

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

Director and CFO
Chris Shepherd

Non-Executive Director
Dasa Sutantio

Non-Executive Director
YuanYuan Xu

Substantial Shareholders

(as per last substantial holder notices)

Shanghai Decent	21.2%
PT. KBP	13.4%
BlackRock Group	6.5%
L1 Capital	6.3%

Further enquiries

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QUARTERLY ACTIVITIES REPORT

For the quarter ended 31 December 2022

Transition to nickel matte, ANI ramp-up and record Hengjaya Mine production underpins record EBITDA from operations of US\$106.1M

RKEF operations

- Record RKEF quarterly production of **23,072** tonnes of nickel metal (100% basis)
 - 18,329** tonnes of nickel in NPI (September quarter: 20,275 tonnes)
 - 4,743** tonnes of nickel in high-grade ('HG') matte (September quarter: 0 tonnes)NIC attributable nickel production was 18,383 tonnes of nickel metal
- 21,749** nickel metal tonnes sold, 17,548 nickel metal in NPI tonnes and 4,201 nickel metal in HG matte (100% basis) (September quarter: 20,045 tonnes of nickel metal in NPI and 0 tonnes in HG matte)
- Record RKEF quarterly sales of **US\$371.2M** (100% basis) (September quarter: US\$319.2M)
- Record RKEF quarterly EBITDA of **US\$90.0M** (100% basis) (September quarter: US\$45.3M)
- RKEF quarterly EBITDA margin of **US\$3,714/t Ni** in NPI sold and **US\$5,950/t Ni** in HG matte sold (September quarter: US\$2,261/t of nickel in NPI sold)
- Underlying cash generation from operations of **US\$98.2M** (100% basis) (September quarter: US\$54.9M)
- RKEF December quarter cash costs:
 - Hengjaya Nickel: US\$15,653/tonne Ni (September quarter: US\$13,879)
 - Ranger Nickel: US\$13,754/tonne Ni (September quarter: US\$14,150)
 - Angel Nickel: US\$11,769/tonne Ni (September quarter: US\$13,167)
- Two Hengjaya Nickel RKEF lines transition to production of HG nickel matte and achieve material margin growth and two Oracle Nickel RKEF lines commissioned ahead of schedule

Mining operations

- Hengjaya Mine nickel ore production of **2,707,858 wmt** (September quarter: 1,697,976 wmt)
- Hengjaya Mine EBITDA of **US\$16.1M** (September quarter: US\$10.2M)
- Awarded 'Green Proper' rating from Indonesian Environmental and Forestry Authority

Corporate

- Cash + receivables + inventory at quarter end of **US\$532.6M** (September quarter: US\$513.2M)
- Subsequent to quarter end execution of Electric Vehicle Battery Supply Chain Strategic Agreement
 - binding agreements to acquire a further 10% interest in Oracle Nickel and a 10% interest in PT Huayue Nickel Cobalt ('HNC') HPAL Project
 - US\$185M Institutional Placement completed

The Directors are pleased to present the December 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 ('ANI') 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 produced its first NPI in mid-November 2022.

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

"We are very pleased to report another record quarter on a number of fronts including over 23,000 tonnes of nickel metal produced, over 2.7 million wmt of ore mined and in excess of US\$100 million in EBITDA from operations for the quarter.

Another tremendous achievement was realised by the Hengjaya Mine which was the awarding of a 'Green' PROPER rating from the Indonesian Environmental and Forestry Authority, we were the only mining company from Central Sulawesi to achieve this rank and only the second in Indonesia, the other being VALE INCO. The Hengjaya Mine has become a show piece mine for sustainable and responsible nickel mining in Indonesia and receipt of this award and others detailed in this report are something we are very proud of.

The Company's transition to the production of nickel matte from its HNI operations to provide diversification into the class 1 electric vehicle battery market has proven successful, with margins from nickel matte at almost US\$6,000 per tonne for the quarter.

The execution of the Electric Vehicle Battery Supply Chain Strategic Framework Agreement in January of this year with our partner and largest shareholder Shanghai Decent, lays a clear platform for us to further deliver our goal of diversifying our product and sales mix into the growing electric vehicle battery market by establishing an immediate presence through the acquisition of a 10% interest in the HNC HPAL project and associated offtake rights to 10% of the Mixed Hydroxide Precipitate ('MHP') it currently produces, HNC is one of the world's lowest cost and lowest carbon intensive HPAL projects globally, and we are excited to have this opportunity to further immediately diversify our product mix, with a saleable product for potential global 3rd parties.

The acquisition of an interest in the HNC HPAL is further boosted by two options, the first to build a low grade to high grade matte nickel converter at a capex of no more than US\$110 million, which would allow us to further increase our current nickel matte production and the second subject to feasibility and various approvals a 60,000 tpa HPAL plant which would go further down the value chain to produce either nickel sulphate or nickel cathode allowing potential further margin capture than would be achieved from just producing MHP.

As with all of our previous transactions with Tsingshan it will also come with a capex guarantee which we see as extremely valuable given the number of significant capex blow outs announced recently by companies in the battery minerals space, given the very low carbon intensity of these next generation HPAL plants (HNC is less than 10 tonnes CO₂ per tonne of nickel) the transition to HPAL will see us materially reduce our carbon footprint.

The final element to our Electric Vehicle Battery Supply Chain Strategic Framework Agreement is the acquisition of a further 10% in the Oracle Nickel project for US\$75 million, which is the same price as over a year ago and significantly cheaper than some of the recent market transactions for RKEF lines. This will also align our interests across all our RKEF lines at 80%.

The Electric Vehicle Battery Supply Chain Strategic Framework Agreement was extremely well received by our Institutional investors, both existing and new, with the Company recently completing a US\$185 million capital raise which was heavily oversubscribed and a strong endorsement of the Company's strategy and performance to date. Our retail shareholders will also have the opportunity to participate in this transformative transaction with the recent launch of an SPP.

Finally, we look forward to another strong first quarter for 2023 as our Oracle Nickel operations continue to ramp up and deliver significant additional low-cost nickel units. The execution of the Strategic Framework Agreement marks an exciting diversification towards becoming a significant player in the class 1 electric vehicle battery minerals market, with the potential for 2/3^{ds} of our nickel production in the future to be class 1, which would make Nickel Industries one of the largest and only truly diversified global producers of NPI, nickel matte, MHP and nickel sulphate or nickel cathode."



First NPI flowing at Oracle Nickel

RKEF operations

Key reporting metrics

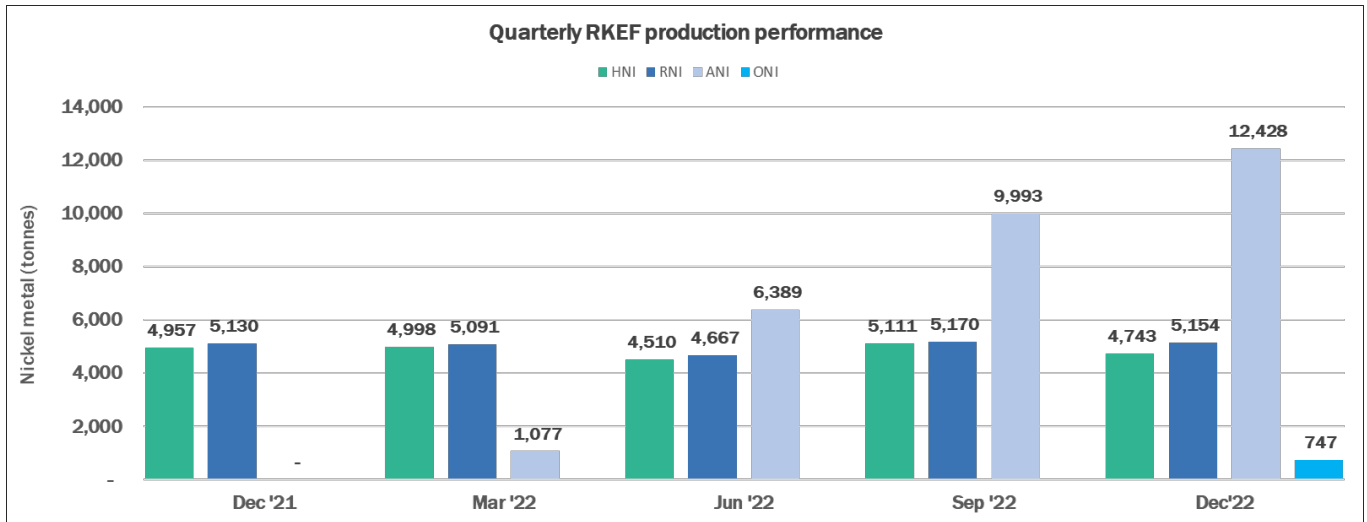
RKEF OPERATIONS		HNI	RNI	ANI	ONI	Total
NPI production	tonnes	-	39,488	85,238	7,504	132,230
NPI grade	%	-	13.1	14.6	10.0	13.9
Nickel in NPI	tonnes	-	5,154	12,428	747	18,329
- September quarter	tonnes	5,111	5,170	9,994	-	20,275
HG matte production	US\$/t Ni	6,299	-	-	-	6,299
Matte grade	%	75.3	-	-	-	75.3
Nickel in HG matte	tonnes	4,743	-	-	-	4,743
Total nickel production	tonnes	4,743	5,154	12,428	747	23,072

SALES AND CONTRACTS		HNI	RNI	ANI	ONI	Total
Weighted av contract price	US\$	21,555	16,437	15,871	N/A	17,103
- September quarter	US\$	15,896	15,823	15,963	-	15,950
Tonnes sold	tonnes	4,201	5,154	12,395	-	21,749
- September quarter	tonnes	5,111	5,170	9,764	-	20,045
Sales revenue	US\$M	90.5	84.7	195.9	-	371.2
- September quarter	US\$M	81.2	81.8	156.1	-	319.2

COSTS AND MARGINS		HNI	RNI	ANI	ONI	Total
Cash costs	US\$/t	15,653	13,754	11,769	-	13,053
- September quarter	US\$/t	13,879	14,150	13,167	-	13,597
EBITDA	US\$/M	25.0	13.5	51.6	(0.1)	90.0
- September quarter	US\$/M	10.2	8.5	26.6	-	45.3
EBITDA/tonne sold	US\$/t	5,950	2,625	4,167	-	4,146¹
- September quarter	US\$/t	1,991	1,645	2,728	-	2,261

SUMMARY RKEF METRICS		December quarter	September quarter	% movement
Nickel production	tonnes	23,072	20,275	+13.8%
Nickel tonnes sold	tonnes	21,749	20,045	+8.5%
Realised price	US\$/t Ni	17,103	15,950	+7.2%
Sales revenue	US\$M	371.2	319.2	+16.3%
RKEF EBITDA	US\$M	90.0	45.3	+98.7%
RKEF EBITDA/tonne sold	US\$/t Ni	4,146	2,261	+83.4%

¹ Excludes EBITDA loss of \$0.1M at Oracle Nickel, which has not yet commenced sales.



Commentary on RKEF operations

Production

During the December quarter the Company’s RKEF operations produced 23,072 tonnes of nickel metal, an increase of 13.8% from 20,275 tonnes produced in the September quarter. 18,329 tonnes were produced as nickel in NPI with 4,743 tonnes produced as nickel in high-grade (‘HG’) matte with the Company’s Hengjaya Nickel Project switching its production from NPI to nickel matte at the end of the September quarter.

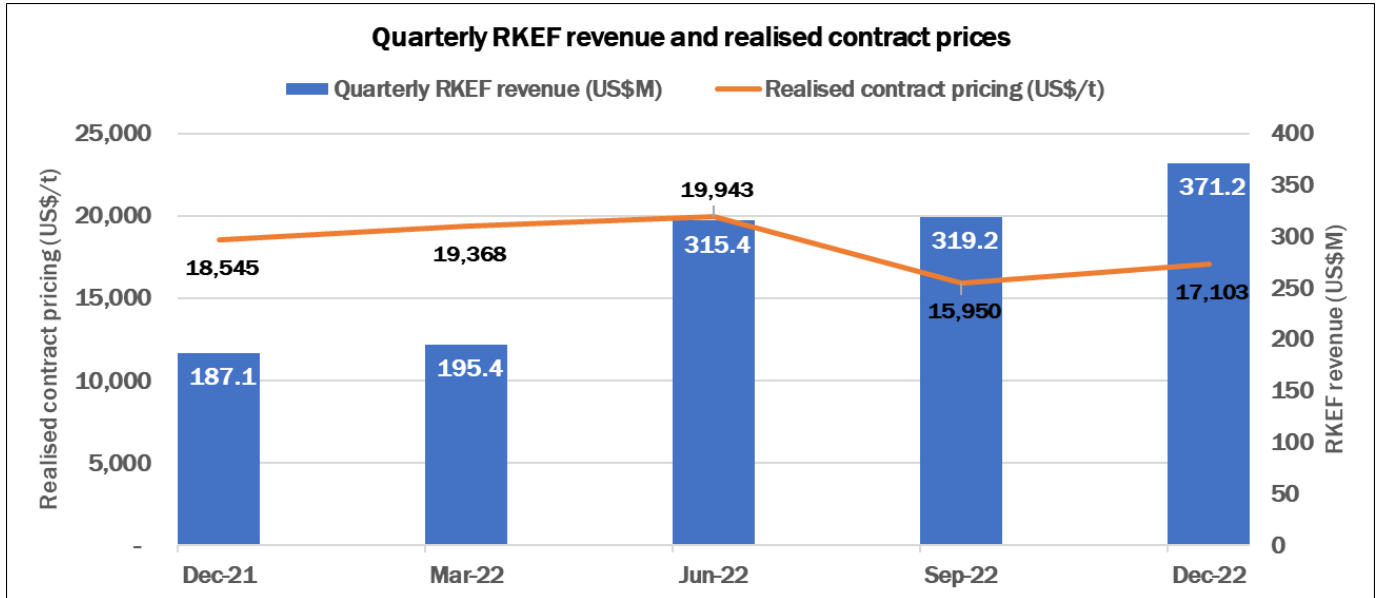
17,582 tonnes of nickel in NPI were produced across the Ranger Nickel and Angel Nickel operations at a production-weighted average cost of US\$12,466/t. Angel Nickel’s quarterly production of 12,428 tonnes was 38% above nameplate capacity and was delivered at operating costs of US\$11,769/t, down materially from US\$13,167/t in the September quarter. The record production and significant cost improvements seen at Angel Nickel were the result of the December quarter being the first full quarter where the Angel Nickel power plant operated at full capacity.

The Company recorded maiden production of 747 tonnes of nickel metal from Oracle Nickel, as the project’s first two RKEF lines commissioned. The remaining two Oracle Nickel lines are expected to commission during the first quarter of 2023 and follow a similar ramp-up profile to Angel Nickel. With Oracle Nickel only partially commissioned, operating cost data is not yet available.

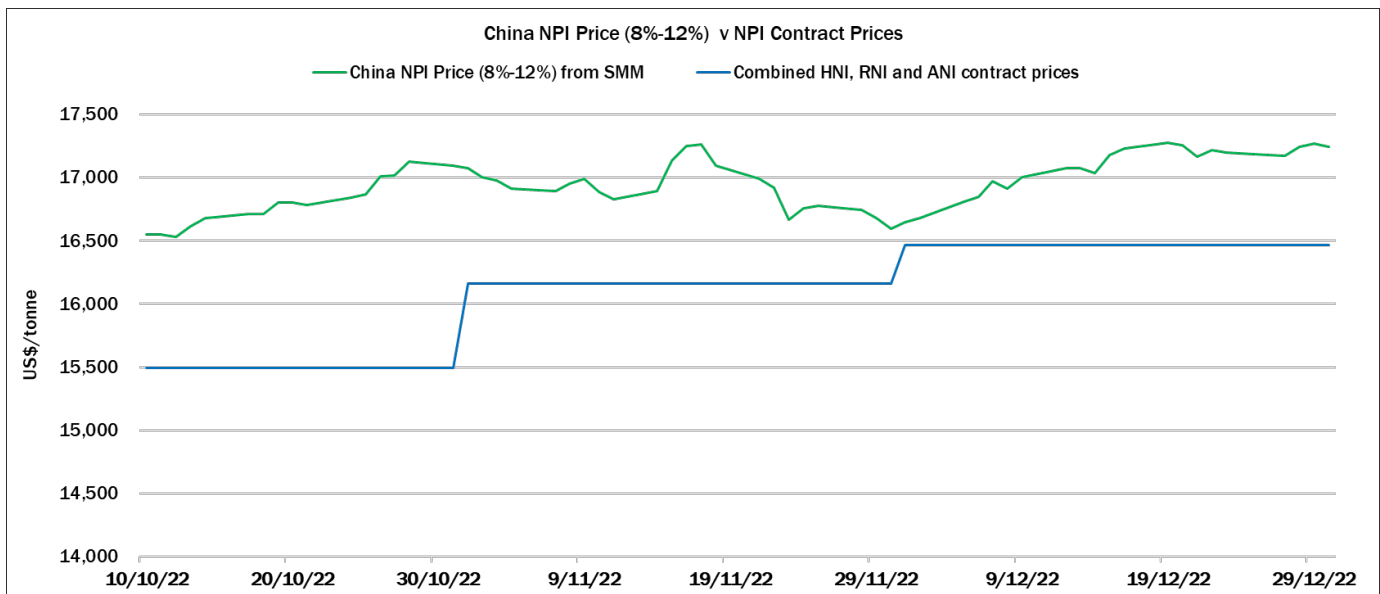
For the December quarter Nickel Industries’ attributable nickel production was 18,383 tonnes of nickel metal, 14,588 tonnes of nickel in NPI and 3,794 tonnes of nickel in nickel matte.

Revenue and contract pricing

During the quarter, the Hengjaya Nickel, Ranger Nickel and Angel Nickel projects recorded combined sales (on a 100% basis) of US\$371.2M, an increase of 16.3% from US\$319.2M in the September quarter. This record RKEF revenue was generated on record sales of 21,749 tonnes of nickel metal, an increase of 8.5% from the record 20,045 tonnes of nickel metal in NPI sold in the September quarter. Oracle Nickel will commence sales of NPI following receipt of its *Izin Usaha Industri* ('IUI', commercial sales licence).

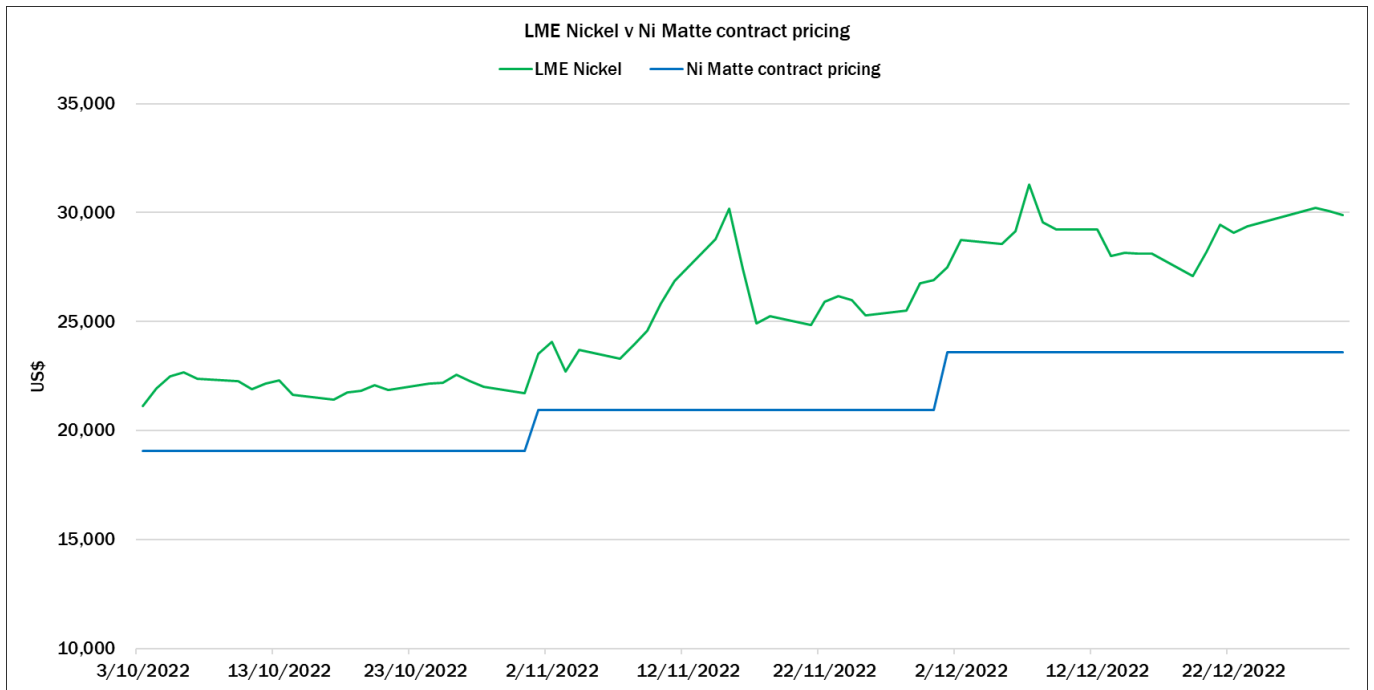


NPI contract pricing improved modestly during the December quarter from the September quarter. Benefitting from the onset of the “China re-opening trade”, NPI pricing moved progressively higher during the quarter with realised contract prices closing the quarter above US\$16,500/t. NPI pricing momentum has continued into 2023 with January NPI contracts pricing above US\$17,200/t.



NPI contract prices moved progressively higher over the December quarter in line with a recovering China NPI price

The December quarter marked the Company’s first quarter of HG matte sales from Hengjaya Nickel. As previously advised, Hengjaya Nickel’s initial matte production is being delivered into an existing sales contract that Tsingshan has in place with a third party. This arrangement is set to continue until the end of the March 2023, after which time the Company will execute new sales. In line with rising LME prices, nickel matte contract prices rose progressively across the quarter, ending the quarter above US\$23,600/t. The materially higher realised prices for matte v NPI contracts underpinned a significant rebound in Hengjaya Nickel’s margins during the quarter and validated the Company’s decision to switch Hengjaya Nickel’s production to nickel matte at the end of the September quarter.

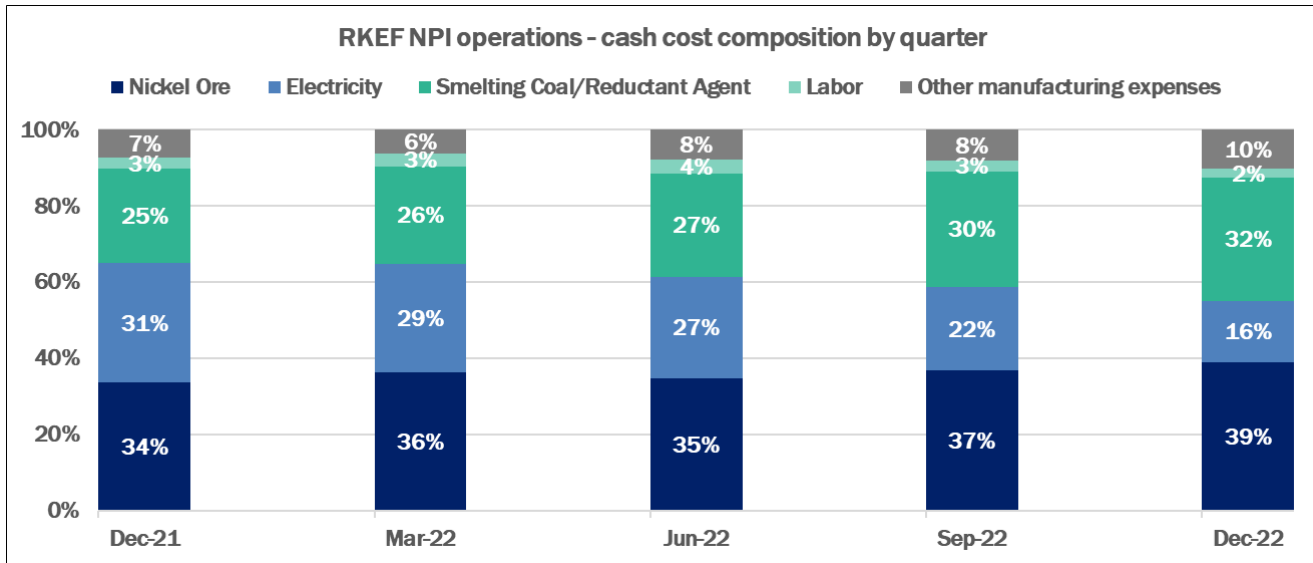


Operating costs

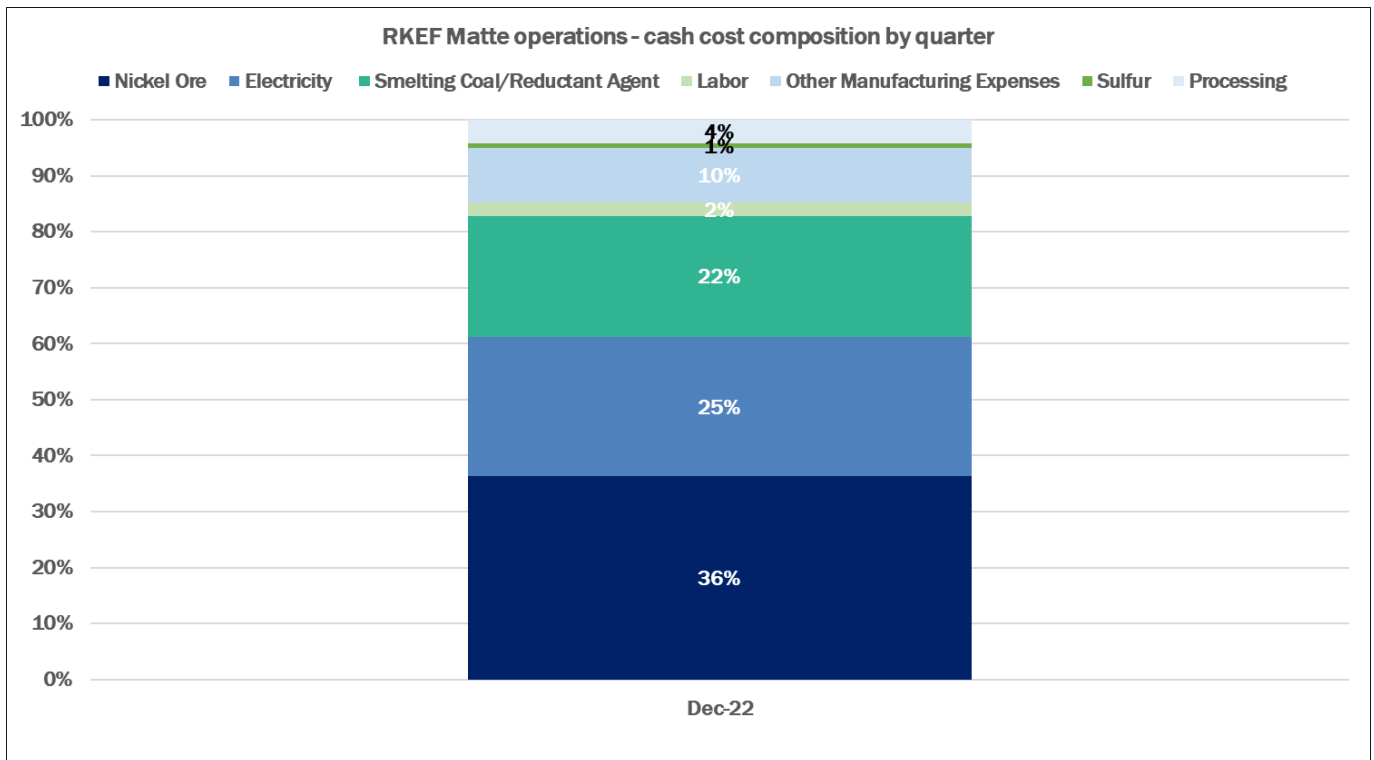
NPI production

Operating cash costs for the December quarter at Ranger Nickel (US\$13,754/t) were 2.8% lower compared to the September quarter, primarily as a result of modest reductions in smelting coal and reduction agent unit costs during the quarter.

Operating cash costs for the December quarter at Angel Nickel (US\$11,769/t) were 10.6% lower compared to the September quarter, primarily as a result of the project’s power plant running at full capacity throughout the entire the quarter. Angel Nickel’s electricity costs on a USc/kwh basis were 6.1c, a decrease of 17.5% from 7.4c in the September quarter and approximately 35% below the 9.6c/kwh experienced at Hengjaya Nickel and Ranger Nickel, reflecting the significant benefits that the Angel Nickel and Oracle Nickel operations will realise by virtue of having their own power plants.



Operating cash costs for the December quarter at Hengjaya Nickel (US\$15,653/t) were 12.8% higher than the September quarter as a result of switching production from NPI to HG nickel matte. The increased costs were predominantly attributable to additional processing costs involved in converting low-grade matte to HG matte and the loss of some nickel tonnes² during this process which increased unit costs on a per tonne basis.

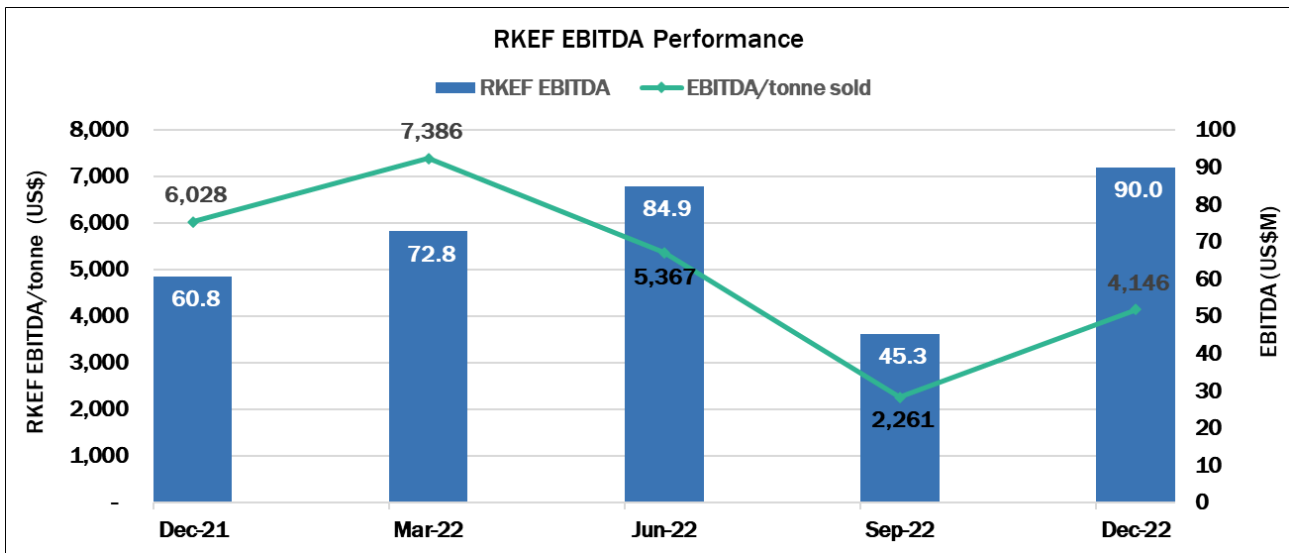


² Throughout the December quarter, the recovery rate from converting low-grade matte to high-grade matte was approximately 93.1%.

EBITDA and underlying cash generation

The Company’s RKEF operations delivered EBITDA of US\$90.0M during the December quarter, an increase of 98.7% from US\$45.3M in the September quarter. This comprised EBITDA of US\$25.0M from Hengjaya Nickel, US\$13.5M from Ranger Nickel, US\$51.6M from Angel Nickel and an EBITDA loss of \$0.1M from Oracle Nickel³.

The Company’s NPI was produced at an EBITDA margin of US\$3,714/t of nickel in NPI sold, 64.3% higher than the margin of US\$2,261/t in the September quarter, primarily due to lower costs and increasing NPI prices during the quarter and the increased contribution to production from Angel Nickel, which benefited from an entire quarter with the power plant in operation. The EBITDA of \$25.0M at Hengjaya Nickel from 4,201 tonnes of HG nickel matte sold, represented at an EBITDA margin of US\$5,950/t of nickel in HG nickel matte sold, validation of the decision to switch production at Hengjaya Nickel’s two RKEF lines to nickel matte at the beginning of the quarter. Low grade (‘LG’) nickel matte is produced at Hengjaya Nickel, which then undergoes a conversion process into HG nickel matte prior to sale. As at 31 December 2022, Hengjaya Nickel held stockpiles of 11 tonnes of nickel in LG nickel matte and 543 tonnes of nickel in HG nickel matte.



With the addition of quarterly Hengjaya Mine EBITDA of US\$16.1M, the Company’s EBITDA from operations was a record US\$106.1M, with underlying cash generation from operations of US\$98.2M⁴.

Safety

As advised earlier this month, two construction contractors working at Oracle Nickel in December 2022 died in a tragic accident. An investigation is ongoing into the event, as well as how safety measures can be improved across our operations. Management is working closely with the Oracle Nickel and IMIP teams, as well as the Indonesian authorities on the investigation and implementation of safety measures. The Board and management of Nickel Industries offers their deepest condolences to the families of the deceased. The Company is focused on supporting the family of the employees and workers at Oracle Nickel.

³ Unaudited numbers from monthly operating entity financial reporting.

⁴ Defined as EBITDA from operations less capex. Excludes construction capex for RKEF projects, given costs of construction are fully funded by Shanghai Decent.

Mining operations

Hengjaya Mine (80% interest held by Nickel Industries)

During the December quarter, the Hengjaya Mine delivered mine production of 2,707,858 wet metric tonnes ('wmt'), up 59.5% from 1,697,976 wmt in the September quarter. EBITDA increased 57.8% to US\$16.1M, primarily due to an increase of 159,899 tonnes of saprolite ore sold and 215,652 tonnes of limonite ore sold.

Saprolite ore production for the quarter of 687,831 wmt increased by 14.6% compared to 599,790 wmt in the previous quarter.

Limonite production continued to increase with another record of 2,020,027 wmt mined, up significantly again from the previous record of 1,098,186 wmt produced in the September quarter. 400,923 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 5.46 million wmt by the end of the quarter at an average grade of 1.07% Ni.

		December quarter	September quarter
Saprolite mined	wmt	687,831	599,790
Limonite mined	wmt	2,020,027	1,098,186
Nickel ore mined	wmt	2,707,858	1,697,976
Overburden mined	BCM ⁵	438,796	390,940
Strip ratio ⁶	BCM/wmt	0.16	0.23
Saprolite tonnes sold	wmt	725,523	565,624
Average saprolite grade	%	1.67	1.73
Average saprolite price received	US\$/wmt	42.48	42.88
Average saprolite cost ⁷	CIF US\$/wmt	28.47	26.91
Limonite tonnes sold	wmt	400,923	185,271
Average limonite grade	%	1.19	1.14
Average limonite price received	US\$/wmt	18.42	17.24
Average limonite cost	CIF US\$/wmt	4.34	7.01

⁵ BCM represents 'bank cubic metres'.

⁶ With limonite now being supplied to IMIP, the "strip ratio" reflects overburden mined divided by total nickel ore mined.

⁷ 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 December quarter.



Mine operations at the Central Pits, including some limonite stockpiles

Haul road

The mobilisation of the contractor (Presisi) to the haul road project was well advanced during the quarter and the construction commenced in a number of areas. The balance of mobile equipment and manpower will continue to arrive on site early March 2023 quarter and continue to ramp up activities and start in other areas of the approved IPPKH areas.



APL segments of haul road to IMIP under construction

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. During 2023 the mine also plans to commence delivering by road increased supply of both stockpiled and mined limonite ores to both HPAL projects at IMIP. The haul road offers the mine a strategic advantage for delivery of both types of ore, whilst allowing minimal stockpiling of limonite as the mine develops additional open pits in the central area of the project.

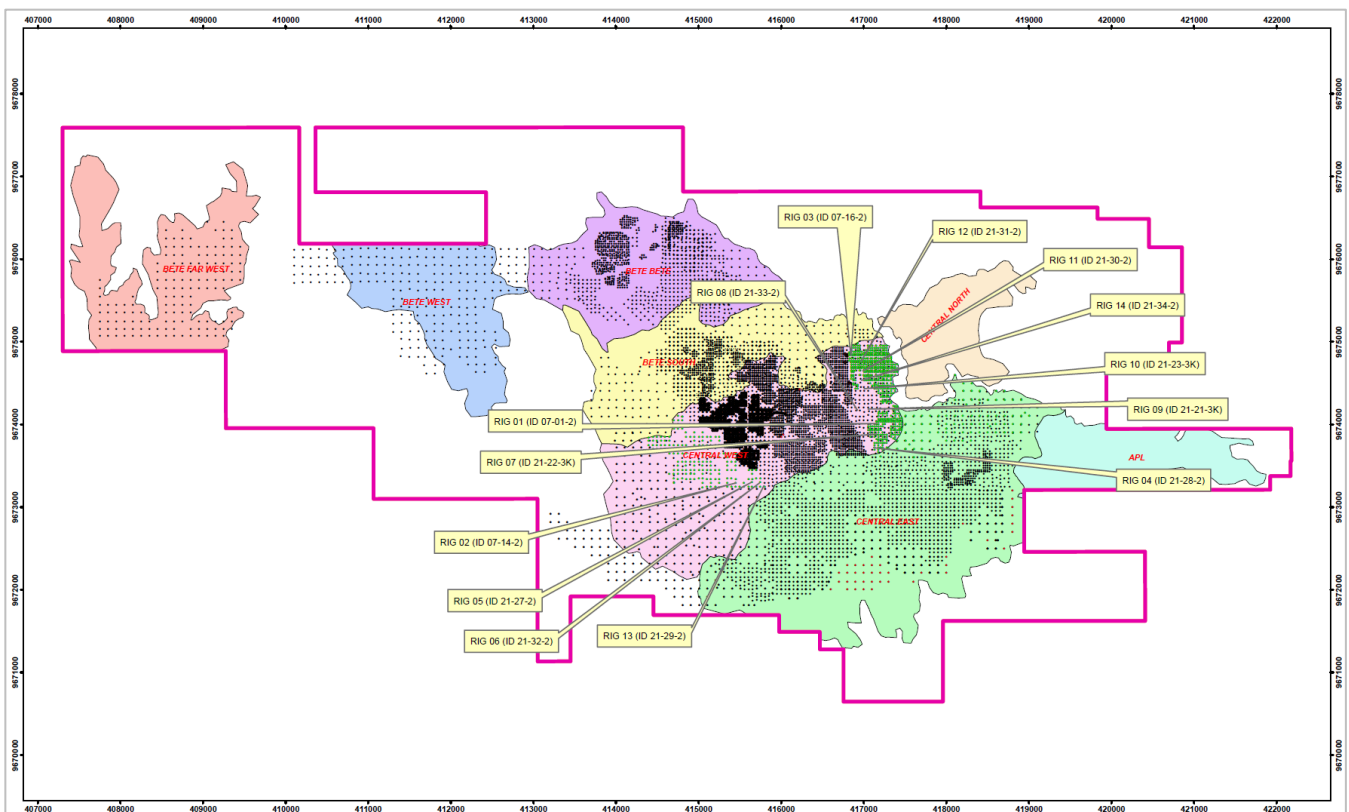


Water sampling and dust monitoring in Hengjaya Mines operation areas.

Resource Drilling

Exploration drilling is continuing at IPPKH 3 (South area), the drill rigs are focusing on the infill drilling required to further update and refine mine plans, schedules and production sequences to successfully deliver quality production in 2023 and beyond.

During the quarter fourteen drill rigs completed 1,298 holes for 32,194 meters. The drill spacing was a combination of 25 x 25 (infill), 50 x 50 and 100 x 100 (resource) metres spacing. The mine’s preparation and assay laboratory have commenced expansions in preparation for managing the additional sample, assay numbers associated with higher production and additional limonite production.



Drilling progress and drill rig locations - December 2022

Safety, Environment and Community

Safety

During the December quarter there were no lost time injuries ('LTI') recorded at the mine, with over 4.6 million work hours registered since the last reported LTI in November 2021. This gives the Hengjaya Mine operations a LTI frequency rate ('LTIFR') of 0.22 and a total recordable injury frequency rate ('TRIFR') of 1.3 for each million work hours. Safety and career development training continued on the mine site which also included; supervisory and ISO standards components.



Hengjaya Mine safety and rescue training with Indonesian search and rescue groups

Community

Nickel Industries continues with its commitment by 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, infrastructure and sustainability projects.



Donations of mobile equipment for waste management and Family Day at the mine site

Environment and Sustainability



Hengjaya Mine nursery for rehabilitation

During the quarter Nickel Industries was advised that it had earned a Silver rank award at the Asia Sustainability Reporting Rating (ASRRAT) 2022 for its inaugural Environmental, Social, and Governance (ESG) report.



Sustainability Manager Muchtazar receiving the ASRRAT award

The Company's ESG performance has received several acknowledgments, including seven trophies at the Environmental and Social Innovation Awards (ENSIA), a significantly improved rating at S&P Global's Corporate Sustainability Assessment (CSA), in which the Company was included in the top half in terms of ESG indicators in 2022 among mining and metal industry group worldwide, and the ASRRAT accolade above. Additionally, the Company's maiden Sustainability Report has been shortlisted for several accolades at the Asia Sustainability Reporting Awards (ASRA) 2022, in which the results will be announced in February 2023 in Singapore.

The Company also has conducted a social study for its nickel-cobalt project in Siduarsi, Papua, with the support of Cendrawasih University. This research concluded that the area is socially conducive and the local people are supportive of mining activities.

In terms of operational ESG initiatives, Nickel Industries worked with Hatch during this quarter to identify optimisation opportunities for its fuel usage. This was a follow-up to the decarbonisation study for the Company's value chain earlier in 2022, also conducted with Hatch. Additionally, the Company has performed an in-depth analysis of the impact of climate change on its operations and determined potential mitigation strategies by following the Taskforce for Climate-related Financial Disclosures (TCFD) recommendations, which will be disclosed in detail in the Company's upcoming sustainability report.



Fuel optimisation study at Hengjaya Mine in collaboration with Hatch consulting

Finally, Nickel Industries is delighted to share the result of the assessment by the Indonesia Ministry of Environment and Forestry for its Hengjaya Mine, in which the Minister granted a 'Green' PROPER rating that indicates beyond compliance practices in terms of ESG implementation and reporting. The Hengjaya Mine became the sole entity from Morowali and the only mining company from Central Sulawesi to achieve this rank. Overall, just two nickel mining companies in Indonesia have earned this rank from the government, demonstrating how prestigious this accolade is in the country.

Siduarsi Project

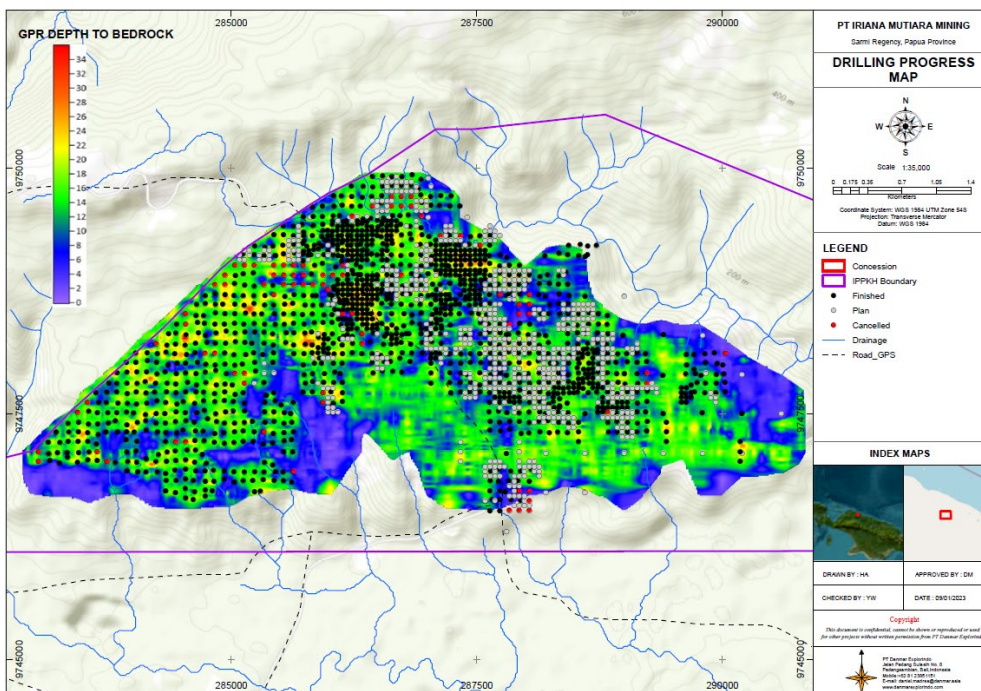
Since the first quarter of 2022 over 21,384 metres of drilling have been completed (see drill location below). Detailed geological modelling is well advanced and new areas in the west of the IUP are currently being drilled. Currently there are four drill rigs working on the IUP area of the project.

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.



Social assessment study with Siduarsi stakeholders

The first metallurgical bulk sample was taken during the quarter and test work commenced in Jakarta laboratory. Initial Metallurgical test work will include beneficiation, screen size analysis followed by acid leach test work.



Drill location plan with data until end of December 2022

Finance⁸

Balance sheet

At 31 December 2022, the Group held:

- Cash and cash equivalents: US\$144.2M (30 September 2022 - US\$146.7M);
- Trade receivables: US\$180.5M (30 September 2022 - US\$189.9M); and
- Inventories: US\$207.8M (30 September 2022 - US\$176.6M).

Cash and cash equivalents of US\$144.2M were held by Group companies as follows:

- US\$35.0M held by Nickel Industries;
- US\$25.3M held by Hengjaya Nickel and its related entities (Nickel Industries interest: 80%);
- US\$24.5M held by Ranger Nickel and its related entities (Nickel Industries interest: 80%);
- US\$26.5M held by Angel Nickel and its related entities (Nickel Industries interest: 80%);
- US\$20.2M held by Oracle Nickel and its related entities (Nickel Industries interest: 70%); and
- US\$12.7M held by Hengjaya Mine (Nickel Industries interest: 80%).

Trade receivables of US\$180.5M were held by Group companies as follows:

- US\$58.4M held by Hengjaya Nickel;
- US\$37.3M held by Ranger Nickel;
- US\$74.4M held by Angel Nickel; and
- US\$10.5M held by Hengjaya Mine⁹.

Trade receivables of US\$189.9M 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\$207.8M were held by Group companies as follows:

- US\$47.9M held by Hengjaya Nickel, being nickel matte of US\$9.2M and raw materials of US\$38.7M;
- US\$56.2M held by Ranger Nickel, being raw materials;
- US\$53.3M held by Angel Nickel, being NPI of US\$14.7M and raw materials of US\$38.6M;
- US\$38.0M held by Oracle Nickel, being raw materials (NPI produced being classified as raw materials until commercial business licence granted); and
- US\$12.5M of nickel ore held by Hengjaya Mine.

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

- from Hengjaya Nickel: Nickel Industries received US\$2.88M, Shanghai Decent received US\$0.72M; and
- from Ranger Nickel: Nickel Industries received US\$2.88M, Shanghai Decent received US\$0.72M.

Additionally, Hengjaya Nickel loaned \$5M and Ranger Nickel loaned \$10M to Oracle Nickel, as it built up its working capital.

Angel Nickel commenced repayment of working capital loans during the quarter, with US\$22.4M paid to Nickel Industries and US\$5.6M paid to Shanghai Decent.

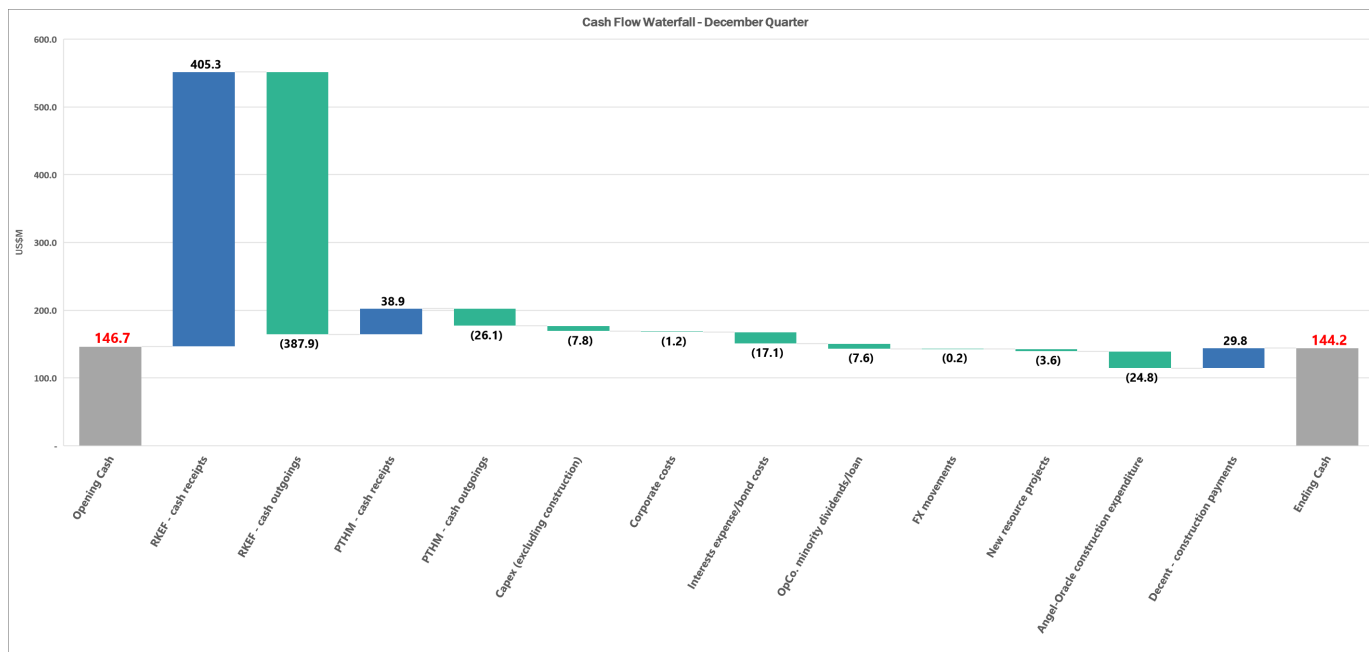
A further US\$3.3M was repatriated to Nickel Industries from Hengjaya Mine during the December quarter. Nickel Industries will receive 100% of fund repatriations from the Hengjaya Mine until intercompany loan funds advanced by Nickel Industries to the Hengjaya Mine have been fully repaid.

⁸ Unaudited numbers from monthly operating entity financial reporting.

⁹ Sales of saprolite ore by Hengjaya Mine to HNI and RNI are intra-group transactions and are eliminated on consolidation. Profit from saprolite ore sales are recognised 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 December 2022 quarter.



Underlying cash generation from operations (defined as EBITDA from operations less capex) was US\$98.2M.

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 have been funded by the Company's operating partner, Shanghai Decent, via the Company's 80%-owned Indonesian operating entity PT Angel Nickel Industry ('PT ANI') and appear in the Group's cashflow movements. Whilst construction completed in the September 2022 quarter, during the December quarter a further \$2.9M of construction payments were made by PT ANI during the December quarter.

In September 2022 the Company moved to a 70% ownership interest in the Oracle Nickel project. Ongoing RKEF construction costs of Oracle Nickel 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 appear in the Group's cashflow. Throughout the December quarter Oracle Nickel built its stockpiles of raw materials, holding inventory value at cost of \$38.0M at quarter end. During the quarter the Company contributed US\$7M to Oracle for working capital and US\$11.2M for power plant construction costs, as required under the Oracle Definitive Agreement. The quarter also saw a material reduction in operational trade creditors, with the combined trade creditor amount for ANI, HNI, RNI and the Hengjaya Mine reducing by \$58.0M.

Expenditures

Expenditure on mine production and development activities at the Hengjaya Mine during the quarter totalled US\$32.0M, of which US\$6.0M was capex, and non-construction capex at Hengjaya Nickel was US\$1.0M and at Ranger Nickel was US\$0.9M.

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\$1.2M.

Related party expenditures

During the December quarter, the aggregate amount of payment to related parties and their associates totalled US\$388,075, comprising US\$339,541 of payments to Directors or Director-related entities for Directors' consulting fees and US\$48,534 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

Hengjaya Nickel transitions to nickel matte production

At the start of the quarter the Company announced that the Hengjaya Nickel project would transition from producing NPI to production of nickel matte. Hengjaya Nickel produces 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 custom 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 third party. The Company receives "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 has historically traded 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 the Company 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.

Board Appointments

In December 2022 the Company announced that Mr Chris Shepherd and Mr Xiang Binghe would be joining the Board of Directors.

Chris has served as the Company's Chief Financial Officer since November 2021 and has been appointed in the capacity of Executive Director. Prior to joining the Company, Chris was a Partner and Managing Director of The Pallinghurst Group in London where he was responsible for executing Pallinghurst's battery material investment strategy. Chris has over 20 years' experience in private equity, investment banking and corporate finance and has advised on more than US\$30 billion in transactions across Australasia, North America, Europe and Africa.

Mr Xiang Binghe has been a key member of the rapid development of Tsingshan since 2000. His previous experience spans many senior roles and operations including head of AOD Department of Zhejiang Tsingshan Special Steel Company Limited, the General Manager of Zhejiang Tsingshan Steel Company Limited, the Chairman of Zhejiang Ruipu Machinery Company Limited, the Vice President of Ruipu Technology Group Company Limited, the Chairman of Fujian Dingxin Nickel Company Limited and the Vice Chairman of Tsingtuo Group Company Limited. Mr Xiang has already played a key role in the development of the Company's RKEF operations, as a Shanghai Decent nominee to the Board of the Company's Indonesian RKEF entities, as well as director of the Company's Singaporean subsidiary holding companies. In his current role as Chairman of Eternal Tsingshan he has successfully led the management, development and operations of the IMIP and the IWIP. Mr Xiang will join the Board following receipt of a director identification number.

Electric Vehicle Battery Supply Chain Strategic Framework Agreement

Subsequent to quarter end, the Company announced it had signed a multi-faceted Electric Vehicle Battery Supply Chain Strategic Framework Agreement ('Strategic Agreement') with Shanghai Decent, and had entered into binding agreements with Shanghai Decent to acquire 10% interests in two producing nickel assets (collectively the 'Acquired Assets'):

The Acquired Assets comprise:

- (i) a 10% interest in PT Huayue Nickel Cobalt ('HNC') which the Company will acquire from Newstride Development Limited ('Newstride'), an entity within the Tsingshan group and an affiliate of Shanghai Decent) for US\$270 million. HNC is an HPAL project in the IMIP; and
- (ii) an additional 10% interest in Oracle Nickel for US\$75 million in cash (increasing the Company's interest to 80%).

The Company also acquired options to collaborate with Shanghai Decent on future battery nickel opportunities for US\$40 million (collectively the 'Acquired Options').

The Acquired Options comprise:

- (i) a US\$25 million option for the construction of a nickel sulphate and electrolytic nickel plant using the HPAL process (to be known as the DAWN HPAL+ Project); and
- (ii) a US\$15 million option to invest in and construct a low-grade to high-grade nickel matte converter at Oracle Nickel.

Equity Capital Raise

To fund the Acquired Assets and Acquired Options the Company announced it would be undertaking a US\$471 million capital raise (~A\$673 million)¹ ('Equity Raise').

The Equity Raise will comprise:

- (i) a US\$185 million (~A\$264 million) fully underwritten, institutional placement ('Institutional Placement');
- (ii) a US\$270 million (~A\$386 million) placement to Newstride (or its nominee), US\$15 million (~A\$21 million) placement to Shanghai Wanlu Investment Co. Ltd. ('Wanlu') (or its nominee) and US\$1.4 million (~A\$2 million) placement to Non-Executive Director Mark Lochtenberg (or his nominee) on a non-underwritten basis ('Conditional Placement'); and
- (iii) a non-underwritten share purchase plan ('SPP') to eligible shareholders in Australia and New Zealand, with the SPP targeting to raise up to US\$20 million (~A\$29 million).

The Institutional Placement was successfully completed on 19 January 2023.

The Conditional Placement will require approval by shareholders at an Extraordinary General Meeting ('EGM') to be held in late March/early April 2023 and in the case of the placement of shares to Newstride, approval by the Australia's Foreign Investment Review Board ('FIRB').

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