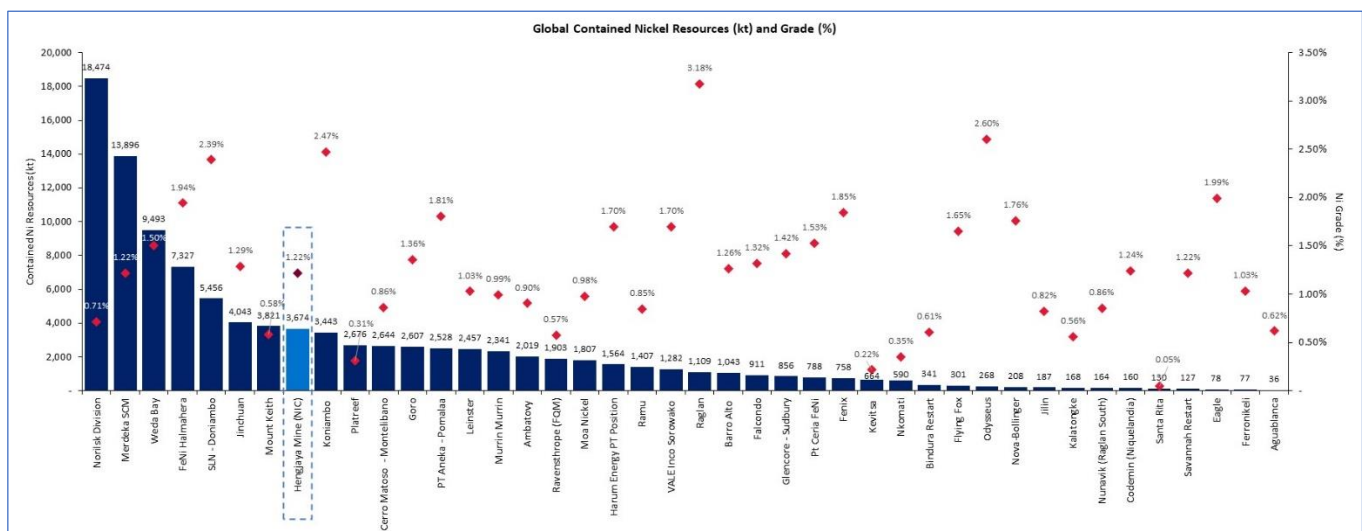
In September, the Company announced a material Mineral Resource upgrade to the Hengjaya Mine Resource. The Company commissioned PT Danmar Explorindo to update a JORC 2012 compliant Mineral Resource based on data incorporating 529 kms of Ultra Ground Penetrating Radar survey ('Ultra-GPR'), 4,657 drill holes and 111,643 sample assays from drill cores taken from a 3,000-hectare area at the Hengjaya Mine. The Resource estimate is 300 million dry metric tons ('dmt'), with an average grade of 1.22% nickel and 0.09% cobalt (using a nickel cut-off grade of 0.8%). This equates to approximately 3,700,000 tonnes of nickel metal and 270,000 tonnes of cobalt. Since the last Resource estimate in June 2020, Measured Resources have increased by 333%, Indicated Resources by 20% and Inferred Resources by 53%, delivering a significant conversion of Inferred and Indicated to Measured Resources and providing increased confidence in the remaining Resource estimation.

The high grade saprolite Resource of 72 million wmt at 1.8% nickel (cut-off grade 1.5% nickel), represents a source of long-term ore supply to the IMIP where the Company's Hengjaya Nickel, Ranger Nickel and Oracle Nickel RKEF projects will have total combined ore requirements of approximately 8.8 million wmt per annum. Hengjaya Mine is expected to deliver 3.5-4.0 million wmt of saprolite ore to the IMIP upon completion of the haul road linking the mine to the industrial park.

The limonite Resource of 151 million wmt at 1.2% nickel and 0.14% cobalt (cut-off grade 1.0% nickel) positions the Hengjaya Mine as one of the long-term ore suppliers to the IMIP's Huayue Nickel Cobalt ('HNC') and QMB New Energy Materials ('QMB') HPAL projects, which are expected to require up to a combined 20 million wmt of limonite per annum to produce nickel cobalt mixed hydroxide precipitate ('MHP') for the EV battery market. This significant limonite resource strategically positions the Hengjaya Mine to supply any future HPAL projects which the Company may invest in. As the Hengjaya Mine is the closest nickel mine to IMIP, the lower relative transportation costs are expected to contribute to a higher margin for the 151 million wmt of limonite Resource.

Mineral Resource Category	Million tons (Dry)	XRF (Dry Analysis)		
		Ni (%)	Co (%)	Fe (%)
Measured	85	1.3	0.09	30.4
Indicated	130	1.2	0.08	28.6
Inferred	85	1.2	0.08	29.1
Total Cut-off > 0.8% Ni	300	1.2	0.09	29.2

Hengjaya Mine Mineral Resource summary, 2022



Hengjaya Mine's contained nickel tonnes relative to global nickel resources

Safety, Environment and Community

Safety

During the September quarter there were no lost time injuries ('LTI') recorded, with over 3.4 million work hours registered since the last reported LTI in November 2021. This gives the Hengjaya Mine operations a LTI frequency rate ('LTIFR') of 0.29 and a total recordable injury frequency rate ('TRIFR') of 0.87 for each million work hours.



Hengjaya Mine Senior Staff ISO training and internal audit training

Community

Nickel Industries 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. Other programs the Company is involved in relate to health, education and sustainability.



Donations of several local satellite libraries



Community involvement initiatives with authorities to improve social education

Environment and Sustainability

The Hengjaya Mine, with assistance from PT Ecositrop group has completed the baselines studies and activities of biodiversity of flora and fauna (202-hectare area) inside the IUP. Monitoring activities were carried out using various methods. Observation of various mammals, primates and initial surveys of the Hengjaya Mine arboretum plan have now been completed with application for the biodiversity area planned for submission in 2023.

During the quarter the Hengjaya Mine received 7 trophies at the Environmental and Social Innovation (‘ENSIA’) Awards 2022. These accolades are awarded for the Hengjaya Mines’ sustainability initiatives for energy efficiency (Platinum award), hazardous waste management (Platinum), water reduction (Gold), domestic waste management (Gold), emission reduction (Gold), social innovation (Gold), and biodiversity protection (Silver). Moreover, Hengjaya Mine was the only nickel company that earned this acknowledgement, which was attended and witnessed by the government, academia, private sector, and media representatives in Indonesia.



ESG awards for the Hengjaya Mine at ENSIA 2022

The Company is delighted with the certification of the Environmental Management System in accordance with the requirements of ISO 14001:2015 for our mining operations. The Company also participated in the “2022 Nickel Summit” and shared its latest Environmental, Social, and Governance (‘ESG’) achievements with nickel leaders, analysts, experts, and policymakers in Indonesia and neighbouring countries. In addition, we have finished some of our rehabilitation projects in Central Sulawesi and returned the areas to local governments, in which more than 1,700 hectares have been rehabilitated and around two million trees have been planted.



ISO 14001:2015 Certificate for Hengjaya Mine and ESG team visit Angel Nickel at IWIP



The handover ceremony for our DAS rehabilitated land areas in Central Sulawesi



World Ocean Day campaign in Morowali, Central

Siduarsi Project

In May 2022, Nickel Industries signed a binding Definitive Agreement with PT Iriana Mutiara Mining ('IMM') for the staged acquisition of a 100% interest in the Siduarsi Nickel-Cobalt project ('Siduarsi') in Papua province, Indonesia.



Siduarsi location map

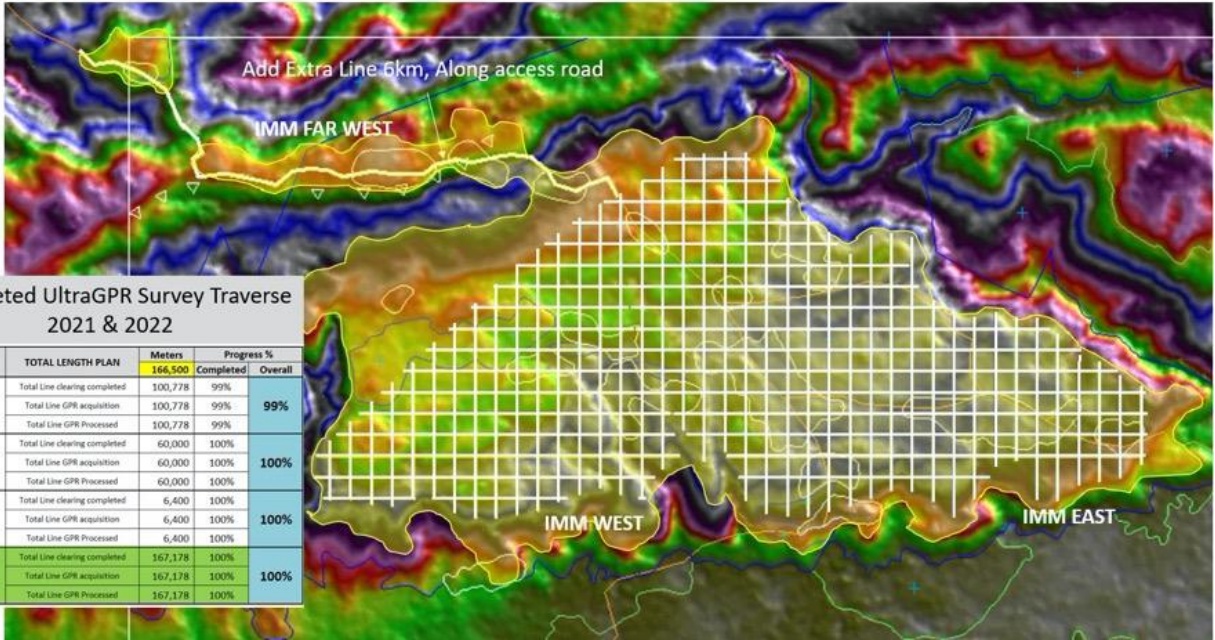
Siduarsi is a 6th generation Contract of Work ('CoW') held by IMM. The CoW is in the final year of the Exploration Period and subject to positive exploration and other studies the CoW could progress into the Operation/Production Period from mid-2023. Siduarsi is one of only four active nickel CoWs in Indonesia, the other three being VALE-INCO (which hosts its Soroako nickel matte production facilities - 72kt of nickel in 2020), Weda Bay which hosts the IWIP where Nickel Industries' Angel Nickel project is now operating and Gag Island in West Papua province. Siduarsi CoW covers 16,470 hectares with previous work undertaken by Battle Mountain (IMM JV partner, 1994 - 1997) and Freeport McMoran (IMM Optionholder, 1998 -1999), who were assessing the project's limonite potential.

New exploration commenced in January 2022 with 167 kms of UGPR (Ultra Ground Penetrating Radar) being completed and this identified target areas for both limonite and saprolite ores (see survey location map below).

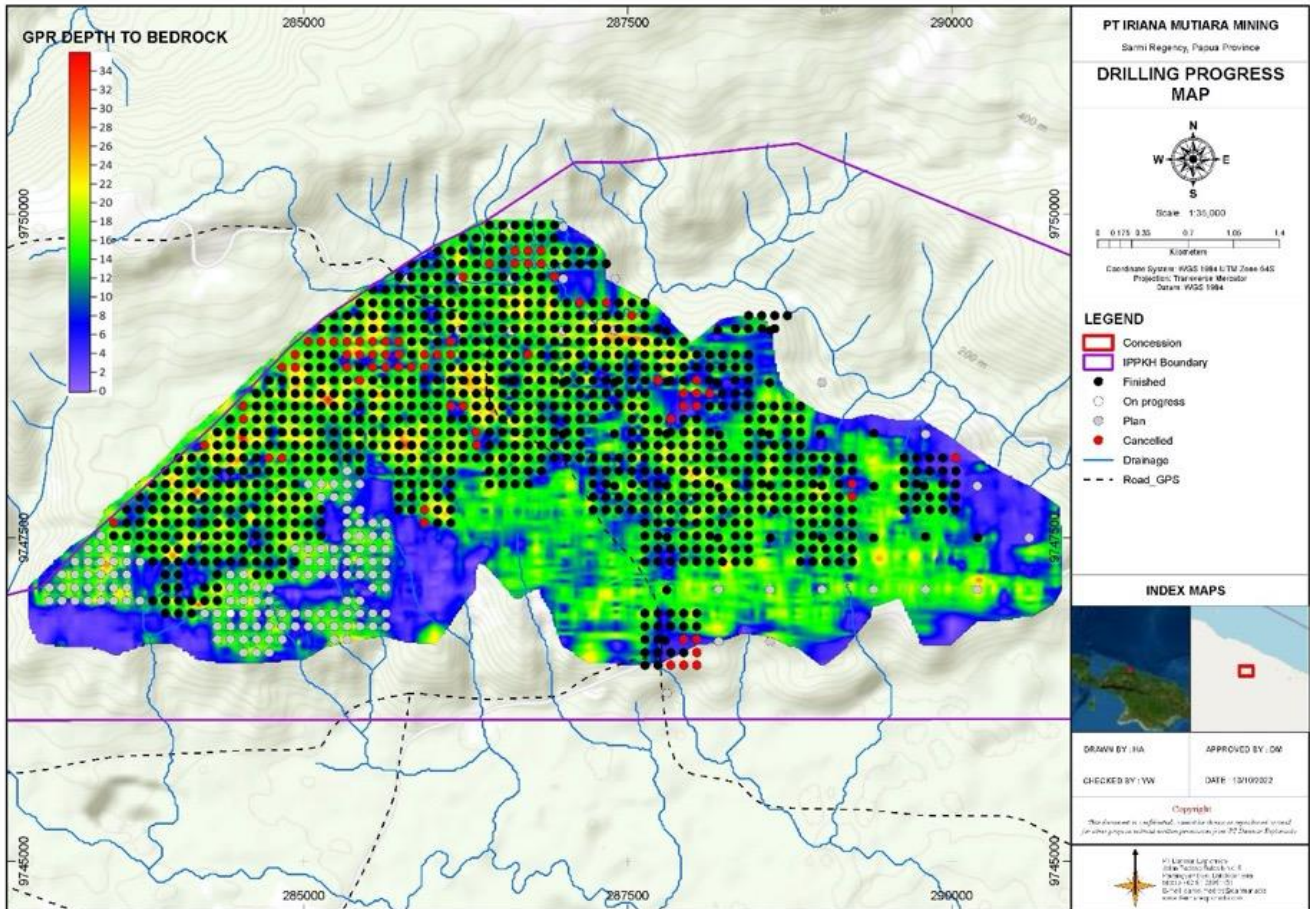
Since the first quarter of 2022 over 13,495 metres of drilling have been completed (see drill location below). Detailed geological modelling is well advanced and new areas in the west of the IUP are currently being drilled. Currently there are four drill rigs working on the IUP area of the project. Additional updates on the project are currently being undertaken and include ore grade and domain modelling for metallurgical test work programs, regional environment base line studies, potential haul road options and coastal bathymetric studies for suitable port infrastructure and jetty locations.



PT IRIANA MUTIARA MINING



Ultra GPR survey lines at Siduarsi project Papua Province, Indonesia



Drill location plan with data until end of September 2022

Finance⁶

Balance sheet

At 30 September 2022, the Group held:

- Cash and cash equivalents: US\$146.7M (30 June 2022 - US\$97.8M);
- Trade receivables: US\$189.9M (30 June 2022 - US\$161.9M); and
- Inventories: US\$176.6M (30 June 2022 - US\$192.9M).

Cash and cash equivalents of US\$146.7M were held by Group companies as follows:

- US\$38.8M held by Nickel Industries;
- US\$20.2M held by Hengjaya Nickel and its related entities (Nickel Industries interest: 80%);
- US\$12.3M held by Ranger Nickel and its related entities (Nickel Industries interest: 80%);
- US\$55.5M held by Angel Nickel and its related entities (Nickel Industries interest: 80%);
- US\$8.0M held by Oracle Nickel and its related entities (Nickel Industries interest: 70%); and
- US\$11.8M held by Hengjaya Mine (Nickel Industries interest: 80%).

Trade receivables of US\$189.9M were held by Group companies as follows:

- US\$51.3M held by Hengjaya Nickel;
- US\$52.0M held by Ranger Nickel;
- US\$76.9M held by Angel Nickel; and
- US\$9.7M held by Hengjaya Mine⁷.

Trade receivables of US\$161.9M reported at the end of the June quarter have been received in full.

Inventories (valued at the lower of cost or net realisable value) of US\$176.6M were held by Group companies as follows:

- US\$54.7M held by Hengjaya Nickel, being raw materials;
- US\$65.0M held by Ranger Nickel, being raw materials;
- US\$46.5M held by Angel Nickel, being NPI of US\$13.2M and raw materials of US\$33.3M; and
- US\$10.5M of nickel ore held by Hengjaya Mine.

Hengjaya Nickel and Ranger Nickel had no NPI inventory on hand at the end of the September quarter, as all NPI produced by the two projects was sold during the quarter.

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

- from Hengjaya Nickel: Nickel Industries received US\$11.5M, Shanghai Decent received US\$2.9M; and
- from Ranger Nickel: Nickel Industries received US\$11.5M, Shanghai Decent received US\$2.9M.

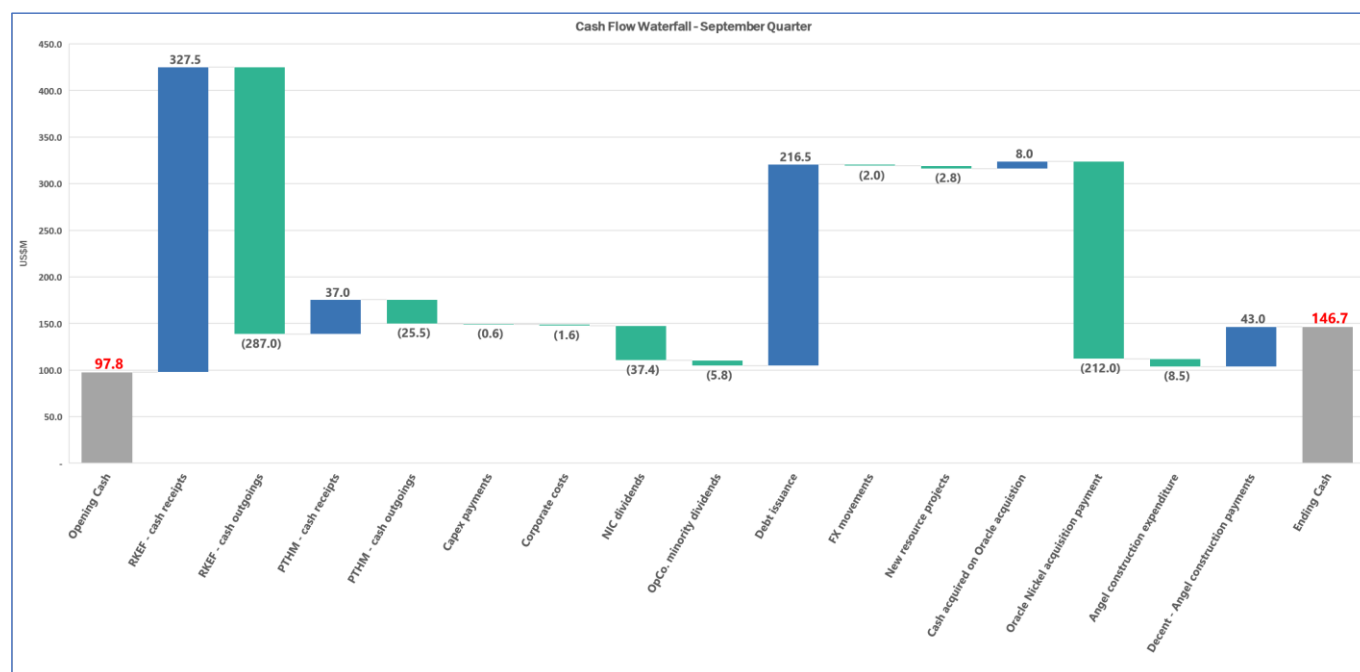
A further US\$12.0M was repatriated to Nickel Industries from Hengjaya Mine during the September quarter. Nickel Industries will receive 100% of fund repatriations from the Hengjaya Mine until intercompany loan funds advanced by Nickel Industries to the Hengjaya Mine have been fully repaid.

⁶ Unaudited numbers from monthly operating entity financial reporting.

⁷ Sales of saprolite ore by Hengjaya Mine to Hengjaya Nickel and Ranger Nickel are intra-group transactions and are eliminated on consolidation. Profit from saprolite ore sales are recognised by the group on a consolidated level as a reduction in the cost of operations, once the saprolite ore has been consumed by the group in NPI operations.

Cashflow

The following cashflow waterfall provides a reconciliation of cash movements for the Group during the September 2022 quarter.



Underlying cash generation from operations (defined as EBITDA from operations less capex) was US\$54.9M.

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. Construction costs of the Angel Nickel project, which completed during the quarter, have been funded by the Company's operating partner, Shanghai Decent, via the Company's 80%-owned Indonesian operating entity PT Angel Nickel Industry and will appear in the Group's cashflow movements.

In September the Company moved to a 70% ownership interest in the Oracle Nickel project. Ongoing construction costs of the Oracle Nickel project will be funded by the Company's operating partner, Shanghai Decent, via the Company's 70%-owned Indonesian operating entity PT Oracle Nickel Industry and will appear in the Group's cashflow movements.

Expenditures

Expenditure on mine production and development activities at the Hengjaya Mine during the quarter totalled US\$26.1M, of which US\$0.6M was capex.

Exploration activities during the quarter included infill drilling of US\$1.5M, which have been expensed as part of the Hengjaya Mine production costs.

Additional exploration expenditure across new project opportunities totalled US\$2.8M.

Related party expenditures

During the September quarter, the aggregate amount of payment to related parties and their associates totalled US\$471,348, comprising US\$365,659 of payments to Directors or Director-related entities for Directors' consulting fees and US\$105,689 in fees were paid to MIS Corporate Pty Limited ('MIS'), an entity in which Director Norman Seckold has 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

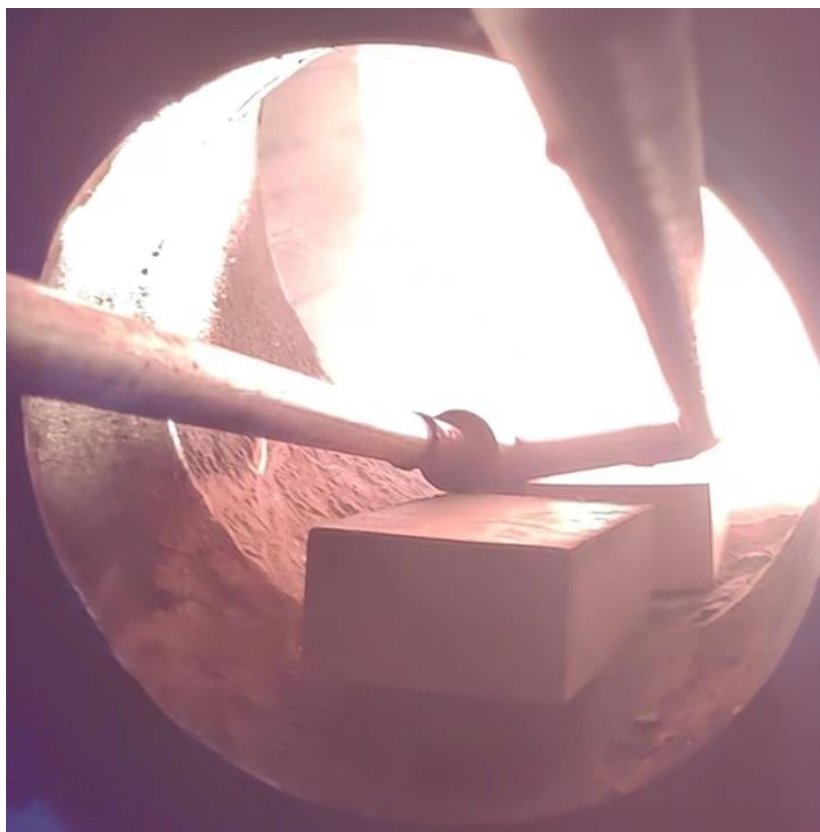
Binding term sheet for 200MWp + 20MWh battery solar project

In August 2022, the Company announced that it had signed a binding term sheet with PT Sumber Energi Surya Nusantara ('SESNA') to develop, install, operate and maintain a 200MWp + 20MWh battery solar project within the IMIP, which will supply power to the Company's Hengjaya Nickel, Ranger Nickel and Oracle Nickel processing operations. The binding term sheet builds on the MoU signed with SESNA in January 2022. SESNA has presented the Company with a compelling project proposal that outlines, amongst other things, the key responsibilities and deliverables of the solar project. Nickel Industries 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.

Ownership interest in Oracle Nickel increased to 70%

In September 2022, the Company announced that it had finalised the acquisition of an additional 40% interest in the Oracle Nickel Project, increasing its equity interest to 70%. The Company completed an early payment of US\$212 million (originally required by 31 December 2022) to Shanghai Decent to secure its increased interest. The Company has a further US\$72.8M outstanding to complete its payment obligations, with US\$11.2M due by 31 December 2022 and US\$61.6M due by 30 March 2023.

The electrification and ignition of the Oracle Nickel project's first RKEF commenced on 28 October, with first NPI expected to flow by mid-November. The project's second and third RKEF lines are expected to follow in the coming months.



Ignition of the Oracle Nickel project's first RKEF line

Strategic cooperation agreement with QMB New Energy

In September 2022 the Company announced that it had signed a long-term strategic cooperation agreement with QMB. Subject to the necessary approvals, QMB will build a concentrator plant within the Hengjaya Mine area that will supply via pipeline (over a 20-year period), approximately 5-7 million wmtpa of limonite ore (1.1% - 1.3% grade) from the Hengjaya mine to QMB's newly commissioned HPAL plant within the IMIP.

Furthermore, both parties have agreed to explore in good faith the opportunity for Nickel Industries to have equity participation in the QMB HPAL that, if executed, would result in the Company producing 'Class I' nickel and cobalt for the growing EV battery supply chain in the form of high-purity, battery-grade MHP, nickel sulfate and cobalt sulfate.

The strategic cooperation agreement is subject to further definitive agreements to be agreed by the parties.

Hengjaya Nickel transitions to nickel matte production

Subsequent to quarter's end, the Company announced that the Hengjaya Nickel project would transition from producing NPI to production of nickel matte. Hengjaya Nickel will produce a low grade ('LG') nickel matte which will be upgraded to high grade ('HG') nickel matte (that is, nickel sulfide with 60-75% nickel content) by converters that have been specifically built within IMIP. A small conversion cost will be applied for the conversion from LG to HG nickel matte.

All HG nickel matte sales through to March 2023 have been contracted to a 3rd party. The Company will receive "payabilities" against the Shanghai Futures Exchange ('SHFE') at a percentage of the average settlement prices of the SHFE nickel main contracts price, with a higher percentage to be received in a higher nickel price environment. The SHFE nickel price consistently trades very closely with nickel on the London Metals Exchange ('LME').

The product mix diversification provides the Company with flexibility to benefit when prolonged supply-demand imbalances emerge in the industry, as well as the ability to broaden the Company's customer base.

Further, the production of nickel matte allows NIC to participate in the EV battery supply chain, given major Chinese and South Korean EV battery material producers have commenced using HG nickel matte to produce nickel sulfate, and thus an important battery precursor.

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