

**NICKEL MINES LIMITED**  
**and its controlled entities**

**A.B.N. 44 127 510 589**

**INTERIM FINANCIAL REPORT**

**FOR THE HALF YEAR ENDED**

**30 JUNE 2021**

## Contents

|   |    |
|---|----|
| Directors' Report .....   | 3  |
| Lead Auditor's Independence Declaration .....   | 17 |
| Condensed consolidated interim statement of profit or loss and other comprehensive income ..... | 18 |
| Condensed consolidated interim statement of financial position.....                             | 19 |
| Condensed consolidated interim statement of changes in equity.....                              | 20 |
| Condensed consolidated interim statement of cash flows .....                                    | 21 |
| Notes to the financial statements .....   | 22 |
| Directors' Declaration .....  | 31 |
| Independent Auditor's Review Report .....   | 32 |
| Corporate Directory .....   | 34 |

# NICKEL MINES LIMITED and its controlled entities

## DIRECTORS' REPORT

---

The Directors of Nickel Mines Limited ('Nickel Mines' or 'the Company') and its subsidiaries ('the Group') submit their financial report for the half year ended 30 June 2021 and the Auditor's Review Report thereon.

**All amounts are reported in US\$ unless otherwise stated.**

### DIRECTORS

The names of the Directors of the Company in office during the half year period and until the date of this report were:

Robert Neale – Chairman and Non-Executive Director since 16 April 2018  
Norman Seckold – Deputy Chairman and Executive Director since 12 September 2007  
Justin Werner – Managing Director since 23 August 2012  
Peter Nightingale – Chief Financial Officer and Executive Director since 12 September 2007  
James Crombie – Non-Executive Director since 23 May 2008  
Weifeng Huang – Non-Executive Director since 26 April 2018  
Mark Lochtenberg – Non-Executive Director since 10 March 2017  
Dasa Sutantio – Non-Executive Director since 29 May 2020  
Yuanyuan Xu – Non-Executive Director since 26 April 2018

### RESULTS

The profit of the Group for the half year after providing for income tax amounted to \$83,023,751 (2020 - \$45,531,581).

### REVIEW OF OPERATIONS

During and following the half year ended 30 June 2021, significant milestones were achieved as follows:

#### Highlights:

- The Company's Hengjaya Nickel and Ranger Nickel Rotary Kiln Electric Furnace ('RKEF') projects produced a combined 146,425.8 tonnes of nickel pig iron ('NPI'), containing 20,210.3 tonnes of nickel metal equivalent. A total of 20,861.7 tonnes of nickel metal equivalent were sold during the half year and EBITDA from Hengjaya Nickel and Ranger Nickel for the six months to 30 June 2021 was \$101.3M.
- A total of 1,031,278 wet metric tonnes ('wmt') of saprolite nickel ore was mined at the Hengjaya Mine, with an average stripping ratio of 1.5:1 BCM/wmt. A total of 966,794 wmt of saprolite were sold during the year at an average grade of 1.77% nickel. Additionally, approximately 750,000 wmt of limonite was stockpiled during the half year for eventual delivery to HPAL plants being built at the Indonesia Morowali Industrial Park ('IMIP'). On a stand-alone basis, EBITDA from the Hengjaya Mine for the six months to 30 June 2021 was \$11.5M <sup>(1)</sup>.
- In January 2021, the Company made further voluntary early repayments of the Ranger Nickel senior debt facility, fully repaying the outstanding facility amount as at 31 December 2020 of \$45M.
- In January 2021, the Company completed the initial acquisition of a 30% interest of Angel Nickel for \$180M which, together with the \$30M deposit previously paid, completed the first acquisition consideration payment of \$210M.
- In January 2021, the Company declared a final dividend of A\$0.02 per share, being a distribution of A\$50.3M.
- In March 2021, the Company completed a \$175M inaugural offering of Senior Unsecured Notes at an interest rate of 6.5%, maturing 1 April 2024.

<sup>(1)</sup> During the half year, the Hengjaya Mine sold nickel ore to Hengjaya Nickel and Ranger Nickel. Hengjaya Mine profit of \$4.5M relating to nickel ore inventory held by Hengjaya Nickel and Ranger Nickel at 30 June 2021 is eliminated on consolidation.

**NICKEL MINES LIMITED**  
and its controlled entities

**DIRECTORS' REPORT**

- In April 2021, the Company completed the acquisition of an additional 20% interest of Angel Nickel for \$137.6M, inclusive of a \$2.4M discount for early payment.
- In May 2021, the Company signed a Memorandum of Understanding ('MoU') to convert two of its RKEF lines, out of an initial total of 10 RKEF lines within the IMIP being converted, to produce a low grade nickel matte which can be further processed to produce a product that can be used to make battery grade nickel for use in the electric vehicle market. This followed Tsingshan's successful trial production of this high-grade nickel matte (>75% nickel). Modification of the RKEF lines can be done with minimal capital expenditure and disruption to production.

**RKEF OPERATIONS (80% interest held by Nickel Mines)**

During the half year, the Company held an 80% interest in Hengjaya Nickel and Ranger Nickel projects.

A summary of production from Hengjaya Nickel and Ranger Nickel for the six months to 30 June 2021 is as follows:

|   |        | Hengjaya Nickel | Ranger Nickel | Total     |
|---|--------|-----------------|---------------|-----------|
| <b>NPI Production</b>                                       | tonnes | 73,739.2        | 72,686.6      | 146,425.8 |
| <b>NPI Grade</b>  | %      | 13.7            | 13.9          | 13.8      |
| <b>Nickel Metal Production</b>                              | tonnes | 10,073.0        | 10,137.3      | 20,210.3  |
| <b>Nickel Metal Production Attributable to Nickel Mines</b> | tonnes | 8,058.4         | 8,109.8       | 16,168.2  |

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

During the six months to 30 June 2021, Hengjaya Nickel produced 10,073.0 tonnes of nickel metal at an average NPI grade of 13.7% at a weighted average cash cost of \$8,927/tonne of nickel metal.

| HENGJAYA NICKEL                |           | March 2021 Quarter | June 2021 Quarter | Total    |
|--------------------------------|-----------|--------------------|-------------------|----------|
| <b>NPI Production</b>          | tonnes    | 36,811.4           | 36,927.8          | 73,739.2 |
| <b>NPI Grade</b>               | %         | 13.8               | 13.6              | 13.7     |
| <b>Nickel Metal Production</b> | tonnes    | 5,064.9            | 5,008.1           | 10,073.0 |
| <b>Cash Costs</b>              | US\$/t Ni | 8,725              | 9,133             | 8,927    |

Nickel Mines' attributable nickel metal production for the six months ended 30 June 2021 was 8,058.4 tonnes.

For the six months to 30 June 2021, Hengjaya Nickel recorded (on a 100% basis) sales of \$142.9M for 10,311.2 tonnes of nickel metal sold. EBITDA for the six months was \$48.7M.

**NICKEL MINES LIMITED**  
and its controlled entities

**DIRECTORS' REPORT**

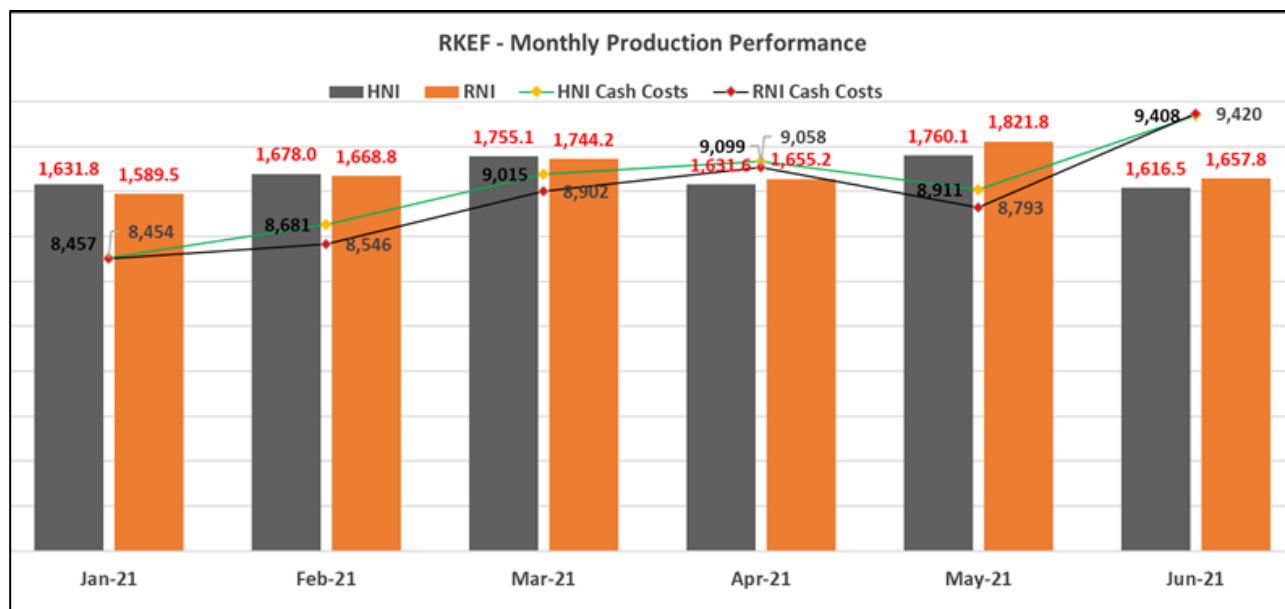
**Ranger Nickel (80% interest held by Nickel Mines)**

During the six months to 30 June 2021, Ranger Nickel produced 10,137.3 tonnes of nickel metal at an average NPI grade of 13.9% at a weighted average cash cost of \$8,864/tonne of nickel metal.

| RANGER NICKEL                  |           | March 2021 Quarter | June 2021 Quarter | Total    |
|--------------------------------|-----------|--------------------|-------------------|----------|
| <b>NPI Production</b>          | tonnes    | 35,127.9           | 37,558.7          | 72,686.6 |
| <b>NPI Grade</b>               | %         | 14.2               | 13.7              | 13.9     |
| <b>Nickel Metal Production</b> | tonnes    | 5,002.5            | 5,134.8           | 10,137.3 |
| <b>Cash Costs</b>              | US\$/t Ni | 8,641              | 9,081             | 8,864    |

Nickel Mines' attributable nickel metal production for the six months ended 30 June 2021 was 8,109.8 tonnes.

For the six months to 30 June 2021, Ranger Nickel recorded (on a 100% basis) sales of \$145.8M for 10,550.5 tonnes of nickel metal sold. EBITDA for the six months was \$52.6M.



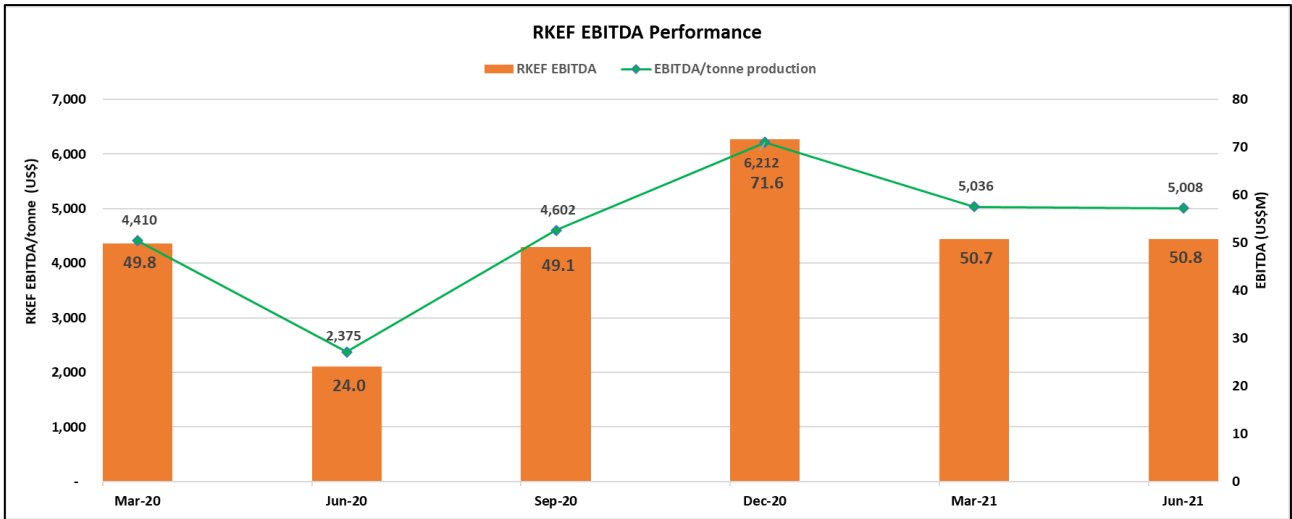
*Production and cost performance from Hengjaya Nickel and Ranger Nickel*

**Commentary on RKEF Operations**

The six months to 30 June 2021 saw the Company's RKEF operations deliver another half year of consistent nickel production with 20,210.3 tonnes produced across the Hengjaya Nickel and Ranger Nickel projects. During the period, management made the decision to marginally reduce NPI grades (at the expense of maximising nickel metal tonnes) to minimise the pricing penalties applied to higher grade NPI (greater than 12%) with lower iron content. This strategy allowed the Company to maintain a relatively consistent EBITDA margin across the period despite cost pressures from rising nickel ore, thermal coal, coking coal and electricity prices, thereby underpinning the ability of the Company's RKEF projects to maintain strong levels of profitability in all commodity price environments.

**NICKEL MINES LIMITED**  
and its controlled entities

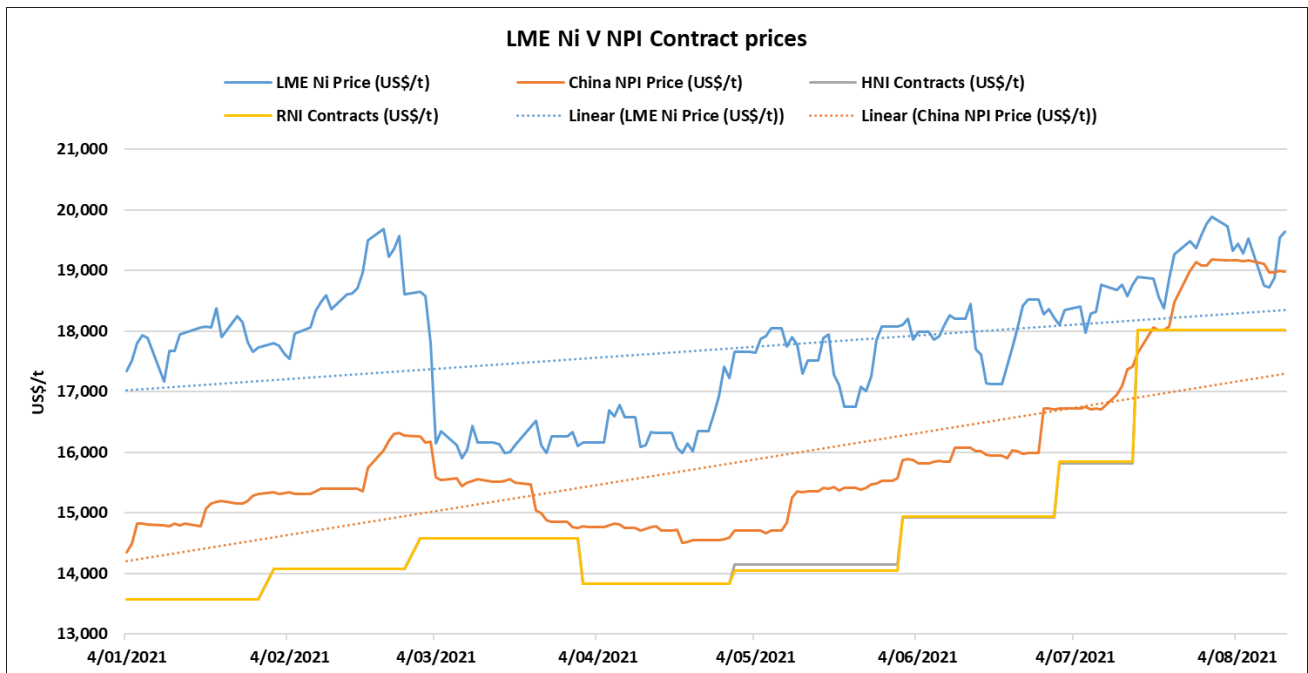
**DIRECTORS' REPORT**



*The Company produced another strong and consistent EBITDA performance during 1H 2021*

**NPI Pricing**

During the period, the average NPI price (8% - 12% NPI grade China ex-works) was ~\$15,300/t Ni representing approximately 88% of the average LME nickel price during the half year. The Company's weighted average contract sales prices (pre-final assay) was 90.7% of the average NPI price (8% - 12% NPI grade China ex-works) during the period with the discount relating to penalties applied to NPI grades sold above 12%.



Chinese NPI prices strengthened considerably towards the end of the half year and into August, with this upward price pressure fuelled by robust stainless steel consumption and supply tightness across the NPI market. July NPI sales contracts (for both export and internal IMIP sales) captured this higher pricing with contracts for delivery in July and August being executed at between \$15,400/t Ni and \$16,400/t Ni, with early August contracts for delivery in September being executed above \$18,000/t Ni. These contracts represent increases of \$1,200/t Ni to \$3,900/t Ni above weighted contract prices (pre-final assay) in the June quarter.

**NICKEL MINES LIMITED**  
and its controlled entities

**DIRECTORS' REPORT**

**HENGJAYA MINE (80% interest held by Nickel Mines)**

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

The mine is located approximately 12 kilometres from the IMIP in the Morowali Regency, Central Sulawesi, Indonesia. The Hengjaya Mine tenement covers 5,983 hectares and holds a 20-year mining operation/production licence (issued in May 2012) with two further 10-year extension periods.

***Mining***

Production of saprolite ore totalled 1,031,278 wmt for the six months to 30 June 2021, at an average waste (including limonite) to ore stripping ratio of 1.5:1.

Sales of saprolite ore for the half year totalled 966,794 wmt at an average grade of 1.77% nickel.

Overburden, which is treated as a cost of production, included limonite ore which has been stockpiled adjacent to waste dumps at both the Bete Bete and Central Pits in readiness for eventual supply to the IMIP's HPAL projects. At 30 June 2021, 1,964,079 wmt of limonite ore grading 1.1% nickel had been stockpiled.

|   |            | March 2021 Quarter | June 2021 Quarter | Total     |
|---|------------|--------------------|-------------------|-----------|
| <b>Saprolite mined</b>                          | wmt        | 456,487            | 574,791           | 1,031,278 |
| <b>Overburden mined</b>                         | BCM        | 262,270            | 549,213           | 811,483   |
| <b>Limonite mined</b>                           | wmt        | 402,557            | 349,373           | 751,930   |
| <b>Strip ratio<sup>(1)</sup></b>                | BCM/wmt    | 1.5                | 1.6               | 1.5       |
| <b>Saprolite sold</b>                           | wmt        | 424,410            | 542,384           | 966,794   |
| <b>Average grade</b>                            | %          | 1.77               | 1.78              | 1.77      |
| <b>Average price received</b>                   | US\$/t     | 35.40              | 36.09             | 35.80     |
| <b>Average cost of production<sup>(2)</sup></b> | CIF US\$/t | 22.78              | 23.48             | 23.17     |

<sup>(1)</sup> Strip ratio includes limonite as overburden.

<sup>(2)</sup> Average cost of production includes amortisation and depreciation costs for the 6 months of \$0.87/t.

**Hengjaya Mine Operations**

The half year marked a significant improvement in operational and financial performance of the Hengjaya Mine. Expansion initiatives implemented over the past year have been geared towards significantly ramping up production and better equipping the operating pits and haul roads to handle seasonal rains. The benefits from these initiatives were reflected in more than one million tonnes of ore being mined during the half year. Of particular note was the record level of production in the June quarter with 574,791 tonnes of saprolite ore being mined, surpassing the previous record of 499,877 tonnes in the December 2020 quarter and eclipsing the 62,610 tonnes from the June 2020 quarter which was significantly impacted by abnormally high levels of rainfall and localised flooding.

The Hengjaya Mine has now reached annualised production of 2Mtpa and is targeting this production run rate to increase to 3Mtpa from 2022.

**NICKEL MINES LIMITED**  
and its controlled entities

**DIRECTORS' REPORT**

---



*Bete Bete pit operations (foreground right is east expansion area with the IMIP in the background)*



*Central East and West pits*

**Hengjaya Mine Expansion Initiatives**

Expansion activities continued during the half year in support of the Hengjaya Mine's plan to further increase production of both saprolite and limonite ores in 2021 and beyond. Key operational workstreams for the half were focused on the continuing development of internal haul roads, jetty stockpile management, jetty loading areas and infill drilling.

Main haul road approvals and construction works to the IMIP continued to advance in areas around the Bete Bete pit to the IUP boundary and external APL areas, with associated water management controls and monitoring systems having now been installed on all new mine infrastructure areas.

The internal haul road connecting the Bete Bete to Central pits is now in full operation.

Additional 40 tonne articulated dump trucks, dozers, haul trucks and ancillary equipment arrived on site during the half year and will be utilised for opening new areas of the existing pits and areas associated with the expansion east of the Bete Bete pit and west of Central West pits.



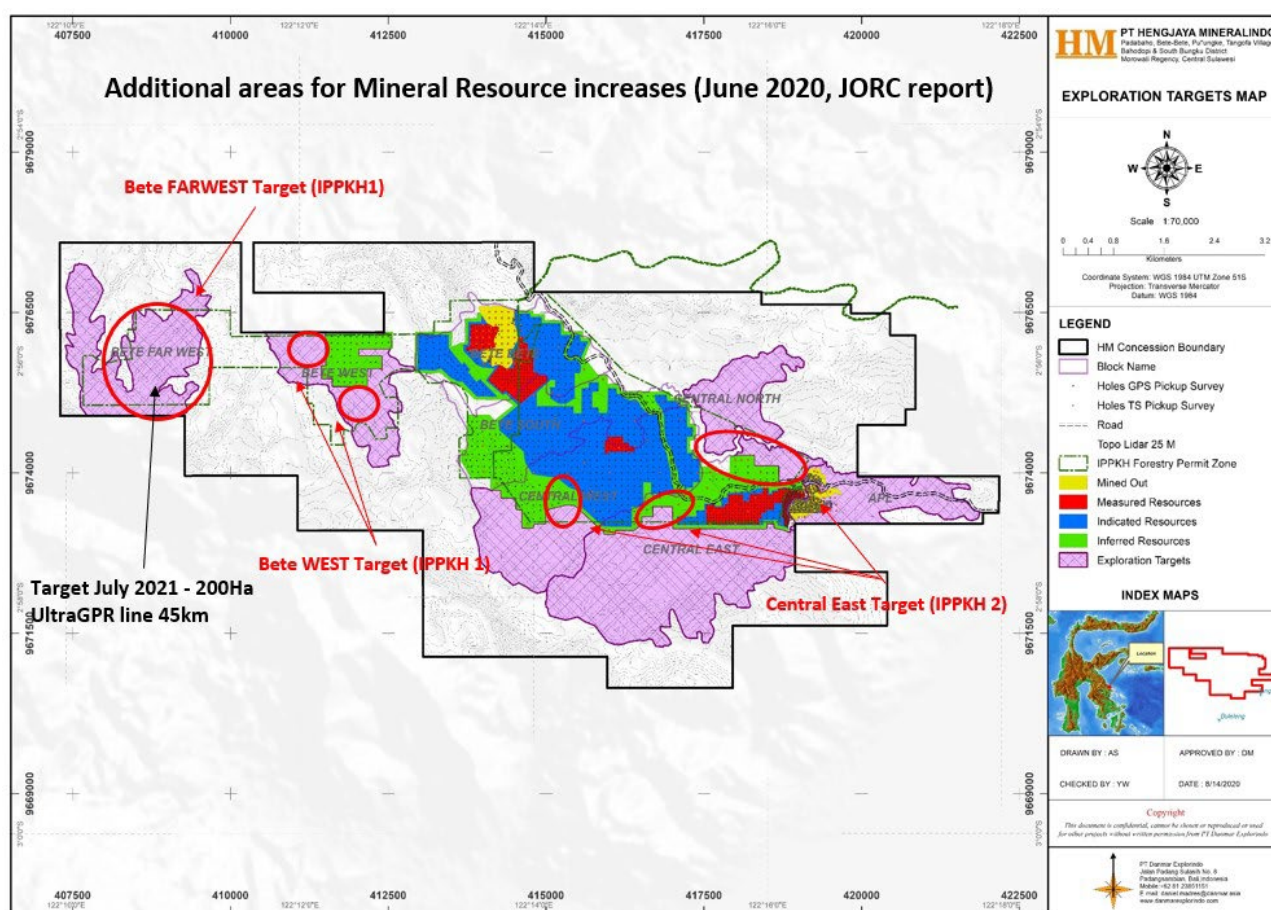
# NICKEL MINES LIMITED and its controlled entities

## DIRECTORS' REPORT

During the half year, the Company continued to advance the haul road between the Hengjaya Mine and the IMIP. A 6.8 kilometre section inside the Hengjaya Mine IUP is almost complete (~92%) while construction of a 2 kilometre section adjacent the IMIP boundary has been completed. Once the final design and permitting of the intervening section has been approved the road will be completed, allowing direct haulage of ore from the Hengjaya Mine to both RKEF and HPAL projects inside the IMIP.

Resource expansion and infill drilling continued during the half year with 410 holes drilled for 9,681 metres.

An area of approximately 200 hectares to the far west of the Bete Bete pit has also been identified for exploration, with a ground penetrating radar ('GPR') survey to be completed before the end of 2021. Further exploration drilling is planned based on the GPR results.



*IUP additional resource targets to the far west of Bete Bete*

# NICKEL MINES LIMITED and its controlled entities

## DIRECTORS' REPORT

### SAFETY, ENVIRONMENT, COMMUNITY AND SOCIAL GOVERNANCE

#### COVID-19 pandemic prevention and control

During the half year, the IMIP continued to enforce strict access controls surrounding entry into and out of the park with the local government also maintaining a requirement for valid Negative-PCR tests to be obtained prior to travelling into the greater Morowali Regency.

Due to the continued uncertainty associated with the COVID-19 pandemic, the vaccination program within the IMIP has been intensified and, as of mid-August, more than 30,000 vaccinations had been administered across the ~40,000 workforce at the IMIP with nearly half of Hengjaya Nickel and Ranger Nickel personnel having received at least one dose. Based on current vaccination rates, vaccination will be available to almost all of the workforce within the IMIP by the end of September 2021.



*The IMIP's vaccination program is targeting to be completed by the end of September 2021*

In addition to the abovementioned vaccination program, the IMIP continues to implement its existing safety protocols including social distancing (where permissible), mandatory mask wearing, twice daily temperature checks and daily disinfectant of working areas and tools.



*On duty employees are temperature checked twice daily*

# NICKEL MINES LIMITED and its controlled entities

## DIRECTORS' REPORT

---

### Mine Safety

The continued focus at the mine in safe work culture and ongoing training resulted in another outstanding achievement with no Lost Time Injuries ('LTI') or medical treatment injuries reported during the half year. Total man hours worked since the last LTI is now over 3,878,550 hours from project hours totalling 5,498,200 for a LTI Frequency Ratio ('LTIFR') of 0.0. The Total Recordable Injury Frequency Rate ('TRIFR') stands at 1.26 per 1 million work hours.

A continued focus remains on sustaining a safe workplace throughout all operations, including training, ongoing updating of safe operating procedures and associated risk management systems. Additional risk assessments, change management and safe operating procedures continued as the production and work areas extended in current and new areas of operations.



*Hengjaya Mine dedicated training and toolbox meetings*

As part of COVID-19 protocols the Hengjaya Mine continued with strict non-essential visitor access, protocols that have been in place since late January 2020. Over ninety percent of the mine site workforce has been able to receive their first COVID-19 vaccination with the full vaccination program expected to be completed by the end of September 2021.

### Environment

No environmental incidents were reported during the half year and the environmental team completed all required licence compliance monitoring and reporting. Extensive monitoring programs continued and included water, dust and rehabilitation throughout the operations.

As part of the Company's commitment to reducing its greenhouse gas emissions, the Hengjaya Mine has signed an agreement for the supply and installation of a 660 panel, 450kw solar power system for the main accommodation, office and workshop areas.

It is anticipated that the solar project will reduce diesel fuel consumption by some 31 million litres over the 25-year projected generation life, reducing the Hengjaya Mine carbon footprint by 10 tonnes over the project life and delivering an expected saving of 40% over the project life.

The IMIP has actively implemented an environmental protection program through the establishment and updating of operations culture, systems and facilities as well as continuously pursuing technological innovations to save energy, reduce pollution and enhance performance. As an example, by hot charging with molten NPI, approximately 1 billion kilowatt hours of electricity was saved in 2020 with a resultant 990 million kg carbon emission reduction.

A carbon emissions report has been completed for the Company during the half year. This report will be utilised to benchmark the Company's current carbon footprint against Indonesian and global nickel producers and assist in the identification and implementation of future carbon emission reduction programs and targets.

# NICKEL MINES LIMITED and its controlled entities

## DIRECTORS' REPORT

### Community

During the half year, the Hengjaya Mine continued with its commitment to development, recruitment, and training programs with both local and regional stakeholders, including the Tangofa, Bete Bete, Markati, Labota, Tanga Oreo and Bahodopi village regions.

Other projects included donations of additional equipment for local and regional domestic waste management, assistance with local villages on COVID-19 awareness training, construction of a clean water harvesting facility for Bete Bete and donations to local sports, schools, religion projects and medical clinics.



*Sporting and community support*

### Social Governance

During the half year, the Company appointed Muchtazar ('Tazar') as its Sustainability Manager. Tazar has represented Indonesia in various international forums such as the UN Global Compact Leaders Week, the Global Compact Network Singapore Youth Forum, and the Asian Circular Economy Leadership Academy and led the implementation of sustainability programs at Unilever Indonesia where he received the *SDG Pioneer* award by the United Nations, being just the second Indonesian in the SDG Pioneer award history to receive the accolade.

### CORPORATE

#### *Angel Nickel*

During the half year, the Company reached agreement with its collaboration partner, Shanghai Decent Investment Group Co., Ltd ('Shanghai Decent'), a Tsingshan group company, for the Company to acquire an increased interest in the Angel Nickel project ('Angel Nickel') from 70% up to 80% by 31 December 2021. The acquisition of Angel Nickel is a fixed purchase price on the basis of a valuation of \$700M, subject to an early payment discount, for 100% of the share capital.

During the half year, the Company completed the acquisition of 50% of Angel Nickel in two tranches:

- 30% was acquired in January 2021 for \$210M, inclusive of a \$30M down payment made in 2020; and
- a further 20% was acquired in April 2021 for \$137.6M, inclusive of a \$2.4M discount for early payment.

#### *Ranger Debt Facility*

During the half year, the Company fully repaid the remaining \$45M balance of the Ranger Debt Facility.

# NICKEL MINES LIMITED and its controlled entities

## DIRECTORS' REPORT

---

### *Payment of Final Dividend*

During the half year, the Company declared and paid a FY2020 final dividend of A\$0.02 per share taking its full year 2020 dividend payment to A\$0.03 per share following the payment of a maiden interim dividend of A\$0.01 per share in September 2020.

### *Admission to the S&P/ASX 200*

In March 2021, Nickel Mines was included in the S&P/ASX 200 Index as part of the S&P Dow Jones Indices March quarter rebalance.

### *Memorandum of Understanding signed to diversify into nickel matte production*

In May 2021, the Company signed an MoU with Shanghai Decent for two of the Company's four 80% owned RKEF lines within the IMIP (either Hengjaya Nickel or Ranger Nickel) to undergo the necessary modifications to allow them to produce a low grade nickel matte which can be further processed to produce a product that can be used to make battery grade nickel for use in the electric vehicle market.

Tsingshan recently announced signing a one-year contract to produce and supply 100,000 tonnes of nickel matte and that the trial production of this high-grade nickel matte (>75%) within the IMIP had been successful.

An initial 10 RKEF lines within the IMIP will be converted by Tsingshan, to produce nickel matte that will then be further processed for Tsingshan to fulfil these contracts. The opportunity for the Company to convert two of the Company's RKEF lines will enable the Company to diversify its product range to a product which will more directly correlate to LME nickel pricing and provide the opportunity to participate in the electric vehicle battery supply chain.

While the specific details of capital modification costs, operating costs and selling arrangements with Shanghai Decent remain commercial-in-confidence and subject to a definitive agreement, the Company advises:

- The required modification cost for each RKEF line is expected to be minimal (approximately \$1.0M per line).
- The cash operating costs for producing a tonne of nickel in matte are expected to be comparable to the cash costs of producing a tonne of nickel metal in NPI.
- Units of production, measured in contained tonnes of nickel metal, produced by the Company's RKEF lines after conversion to produce nickel matte are expected to be comparable with the current units of production in NPI.
- As with its NPI production, Shanghai Decent has provided a firm undertaking to purchase all of the Company's nickel matte production.
- Switching between NPI and nickel matte production is possible with minimal production disruption, however, it is not optimal to do so regularly, and it is proposed that Nickel Mine's converted RKEF lines will be utilised for dedicated nickel matte production unless there is an extended period where operational economics would favour a switch back to NPI.
- Once the modifications are completed it will take approximately two weeks for the converted RKEF lines to produce an 'on-spec' nickel matte product, with the interim 'off-spec' product remaining a saleable product.

### *Successful Issue of \$175M of Senior Unsecured Notes*

In March 2021, the Company completed a \$175M inaugural offering of Senior Unsecured Notes at an interest rate of 6.5%, maturing 1 April 2024.

**NICKEL MINES LIMITED  
and its controlled entities**

**DIRECTORS' REPORT**

*Angel Nickel Progress Report*

During the half year excellent progress was made across the various phases of the Angel Nickel project. All material earthworks and plant footings have now been largely completed together with the commencement of fabrication of key long lead items including boilers, turbines and generators.



Aerial view of ANI powerplant



Foundations for ANI powerplant



Foundations for Dry Ore shed



Column reinforcement for Electrostatic Precipitator

**Mineral Resource Statement**

Summarised below by resource category is the JORC resource estimate for the Hengjaya Mine, using a 0.8% nickel cut-off grade.

| Category     | Dry Tonnes (million) | Ni (%)     | Co (%)      | Fe (%)    |
|--------------|----------------------|------------|-------------|-----------|
| Measured     | 20                   | 1.3        | 0.08        | 28        |
| Indicated    | 109                  | 1.3        | 0.08        | 29        |
| Inferred     | 56                   | 1.3        | 0.07        | 27        |
| <b>Total</b> | <b>185</b>           | <b>1.3</b> | <b>0.08</b> | <b>28</b> |

*Hengjaya Mine Mineral Resource Table*

**NICKEL MINES LIMITED**  
and its controlled entities

**DIRECTORS' REPORT**

| LIMONITE & SAPROLITE - COMBINED GLOBAL MINERAL RESOURCE ESTIMATE (OK 4 pass) |                      |                      |                    |      |       |       |        |          |         |       |                      |                           |                               |
|--|----------------------|----------------------|--------------------|------|-------|-------|--------|----------|---------|-------|----------------------|---------------------------|-------------------------------|
| GRADE CUT-OFF RANGE  | MINERAL RESOURCE     |                      | XRF (DRY ANALYSIS) |      |       |       |        |          |         |       | Moisture Content (%) | Relative Density (sg Wet) | METAL CONTENT EQUIVALENT (Ni) |
|  | MILLION TONNES (Wet) | MILLION TONNES (DRY) | Ni %               | Co % | Fe %  | MgO % | SiO2 % | SM Ratio | Al2O3 % | CaO % |                      |                           |                               |
| >0.8   | 285.1                | 183.8                | 1.28               | 0.08 | 29.19 | 11.90 | 23.68  | 1.99     | 7.00    | 0.48  | 35.50                | 1.70                      | 3,651,983                     |
| >0.9   | 259.6                | 166.8                | 1.32               | 0.08 | 28.53 | 12.37 | 24.41  | 1.97     | 6.72    | 0.49  | 35.69                | 1.69                      | 3,431,548                     |
| >1.0   | 224.3                | 143.8                | 1.38               | 0.08 | 27.62 | 13.06 | 25.37  | 1.94     | 6.36    | 0.50  | 35.86                | 1.68                      | 3,095,613                     |
| >1.1   | 184.1                | 117.9                | 1.45               | 0.08 | 26.31 | 14.01 | 26.73  | 1.91     | 5.91    | 0.51  | 35.88                | 1.66                      | 2,670,554                     |
| >1.2   | 145.4                | 93.3                 | 1.53               | 0.07 | 24.61 | 15.25 | 28.49  | 1.87     | 5.37    | 0.53  | 35.74                | 1.65                      | 2,225,806                     |
| >1.3   | 110.9                | 71.4                 | 1.62               | 0.07 | 22.69 | 16.62 | 30.47  | 1.83     | 4.79    | 0.54  | 35.48                | 1.63                      | 1,793,625                     |
| >1.4   | 82.2                 | 53.3                 | 1.71               | 0.06 | 20.43 | 18.17 | 32.82  | 1.81     | 4.18    | 0.54  | 35.01                | 1.62                      | 1,406,539                     |
| >1.5   | 60.5                 | 39.4                 | 1.80               | 0.06 | 18.66 | 19.42 | 34.66  | 1.78     | 3.67    | 0.54  | 34.65                | 1.60                      | 1,092,035                     |
| >1.6   | 45.3                 | 29.5                 | 1.89               | 0.06 | 17.55 | 20.27 | 35.90  | 1.77     | 3.32    | 0.52  | 34.57                | 1.60                      | 856,190                       |
| >1.7   | 33.6                 | 22.0                 | 1.97               | 0.06 | 16.86 | 20.88 | 36.68  | 1.76     | 3.06    | 0.49  | 34.59                | 1.59                      | 663,800                       |
| >1.8   | 24.2                 | 15.9                 | 2.06               | 0.06 | 16.12 | 21.58 | 37.29  | 1.73     | 2.82    | 0.46  | 34.35                | 1.59                      | 499,412                       |
| >1.9   | 17.5                 | 11.5                 | 2.14               | 0.06 | 15.89 | 21.84 | 37.49  | 1.72     | 2.74    | 0.44  | 34.24                | 1.59                      | 374,255                       |
| >2.0   | 12.4                 | 8.2                  | 2.22               | 0.06 | 15.47 | 22.39 | 37.80  | 1.69     | 2.56    | 0.41  | 33.86                | 1.59                      | 276,363                       |

*Hengjaya Mine Mineral Resource at various cut-off grades*

**Resource Comparison 2021 to 2020**

The Company released the above JORC compliant Resource Estimate, prepared by PT Danmar Explorindo, in August 2020. No updated Resource Estimate has been released. A total of 410 holes for 9,681 metres of exploration and infill drilling has been undertaken at the Hengjaya Mine in the six months to 30 June 2021, as well as 147 holes for 3,662 metres being completed in the December 2020 quarter. It is anticipated that an updated Resource Estimate will be released in the second half of 2021.

**COMPETENT PERSONS STATEMENT**

The information provided in this report that relates to Mineral Resources and Exploration Results is based on information provided by Daniel Madre of PT Danmar Explorindo. Mr Madre is a member of the Australian Institute of Mining and Metallurgy (AusIMM) and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activities which are being undertaken to qualify as a Competent Person as defined in the 2012 edition of the "Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Madre is an independent consulting geologist and consents to the inclusion of the matters based on his information in the form and context in which it appears. Mr Madre has more than 18 years experience in exploration and mining of nickel laterites in Indonesia.

**NICKEL MINES LIMITED  
and its controlled entities**

**DIRECTORS' REPORT**

---

**SUBSEQUENT EVENTS**

- The Company executed a facility agreement with PT Sinar Inti Pembangunan ('PT SIP') under which the Company advanced to PT SIP \$3.5M to assist in funding the development and eventual acquisition of the PT Hengjaya Nickel Utama ('HNU') and PT Mandiri Jaya Nickel ('MJN') nickel projects. Interest rate of 8.5% p.a., with interest payable every thirty days following a six month interest free period commencing on 9 August 2021.

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

**LEAD AUDITOR'S INDEPENDENCE DECLARATION**

A copy of the Lead Auditor's Independence Declaration on page 17 as required under Section 307C of the Corporations Act 2001 is attached to and forms part of the Directors' Report for the half-year ended 30 June 2021.

Signed in accordance with a resolution of the Directors.



Robert Neale  
Chairman  
Sydney, 26 August 2021





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

To the Directors of Nickel Mines Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Nickel Mines Limited for the half-year ended 30 June 2021 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Brisbane  
26 August 2021

Stephen Board  
Partner

**NICKEL MINES LIMITED**  
and its controlled entities

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THE HALF YEAR ENDED 30 JUNE 2021**

| US\$   | Notes | 6 months to<br>30 June<br>2021<br>\$ | 6 months to<br>30 June<br>2020<br>\$ |
|--|-------|--------------------------------------|--------------------------------------|
| Sales revenue                                      |       | 288,717,155                          | 227,842,571                          |
| Cost of sales                                      |       | (178,435,042)                        | (153,090,152)                        |
| Depreciation and amortisation expense              |       | (16,900,693)                         | (18,308,167)                         |
| Gross profit                                       |       | <u>93,381,420</u>                    | <u>56,444,252</u>                    |
| Directors' fees and consultants' expenses          |       | (2,833,265)                          | (2,103,389)                          |
| Share of loss of equity accounted investee         |       | (58,920)                             | -                                    |
| Other expenses                                     | 4     | (1,591,668)                          | (2,768,841)                          |
| <b>Results from operating activities</b>           |       | <u>88,897,567</u>                    | <u>51,572,022</u>                    |
| Financial income                                   | 5     | 209,833                              | 260,589                              |
| Financial expense                                  | 5     | (3,838,168)                          | (6,301,030)                          |
| <b>Net financial expense</b>                       |       | <u>(3,628,335)</u>                   | <u>(6,040,441)</u>                   |
| <b>Profit before income tax</b>                    |       | <u>85,269,232</u>                    | <u>45,531,581</u>                    |
| Income tax expense                                 |       | (2,245,481)                          | -                                    |
| <b>Profit for the period</b>                       |       | <u>83,023,751</u>                    | <u>45,531,581</u>                    |
| <b>Other comprehensive income</b>                  |       | -                                    | -                                    |
| <b>Total comprehensive profit for the period</b>   |       | <u>83,023,751</u>                    | <u>45,531,581</u>                    |
| <b>Profit attributable to:</b>                     |       |                                      |                                      |
| Owners of the Company                              |       | 65,291,094                           | 24,383,770                           |
| Non-controlling interest                           |       | 17,732,657                           | 21,147,811                           |
| <b>Profit for the period</b>                       |       | <u>83,023,751</u>                    | <u>45,531,581</u>                    |
| <b>Total comprehensive profit attributable to:</b> |       |                                      |                                      |
| Owners of the Company                              |       | 65,291,094                           | 24,383,770                           |
| Non-controlling interest                           |       | 17,732,657                           | 21,147,811                           |
| <b>Total comprehensive profit for the period</b>   |       | <u>83,023,751</u>                    | <u>45,531,581</u>                    |
| <b>Earnings per share</b>                          |       |                                      |                                      |
| Basic and diluted profit per share (cents)         | 7     | <u>2.60</u>                          | <u>1.40</u>                          |

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

**NICKEL MINES LIMITED**  
and its controlled entities

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2021**

|   | Notes | 30 June<br>2021<br>\$ | 31 December<br>2020<br>\$ |
|---|-------|-----------------------|---------------------------|
| <b>US\$</b>   |       |                       |                           |
| <b>Current assets</b>   |       |                       |                           |
| Cash and cash equivalents   |       | 189,802,034           | 351,445,322               |
| Trade and other receivables                                       | 6     | 120,629,578           | 117,758,937               |
| Inventory   | 8     | 66,003,690            | 61,285,049                |
| Other current assets  |       | 9,795,529             | 8,150,977                 |
| <b>Total current assets</b>                                       |       | <u>386,230,831</u>    | <u>538,640,285</u>        |
| <b>Non-current assets</b>   |       |                       |                           |
| Other non-current asset   |       | 9,601,752             | 9,868,209                 |
| Property, plant and equipment                                     | 9     | 590,367,795           | 600,763,595               |
| Equity-accounted investees  | 11    | 347,541,080           | -                         |
| Deposit   | 11    | -                     | 30,000,000                |
| Goodwill  |       | 55,404,895            | 55,404,895                |
| <b>Total non-current assets</b>                                   |       | <u>1,002,915,522</u>  | <u>696,036,699</u>        |
| <b>Total assets</b>   |       | <u>1,389,146,353</u>  | <u>1,234,676,984</u>      |
| <b>Current liabilities</b>  |       |                       |                           |
| Trade and other payables  | 10    | 32,197,462            | 40,259,761                |
| Current tax payable   |       | 3,357,110             | 3,751,344                 |
| Provision – employee’s benefit obligation                         |       | 792,650               | 841,243                   |
| Borrowing   | 12    | 2,680,137             | 12,857,143                |
| <b>Total current liabilities</b>                                  |       | <u>39,027,359</u>     | <u>57,709,491</u>         |
| <b>Non-current liabilities</b>                                    |       |                       |                           |
| Provision – rehabilitation  |       | 1,922,835             | 1,929,408                 |
| Deferred income tax liability                                     |       | 55,404,895            | 55,404,895                |
| Other non-current liability                                       |       | 1,379,948             | 1,261,425                 |
| Borrowings  | 12    | 171,210,723           | 32,142,857                |
| <b>Total non-current liabilities</b>                              |       | <u>229,918,401</u>    | <u>90,738,585</u>         |
| <b>Total liabilities</b>  |       | <u>268,945,760</u>    | <u>148,448,076</u>        |
| <b>Net assets</b>   |       | <u>1,120,200,593</u>  | <u>1,086,228,908</u>      |
| <b>Equity</b>   |       |                       |                           |
| Share capital   | 13    | 732,929,135           | 732,929,135               |
| Reserves  |       | 19,204,534            | 19,204,534                |
| Retained profits  |       | 214,516,926           | 187,927,099               |
| <b>Total equity attributable to equity holders of the Company</b> |       | <u>966,650,595</u>    | <u>940,060,768</u>        |
| Non-controlling interest  |       | 153,549,998           | 146,168,140               |
| <b>Total equity</b>   |       | <u>1,120,200,593</u>  | <u>1,086,228,908</u>      |

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

**NICKEL MINES LIMITED**  
and its controlled entities

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF YEAR ENDED 30 JUNE 2021**

| US\$  | Notes | Share capital<br>\$ | Retained profits<br>\$ | Reserves<br>\$ | Total<br>\$  | Non-<br>controlling<br>interest<br>\$ | Total equity<br>\$ |
|---|-------|---------------------|------------------------|----------------|--------------|---------------------------------------|--------------------|
| <b>Balance at 1 January 2020</b>                                      |       | 315,501,048         | 92,757,906             | 19,206,524     | 427,465,478  | 294,653,627                           | 722,119,105        |
| <b>Total comprehensive income for the period</b>                      |       |                     |                        |                |              |                                       |                    |
| Profit for the period   |       | -                   | 24,383,770             | -              | 24,383,770   | 21,147,811                            | 45,531,581         |
| Total comprehensive income for the period                             |       | -                   | 24,383,770             | -              | 24,383,770   | 21,147,811                            | 45,531,581         |
| <b>Transactions with owners, recorded directly in equity</b>          |       |                     |                        |                |              |                                       |                    |
| Issue of shares   | 13    | 155,105,932         | -                      | -              | 155,105,932  | -                                     | 155,105,932        |
| Costs of issue  | 13    | (6,959,630)         | -                      | -              | (6,959,630)  | -                                     | (6,959,630)        |
| Transaction with non-controlling interest without a change of control |       | -                   | -                      | (1,932,488)    | (1,932,488)  | (145,340,080)                         | (147,272,568)      |
| Distributions to non-controlling interest                             |       | -                   | -                      | -              | -            | (24,000,000)                          | (24,000,000)       |
| <b>Balance at 30 June 2020</b>  |       | 463,647,350         | 117,141,676            | 17,274,036     | 598,063,062  | 146,461,358                           | 744,524,420        |
| <b>Balance at 1 January 2021</b>                                      |       | 732,929,135         | 187,927,099            | 19,204,534     | 940,060,768  | 146,168,140                           | 1,086,228,908      |
| <b>Total comprehensive income for the period</b>                      |       |                     |                        |                |              |                                       |                    |
| Profit for the period   |       | -                   | 65,291,094             | -              | 65,291,094   | 17,732,657                            | 83,023,751         |
| Total comprehensive income for the period                             |       | -                   | 65,291,094             | -              | 65,291,094   | 17,732,657                            | 83,023,751         |
| <b>Transactions with owners, recorded directly in equity</b>          |       |                     |                        |                |              |                                       |                    |
| Dividends   |       | -                   | (38,701,267)           | -              | (38,701,267) | -                                     | (38,701,267)       |
| Transaction with non-controlling interest without a change of control |       | -                   | -                      | -              | -            | -                                     | -                  |
| Distributions to non-controlling interest                             |       | -                   | -                      | -              | -            | (10,350,799)                          | (10,350,799)       |
| <b>Balance at 30 June 2021</b>  |       | 732,929,135         | 214,516,926            | 19,204,534     | 966,650,595  | 153,549,998                           | 1,120,200,593      |

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

**NICKEL MINES LIMITED**  
and its controlled entities

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS**  
**FOR THE HALF YEAR ENDED 30 JUNE 2021**

| US\$  | Notes | 30 June<br>2021<br>\$ | 30 June<br>2020<br>\$ |
|---|-------|-----------------------|-----------------------|
| <b>Cash flows from operating activities</b>                     |       |                       |                       |
| Cash receipts from customers                                    |       | 285,673,988           | 275,298,808           |
| Cash payments in the course of operations                       |       | (199,696,752)         | (191,849,231)         |
| Interest received   |       | 209,833               | 107,485               |
| Taxes and fees paid   |       | (605,168)             | (4,853,069)           |
| <b>Net cash from operating activities</b>                       |       | <u>85,581,901</u>     | <u>78,703,993</u>     |
| <b>Cash flows from investing activities</b>                     |       |                       |                       |
| Payments for property, plant and equipment                      |       | (4,663,091)           | (5,105,092)           |
| Payments for investments in controlled entities                 |       | -                     | (143,268,607)         |
| Payments for investments  | 11    | <u>(317,600,000)</u>  | -                     |
| <b>Net cash used in investing activities</b>                    |       | <u>(322,263,091)</u>  | <u>(148,373,699)</u>  |
| <b>Cash flows from financing activities</b>                     |       |                       |                       |
| Proceeds from issue of shares                                   | 13    | -                     | 155,105,932           |
| Costs of issue  | 13    | -                     | (6,055,696)           |
| Distributions to non-controlling interest                       |       | (10,350,799)          | (24,000,000)          |
| Dividend distributions  |       | (38,701,267)          | -                     |
| Proceeds from borrowings, net of transaction costs              |       | 170,857,150           | -                     |
| Repayment of borrowings   |       | (45,000,000)          | (10,000,000)          |
| Payment of interest charges                                     |       | (219,825)             | (2,592,500)           |
| <b>Net cash from financing activities</b>                       |       | <u>76,585,259</u>     | <u>112,457,736</u>    |
| <b>Net increase in cash and cash equivalents</b>                |       | (160,095,931)         | 42,788,030            |
| Effect of exchange rate adjustments on cash held                |       | (1,547,357)           | (1,353,042)           |
| <b>Cash and cash equivalents at the beginning of the period</b> |       | <u>351,445,322</u>    | <u>49,820,013</u>     |
| <b>Cash and cash equivalents at the end of the period</b>       |       | <u>189,802,034</u>    | <u>91,255,001</u>     |

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

**NICKEL MINES LIMITED**  
**and its controlled entities**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 30 JUNE 2021**

---

**NOTE 1 - REPORTING ENTITY**

Nickel Mines Limited (the 'Company') is a company domiciled in Australia. The condensed consolidated interim financial report for the half year ended 30 June 2021 comprises the Company and its subsidiaries (together referred to as the 'Group'). The Group is a for-profit entity and is involved in nickel mining and production operations.

The consolidated annual financial report of the Group as at and for the period ended 31 December 2020 is available upon request from the Company's registered office at Level 2, 66 Hunter Street, Sydney, NSW, 2000 or at [www.nickelmines.com.au](http://www.nickelmines.com.au).

**NOTE 2 - BASIS OF PREPARATION**

**Statement of compliance**

The condensed consolidated interim financial statements are general purpose financial statements prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134 *Interim Financial Reporting*.

The condensed consolidated interim financial statements do not include full disclosures of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the financial report for the year ended 31 December 2020 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules.

The financial report was authorised for issue by the Directors on 26 August 2021.

**Basis of measurement**

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

**Functional and presentation currency**

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

**Use of estimates and judgements**

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

**NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied by the Group in these condensed consolidated interim financial statements are materially the same as those applied by the Group in its consolidated financial statements as at and for the period ended 31 December 2020.

**NICKEL MINES LIMITED**  
and its controlled entities

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 30 JUNE 2021**

|  | <b>6 months to<br/>30 June<br/>2021</b> | <b>6 months to<br/>30 June<br/>2020</b> |
|--|---|---|
|  | \$                                      | \$                                      |

**NOTE 4 - OTHER EXPENSES**

|   |           |           |
|---|-----------|-----------|
| Audit fees – KPMG audit and review of financial reports | 96,467    | 139,163   |
| Travel  | 8,179     | 62,254    |
| Legal fees  | 61,151*   | 47,646    |
| Withholding tax expenses                                | 458,486   | 2,509,096 |
| Other   | 967,385   | 10,682    |
|   | 1,591,668 | 2,768,841 |

\* Legal fees incurred in relation to the issuance of the Senior Unsecured Notes were capitalised as borrowing costs. See note 12 for further details.

**NOTE 5 - FINANCIAL INCOME AND FINANCE EXPENSE**

|                       |             |             |
|-----------------------|-------------|-------------|
| Interest income       | 209,833     | 260,589     |
| Interest expense      | (2,853,709) | (2,622,435) |
| Foreign exchange loss | (984,459)   | (3,678,595) |
|                       | (3,628,335) | (6,040,441) |

|                         |                             |
|-------------------------|-----------------------------|
| <b>30 June<br/>2021</b> | <b>31 December<br/>2020</b> |
| \$                      | \$                          |

**NOTE 6 - TRADE AND OTHER RECEIVABLES**

|                        |             |             |
|------------------------|-------------|-------------|
| Sales taxes receivable | 25,594,112  | 23,352,812  |
| Trade receivables      | 95,035,466  | 94,406,125  |
|                        | 120,629,578 | 117,758,937 |

|   |   |
|---|---|
| <b>6 months to<br/>30 June<br/>2021</b> | <b>6 months to<br/>30 June<br/>2020</b> |
| \$                                      | \$                                      |

**NOTE 7 - PROFIT PER SHARE**

**Basic and diluted profit per share have been calculated using:**

|   |            |            |
|---|------------|------------|
| Net profit for the period attributable to equity holders of the Company | 65,291,094 | 24,383,770 |
|---|------------|------------|

**Weighted average number of ordinary shares (basic and diluted)**

|  |               |               |
|--|---------------|---------------|
| Issued ordinary shares at the beginning of the period      | 2,515,029,051 | 1,665,468,329 |
| Effect of shares issued on 29 May 2020                     | -             | 62,971,585    |
| Effect of shares issued on 16 June 2020                    | -             | 8,036,956     |
| Weighted average number of shares at the end of the period | 2,515,029,051 | 1,736,476,870 |

**NICKEL MINES LIMITED**  
and its controlled entities

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 30 JUNE 2021**

|  | <b>30 June</b> | <b>31 December</b> |
|--|----------------|--------------------|
|  | <b>2021</b>    | <b>2020</b>        |
|  | \$             | \$                 |
| <b>NOTE 8 - INVENTORY</b>                            |                |                    |
| <b>Current</b>                                       |                |                    |
| Inventory – nickel ore stockpiles at Hengjaya Mine   | 1,535,406      | 661,338            |
| Inventory – nickel pig iron production raw materials | 64,468,284     | 54,079,991         |
| Inventory – nickel pig iron                          | -              | 6,543,720          |
|  | 66,003,690     | 61,285,049         |
|  | 66,003,690     | 61,285,049         |

During the six month period ended 30 June 2021, the Company's 80% subsidiary PT Hengjaya Mineralindo supplied nickel ore to the Company's 80% owned subsidiaries PT Hengjaya Nickel Industry and PT Ranger Nickel Industry under a series of offtake agreements to supply 100,000 wmt per month to each entity for the period January to June 2021.

Nickel pig iron production raw materials includes nickel ore acquired by PT Hengjaya Nickel Industry and PT Ranger Nickel Industry from PT Hengjaya Mineralindo, operator of the Hengjaya Mine. This continues to be valued at the PT Hengjaya Mineralindo cost of production. Consequently \$4,482,359 of gross profit at the Hengjaya Mine was eliminated on consolidation, reflecting that the associated tonnes still held by PT Hengjaya Nickel Industry and PT Ranger Nickel Industry were still held by the Group.

All nickel pig iron produced had been sold at 30 June 2021.

Inventories are carried at the lower of cost and net realisable value.

**NOTE 9 - PROPERTY, PLANT AND EQUIPMENT**

|                            |             |             |
|----------------------------|-------------|-------------|
| Furniture and fittings     | 182,508     | 213,314     |
| Mine infrastructure assets | 9,494,405   | 5,950,519   |
| Buildings                  | 58,953,330  | 60,394,671  |
| Mining properties          | 26,526,282  | 27,278,951  |
| Office equipment           | 556,948     | 626,333     |
| Plant and machinery        | 494,322,701 | 505,928,409 |
| Motor vehicles             | 331,621     | 371,398     |
|                            | 590,367,795 | 600,763,595 |
|                            | 590,367,795 | 600,763,595 |

During the period the Group acquired \$6,504,893 of property, plant and equipment and recognised depreciation and amortisation totalling \$16,900,693.

**NOTE 10 - TRADE AND OTHER PAYABLES**

**Current**

|           |            |            |
|-----------|------------|------------|
| Creditors | 28,234,227 | 33,633,284 |
| Accruals  | 3,782,759  | 3,161,092  |
| Other     | 180,476    | 3,465,385  |
|           | 32,197,462 | 40,259,761 |
|           | 32,197,462 | 40,259,761 |



**NICKEL MINES LIMITED**  
and its controlled entities

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 30 JUNE 2021**

**NOTE 11 - EQUITY-ACCOUNTED INVESTEEES**

|  | <b>30 June</b>     | <b>31 December</b> |
|--|--------------------|--------------------|
|  | <b>2021</b>        | <b>2020</b>        |
|  | <b>\$</b>          | <b>\$</b>          |
| Opening balance  | -                  | -                  |
| Acquisition of a 30% interest in equity accounted investee | 210,000,000        | -                  |
| Acquisition of an additional 20% interest                  | 137,600,000        | -                  |
| Share of loss of equity accounted investee                 | (58,920)           | -                  |
|  | <u>347,541,080</u> | <u>-</u>           |

The Company acquired an initial 30% interest of the Angel Nickel project in January 2021 for \$210 million, inclusive of a \$30 million deposit having been paid prior to 31 December 2020. The interest was acquired through the acquisition of the issued share capital of Angel Capital Private Limited ('Angel Capital'), a Singaporean holding company which holds 100% of the shares (directly and indirectly) of PT Angel Nickel Industry ('Angel Nickel'), which is an Indonesian PMA company which will own and operate the Angel Nickel RKEF project once completed. An additional \$137.6 million was paid in April 2021 to acquire of a further 20% interest in Angel Capital, taking the Company's current interest to 50% of the Angel Nickel project. This payment included a \$2.4 million early payment discount. The Company has the right to increase its interest in Angel Nickel to 80% by 31 December 2021, at the cost of an additional \$210 million.

At 30 June 2021, the investment in Angel Capital is accounted for as an equity accounted investment. The Company's equity accounting share of Angel Capital loss for the period 1 February 2021 to 30 June 2021 was \$58,920.

**NOTE 12 - BORROWINGS**

**Current**

|                                    |                  |                   |
|------------------------------------|------------------|-------------------|
| Ranger debt facility               | -                | 12,857,143        |
| Interest on Senior Unsecured Notes | 2,680,137        | -                 |
|                                    | <u>2,680,137</u> | <u>12,857,143</u> |

**Non-current**

|                        |                    |                   |
|------------------------|--------------------|-------------------|
| Ranger debt facility   | -                  | 32,142,857        |
| Senior Unsecured Notes | 171,210,732        | -                 |
|                        | <u>171,210,732</u> | <u>32,142,857</u> |

***Ranger debt facility***

In August 2019, as part of the financing package to increase the Company's interest in the Ranger Nickel project from 17% to 60% the Company entered into a senior debt facility agreement with a Shanghai Decent associated company. Key terms of the Ranger debt facility agreement were as follows:

**NICKEL MINES LIMITED**  
and its controlled entities

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 30 JUNE 2021**

**NOTE 12 -BORROWINGS (con't)**

- Facility amount of \$80,000,000.
- Interest rate of 6% plus the greater of (i) 3-month US\$ LIBOR or (ii) 2.5% per annum.
- Interest is payable on the last day of each interest period of one month.
- Principal to be repaid in quarterly instalments by repaying on the last business day of November, February, May and August (beginning on 30 November 2020) an amount equal to 1/15<sup>th</sup> of the amount borrowed under the debt facility.
- Nickel Mines granted security over its equity interests in Ranger Investment Private Limited, the Singaporean entity which holds a 100% indirect interest in the Ranger Nickel project, and its equity interest in Hengjaya Holdings Private Limited, the Singaporean entity which holds a 100% indirect interest in the Hengjaya Nickel project.

Prior to 1 January 2021, the Company had made voluntary prepayments against the Ranger debt facility totalling \$35,000,000, which had reduced the outstanding facility balance to \$45,000,000. During the half year ended 30 June 2021, the Company paid the remaining \$45,000,000, fully repaying the Ranger debt facility.

**Senior Unsecured Notes**

In March 2021, as part of the financing package to facilitate the Company's acquisition of an 80% interest Angel Nickel project (currently 50%) the Company made an inaugural issue of Senior Unsecured Notes. Key terms of the Senior Unsecured Notes are as follows:

- Issue size of \$175,000,000.
- Coupon interest rate of 6.5% per annum.
- Interest is payable on a semi-annual basis in arrears.
- Principal to be repaid at Final Maturity Date of 1 April 2024.

The terms and conditions of the outstanding loan are as follows:

|   | Currency | Nominal interest rate     | Year of maturity | Carrying Value 30 June 2021 | Face Value 30 June 2021 | Carrying Value 31 December 2021 | Face Value 31 December 2021 |
|---|----------|---------------------------|------------------|-----------------------------|-------------------------|---------------------------------|-----------------------------|
|   |          |                           |                  | \$                          | \$                      | \$                              | \$                          |
| Ranger debt facility                      | US\$     | 6% plus X% <sup>(1)</sup> | 2020-24          | -                           | -                       | 45,000,000                      | 45,000,000                  |
| Senior Unsecured Notes                    | US\$     | 6.5%                      | 2024             | 173,890,869                 | 175,000,000             | -                               | -                           |
| <b>Total interest bearing liabilities</b> |          |                           |                  | <b>173,890,869</b>          | <b>175,000,000</b>      | <b>45,000,000</b>               | <b>45,000,000</b>           |

<sup>(1)</sup> X% being the greater of (i) 3-month US\$ LIBOR or (ii) 2.5% per annum.

**NICKEL MINES LIMITED**  
and its controlled entities

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 30 JUNE 2021**

|   | <b>30 June<br/>2021</b>     |             | <b>31 December<br/>2020</b> |              |
|---|-----------------------------|-------------|-----------------------------|--------------|
| <b>NOTE 13 - ISSUED CAPITAL</b>   |                             |             |                             |              |
| <b>Issued and paid up capital</b>   |                             |             |                             |              |
| 2,515,029,051 ordinary shares fully<br>paid (31 December 2020 - 2,515,029,051)        | 2,515,029,051               |             | 2,515,029,051               |              |
|   | <b>Number of<br/>shares</b> | <b>\$</b>   | <b>Number of<br/>shares</b> | <b>\$</b>    |
| <b>Ordinary shares</b>  |                             |             |                             |              |
| Fully paid ordinary shares carry one vote per share and carry the right to dividends. |                             |             |                             |              |
| Balance at the beginning of the period  | 2,515,029,051               | 732,929,135 | 1,665,468,329               | 315,501,048  |
| Issue of shares   | -                           | -           | 849,560,722                 | 430,033,781  |
| Costs of issue  | -                           | -           | -                           | (12,605,694) |
| Balance at the end of the period  | 2,515,029,051               | 732,929,135 | 2,515,029,051               | 732,929,135  |

**Period ended 31 December 2020**

In December 2020, through an Accelerated Non-Renounceable Entitlement Offer, the Group issued 386,929,409 shares for cash totalling A\$363,713,644 (equivalent to \$274,927,849). There were no amounts unpaid on the shares issued and share issue costs amounted to \$5,646,064.

In May and June 2020, through an Accelerated Non-Renounceable Entitlement Offer, the Group issued 462,631,313 shares for cash totalling A\$231,315,657 (equivalent to \$155,105,932). There were no amounts unpaid on the shares issued and share issue costs amounted to \$6,959,630.

**Options**

There were no options granted, exercised or lapsed unexercised during the half year ended 30 June 2021 or the period ended 31 December 2020.

**Dividends**

The Company declared and paid a final unfranked dividend for 2020 of A\$0.02 per share during the half year ended 30 June 2021 amounting to \$38,701,267.

**Ordinary shares**

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

**NICKEL MINES LIMITED**  
and its controlled entities

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 30 JUNE 2021**

**NOTE 14 - RELATED PARTIES**

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

Norman Seckold and Peter Nightingale hold an interest in an entity, MIS Corporate Pty Limited ('MIS'), which provided full administrative services, including administrative, accounting, company secretarial and investor relations staff both within Australia and Indonesia, rental accommodation, services and supplies to the Group. On 1 January 2019 MIS agreed to provide these services for a fee of A\$35,000 per month. Fees charged by MIS during the period amounted to A\$307,500 (2020: A\$298,125) which included the agreed monthly fee and the reimbursement of consultant expenses incurred by MIS on behalf of the Group. At 30 June 2021 A\$16,250 (2020: A\$50,625) remained outstanding and was included in the creditor's balance.

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

**NOTE 15 - SEGMENT INFORMATION**

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

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

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

**Operating segments**

For the period ended 30 June 2021, the Group had two segments, being nickel ore mining in Indonesia and the RKEF projects in Indonesia.

|   | <b>Indonesia</b><br><b>Mine Development</b><br><b>\$</b> | <b>Indonesia</b><br><b>RKEF Projects</b><br><b>\$</b> | <b>Unallocated</b><br><b>\$</b> | <b>Total</b><br><b>\$</b> |
|---|--|---|---------------------------------|---------------------------|
| <b>30 June 2021</b>                         |  |   |                                 |                           |
| External revenues                           | -(1)   | 288,717,155   | -                               | 288,717,155               |
| Reportable segment profit/(loss) before tax | 5,429,219 <sup>(3)</sup>                                 | 85,461,248 <sup>(2)</sup>                             | (5,621,235)                     | 85,269,232                |
| Interest income                             | 53,575   | 141,724   | 14,534                          | 209,833                   |
| Interest expense                            | -  | 8,885   | 2,844,824                       | 2,853,709                 |
| Depreciation and amortisation               | 927,365  | 15,476,177 <sup>(2)</sup>                             | 497,151                         | 16,900,693                |
| Reportable segment assets                   | 55,526,301   | 1,200,569,934   | 133,050,118                     | 1,389,146,353             |
| Reportable segment liabilities              | 16,768,263   | 78,047,939  | 174,129,558                     | 268,945,760               |

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

(2) Includes \$9,288,790 of amortisation on the fair value uplift of property, plant and equipment resulting from the acquisition of the Hengjaya Nickel and Ranger Nickel RKEF projects.

(3) \$4,482,359 of gross profit at the Hengjaya Mine eliminated on consolidation, reflecting that the associated tonnes of nickel ore are still held at the Hengjaya Nickel Ranger Nickel projects.

**NICKEL MINES LIMITED**  
and its controlled entities

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 30 JUNE 2021**

**NOTE 15 - SEGMENT INFORMATION (con't)**

|   | <b>Indonesia<br/>Mine Development<br/>\$</b> | <b>Indonesia<br/>RKEF Projects<br/>\$</b> | <b>Unallocated<br/>\$</b> | <b>Total<br/>\$</b> |
|---|--|---|---------------------------|---------------------|
| <b>30 June 2020</b>                         |  |   |                           |                     |
| External revenues                           | -(1)   | 227,842,571                               | -                         | 227,842,571         |
| Reportable segment profit/(loss) before tax | (3,922,308)                                  | 64,119,472                                | (14,665,583)              | 45,531,581          |
| Interest income                             | 8,563  | 219,649                                   | 32,377                    | 260,589             |
| Interest expense                            | -  | 29,935                                    | 2,592,500                 | 2,622,435           |
| Depreciation and amortisation               | 1,127,622                                    | 17,179,800 <sup>(2)</sup>                 | 745                       | 18,308,167          |
| Reportable segment assets                   | 39,694,888                                   | 813,264,436                               | 43,544,644                | 896,503,968         |
| Reportable segment liabilities              | 8,031,715                                    | 83,858,314                                | 60,089,519                | 151,979,548         |

<sup>(1)</sup> All sales of nickel ore are internal to the Group and so are eliminated on consolidation.

<sup>(2)</sup> Includes \$9,288,790 of amortisation on the fair value uplift of property, plant and equipment resulting from the acquisition of the Hengjaya Nickel and Ranger Nickel RKEF projects.

|  | <b>30 June<br/>2021<br/>\$</b> | <b>30 June<br/>2020<br/>\$</b> |
|--|--------------------------------|--------------------------------|
| <b>Reconciliations of reportable segment revenues and profit or loss</b> |                                |                                |
| <b>Profit or loss</b>  |                                |                                |
| Total profit for reportable segments                                     | 90,890,467                     | 60,197,164                     |
| Net other corporate expenses   | (5,621,235)                    | (14,665,583)                   |
| Consolidated profit before tax   | 85,269,232                     | 45,531,581                     |

**Reconciliations of reportable assets and liabilities**

**Assets**

|                                      |               |             |
|--------------------------------------|---------------|-------------|
| Total assets for reportable segments | 1,256,096,235 | 852,959,324 |
| Unallocated corporate assets         | 133,050,118   | 43,544,644  |
| Consolidated total assets            | 1,389,146,353 | 896,503,968 |

**Liabilities**

|   |               |               |
|---|---------------|---------------|
| Total liabilities for reportable segments | (94,816,202)  | (91,890,029)  |
| Unallocated corporate liabilities         | (174,129,558) | (60,089,519)  |
| Consolidated total liabilities            | (268,945,760) | (151,979,548) |

**Geography of reportable segment assets**

|                           | <b>Indonesia<br/>\$</b> | <b>Singapore<br/>\$</b> | <b>Total<br/>\$</b> |
|---------------------------|-------------------------|-------------------------|---------------------|
| <b>30 June 2021</b>       |                         |                         |                     |
| Reportable segment assets | 1,250,024,236           | 6,072,000               | 1,256,096,235       |
| <b>30 June 2020</b>       |                         |                         |                     |
| Reportable segment assets | 843,284,360             | 9,674,964               | 852,959,324         |

**NICKEL MINES LIMITED**  
**and its controlled entities**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 30 JUNE 2021**

---

**NOTE 15 - SEGMENT INFORMATION (con't)**

**Revenue**

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

**Major customers**

All sales of nickel pig iron during the half year ended 30 June 2021 were either exported sales to Shanghai Decent in China, or to PT Indonesia Tsingshan Stainless Steel or PT. Indonesia Guang Ching Nickel and Stainless Steel Industry, stainless steel producers operating within the Indonesia Morowali Industrial Park.

All sales of nickel ore during the half year ended 30 June 2021 were to the Company's 80% owned subsidiaries PT Hengjaya Nickel Industry and PT Ranger Nickel Industry, under a series of offtake agreements to supply 100,000 wmt per month between each entity.

**NOTE 16 – SUBSEQUENT EVENTS**

- The Company executed a facility agreement with PT Sinar Inti Pembangunan ('PT SIP') under which the Company advanced to PT SIP \$3.5M to assist in funding the development and eventual acquisition of the Pt. Hengjaya Nickel Utama ('HNU') and Pt. Mandiri Jaya Nickel ('MJN') nickel projects. Interest rate of 8.5% p.a., with interest payable every thirty days following a six month interest free period commencing on 9 August 2021.

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

**NICKEL MINES LIMITED**  
**and its controlled entities**

**DIRECTOR'S DECLARATION**

---

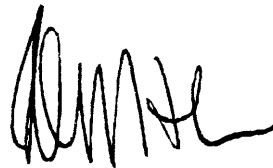
In accordance with a resolution of the Directors of Nickel Mines Limited, I state that in the opinion of the Directors:

- (a) the financial statements and notes set out on pages 18 to 30 are in accordance with the *Corporations Act 2001* including:
  - (i) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the half-year ended on that date; and
  - (ii) complying with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed at Sydney this 26th day of August 2021  
in accordance with a resolution of the Board of Directors:



**Robert Neale**  
**Non-Executive Chairman**



**Peter Nightingale**  
**Chief Financial Officer**



**Independent Auditor's Review Report**





**NICKEL MINES LIMITED**  
**and its controlled entities**

**CORPORATE DIRECTORY**

---

**Directors:**

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

**Company Secretary:**

Richard Edwards

**Principal Place of Business and Registered Office:**

Level 2, 66 Hunter Street  
SYDNEY NSW 2000  
Phone: 61-2 9300 3311  
Fax: 61-2 9221 6333  
Email: [info@nickelmines.com.au](mailto:info@nickelmines.com.au)

**Auditors:**

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

**Share Registrar:**

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