

NICKEL MINES LTD A NICKEL FOR YOUR THOUGHTS

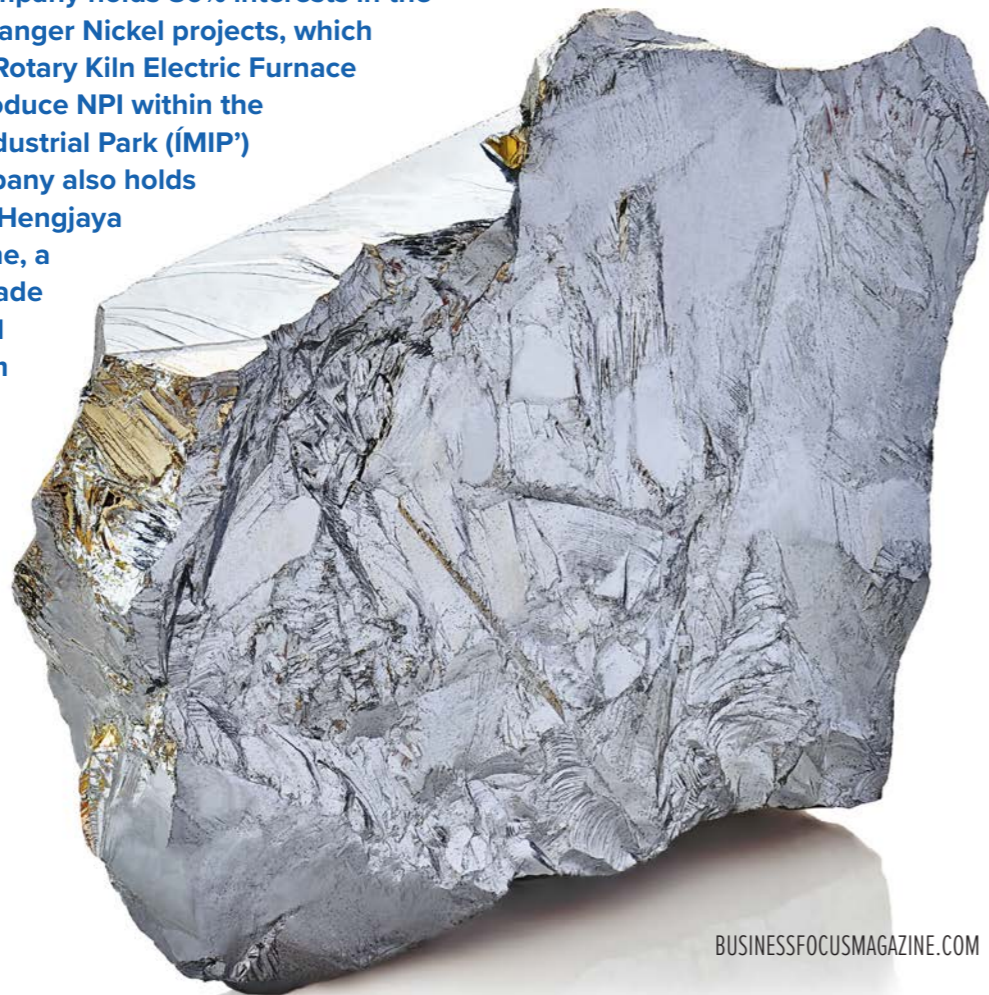


WE LEARN HOW NICKEL MINES' UNCONVENTIONAL APPROACH HAS LED TO THEM BECOMING ONE OF THE MAJOR NICKEL PIG IRON PRODUCERS IN THE WORLD.

A NICKEL FOR YOUR THOUGHTS

PROJECT MANAGED BY: NEIL STOWE

Nickel Mines Limited is an Australian listed public company that has emerged as a globally significant, low-cost producer of nickel pig iron, a key ingredient in the production of stainless steel. The company holds 80% interests in the Hengjaya Nickel and Ranger Nickel projects, which both operate two-line Rotary Kiln Electric Furnace ('RKEF') plants that produce NPI within the Indonesia Morowali Industrial Park (IMIP) in Indonesia. The company also holds an 80% interest in the Hengjaya Mineralindo Nickel Mine, a large tonnage, high-grade laterite deposit located only 12 kilometres from IMIP.



Indeed, you might be surprised to discover whilst the name Nickel Mines would lead you to believe it is a mining company, it is predominantly a Nickel processing and refining company where it captures a majority of its value.

"Nickel Mines is emerging as one of the world's largest listed pure producer of low-cost nickel," explains Justin Werner, the Managing Director of Nickel Mines. "We started our journey in Indonesia more than ten years ago when we identified a world-class Nickel asset the Hengjaya mine, we took the mine all the way from the initial application, exploration, feasibility and into production shipping ore to China and a vessel to Japan, at the time the margins were very good.

MOVING DOWNSTREAM

It was clear the company was onto a good thing, but changes in Indonesia law would soon force Nickel Mines to reassess their business model.

"In 2014 the Government implemented a full ban on the export of raw ore to encourage more downstream processing. It was a difficult time for us as we'd only just got the mine into production, and suddenly we didn't have a business any more" explains Werner.

Once the export ban was enacted, Nickel Mines suspended mining operations and began to explore in-country beneficiation options. While the ban had been enforced to encourage a downstream processing industry in Indonesia so the country could benefit from its wealth, the company and many other miners did not have the resources or experience to build value-adding processing.

However, serendipitously the world's largest stainless-steel producer Tsingshan who recognised the opportunities

for in-country value-adding had already commenced construction of the IMIP in 2013 even before the ore ban was implemented.

"When the first furnace lines came online and required nickel ore to make stainless steel, we were able to restart our mining and became an ore supplier to the industrial park," Werner recalls.

By September 2017 this partnership had evolved to the point where Nickel Mines executed a Collaboration and Subscription Agreement with Tsingshan. This strategic partnership would see Nickel Mines and Tsingshan work together to fund and construct two RKEF lines under the title of the 'Hengjaya Nickel Project', which would produce 150 kilotons per annum of nickel pig iron containing 15 kilotons of nickel-metal equivalent.

A UNIQUE PROPOSITION

Today, Nickel Mines is in a strong position.

"In August 2018 we went out to raise 120 million Australian dollars for our IPO, the story was so well received we upscaled it to \$200 million making it the second-largest resources IPO in recent years. I am also happy to say that since that IPO, as of yesterday we closed an accelerated non-renounceable entitlement offer to move to 80% ownership of all RKEF assets which will see us looking at an annual production rate for Nickel Mines of 30,000+ tonnes of Nickel per year achieved in under 2 years from IPO.

For Werner, Nickel Mines Ltd.'s unique advantage is that ultimately, they are not a mining company, allowing them a degree of flexibility they otherwise wouldn't have.

"What makes us unique is we're not a mining company. We have a unique value proposition because unlike mining companies we are a processing and refining company," Werner points out. "We can source our >>





“Because the Chinese were the first to experience COVID, the experiences they drew from in China meant they were very proactive at the industrial park,” Werner says. “Way back in January they already started to implement strict access controls. We’ve yet to see a single COVID case within the park, which is quite an accomplishment as the park employs 36,000 people.”

Of course, Nickel Mines unique business model brings challenges as well as opportunities.

“We’re not a mining company. We do not have that geological complexity. We have a large pool of suppliers and they have nowhere else to sell the ore because of the ore ban,” Werner acknowledges. “The

nickel price is a commodity risk that’s always present. There is also a geopolitical risk, but the tax concessions speak to the commitment of the Indonesian Government. The dialogue at the top levels is important. We’re very well placed to deal with challenges as they arise particularly with the industrial park which has been named as of strategic national importance.”

Overcoming these challenges is allowing Nickel Mines to offer a unique value proposition.

In a little under two years from IPO we have rapidly grown from zero Nickel production to anticipated annual production of 34,000 tons this financial year,” Werner points out. “We believe we have very good near-term future growth opportunities

to acquire some of the worlds cheapest and most profitable nickel units and we have a very strong relationship with our Chinese and Indonesian partners and a very strong blue-chip shareholder registry. ☺

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“NICKEL MINES IS EMERGING AS THE WORLD’S LARGEST LISTED PRODUCER OF LOW-COST NICKEL.”

ore from anywhere, our mine doesn’t specifically have to be the source for that.”

Nickel Mines also benefits from a number of legislative and financial advantages.

“We have a seven-year tax holiday with the government of Indonesia,” Werner points out. “Nickel pig iron producers in China want access to high-grade ore which we have access to. Our cost base is stable, we don’t see a lot of fluctuation and our NPI is much cheaper to produce than for Chinese producers.”

Its close relationship with Tsingshan also allowed Nickel Mines to get ahead of crises such as the COVID-19 pandemic.



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