

# A NEW FORCE IN GLOBAL NICKEL

Bell Potter - Emerging Leaders Conference

15 September 2021





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Versus

Typical Mining Operations

- ✓ Stable, profitable production and sales profile
- ✓ Transparent, globally competitive and stable cost structure with high cash conversion
- ✓ Consistent EBITDA margin per tonne
- ✓ Centrally managed industrial RKEFs – scale benefits in procurement, infrastructure, labour and HR
- ✓ World-class partner in Tsingshan – thought leader, innovators with cutting edge production technology

- ✗ Variable production profile
- ✗ Volatile opex and capex structure for different parts of mine plan
- ✗ Heightened margin exposure to commodity price cycle
- ✗ Limited economies of scale benefits
- ✗ Limited technological advantages

WHILST WE OWN A WORLD CLASS  
NICKEL LATERITE MINE...

**THIS IS NOT A  
MINING STORY**

NICKEL MINES IS A STABLE, INDUSTRIAL NICKEL PIG IRON PRODUCER WITH  
GLOBALLY COST-COMPETITIVE, PROFITABLE NICKEL OPERATIONS.

OUR NICKEL OUTPUTS ARE PRODUCED IN WORLD-CLASS INDUSTRIAL PARKS,  
IN PARTNERSHIP WITH SHANGHAI DECENT, A TSINGSHAN GROUP COMPANY,  
ONE OF THE WORLD'S LARGEST STAINLESS STEEL PRODUCERS BY CAPACITY<sup>(1)</sup>.



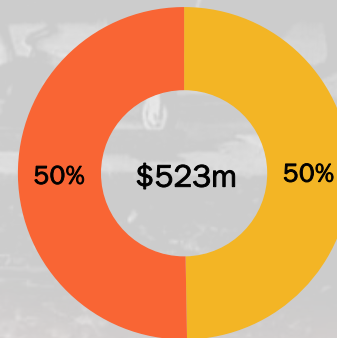
## Asset Locations in Indonesia



### Halmahera

Indonesia Weda Bay Industrial Park (IWIP)

### CY20A Revenue by Project



RNI HNI

### Hengjaya Nickel Project (within IMIP)

Asset type	2 line RKEF plant
Stage	Operating since Feb-19
Ownership	80% (acquired for US\$180m)
Nameplate production	15kt pa Ni (100% basis)

### Ranger Nickel Project (within IMIP)

Asset type	2 line RKEF plant
Stage	Operating since May-19
Ownership	80% (acquired for US\$231m)
Nameplate production	15kt pa Ni (100% basis)

### Hengjaya Mine (~12km from IMIP)<sup>(1)</sup>

Asset type	Open-cut mine
Stage	Operating since 2012
Ownership	80%
Production	~2m wmt ore p.a. (100% basis)
Resource	185m dmt at 1.3% Ni and 0.08% Co

### Angel Nickel Project (within IWIP)

Asset type	4 line RKEFs and 380MW power plant
Stage	Development - expected to be fully operational by end 2022
Ownership	80% by 31 December 2021 (30% acquired in Jan 2021 for US\$210m, 20% in April 2021 for US\$138m. Remaining 30% to be acquired by end of December 2021 for US\$210m)
Nameplate production	36kt pa Ni (100% basis)

Source: Wood Mackenzie, Company filings.

1. Hengjaya Mine nickel ore is sold to HNI and RNI and eliminated on consolidation.



## Nickel Mines is acquiring an 80% interest in ANI, with 50% already completed

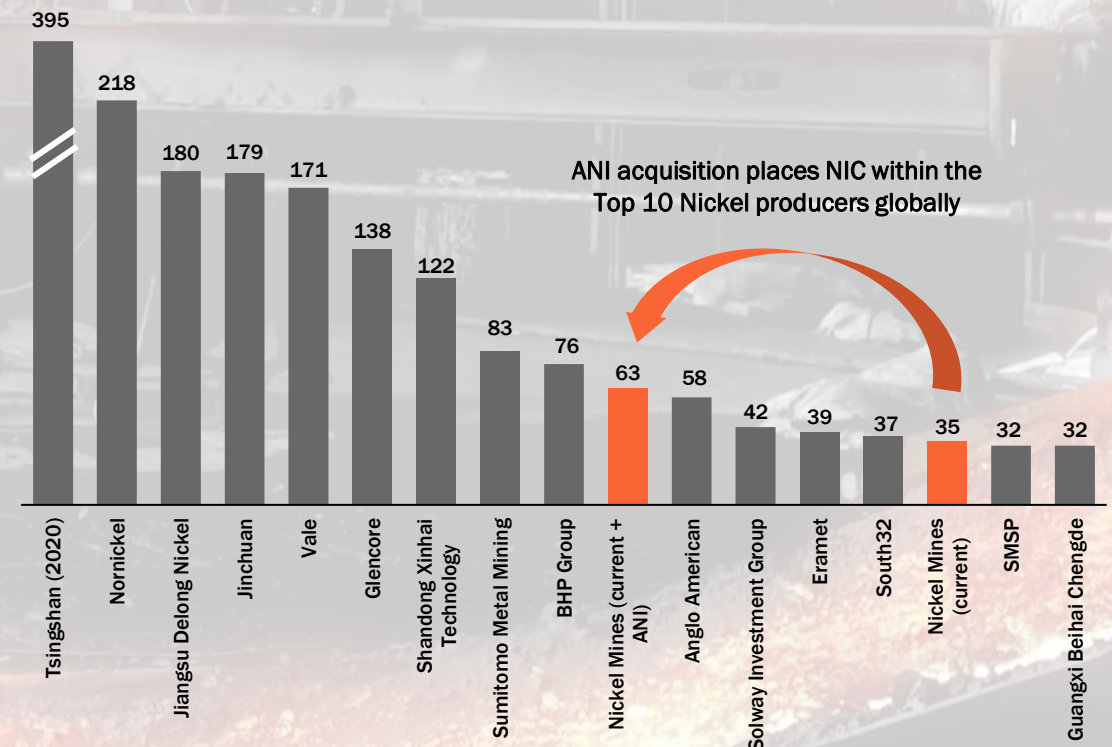
- Nickel Mines has executed a binding definitive agreement with Shanghai Decent to acquire an 80% interest in the Angel Nickel Project (the “Acquisition”)
- Total consideration payable by Nickel Mines in connection with the Acquisition is US\$557.6m, which is being undertaken in three tranches:
  - An initial acquisition (“**First Acquisition**”) whereby Nickel Mines acquired a 30% interest in ANI for US\$210m, funded by an A\$364m equity raise. The First Acquisition payment was made in January 2021; and
  - The second acquisition (“**Second Acquisition**”) has been split into two tranches:
    - **Tranche A:** 20% interest in ANI completed for US\$137.6m in April 2021;
    - **Tranche B:** 30% interest in ANI to be acquired for US\$210m by no later than 31 December 2021<sup>(1)</sup>



Aerial photo of the Weda Bay Industrial Park

NIC anticipates ANI acquisition to add significant scale, while diversifying Nickel Mines’ geographic and production footprint

### Processed Nickel Production (Kt Ni)<sup>(2)</sup>



Source: Wood Mackenzie. Note: Comparable Companies (on attributable basis) reflect Wood Mackenzie Q4 2020 global production rankings by mines, excluding Tsingshan (from a Tsingshan Corporate Presentation) and Nickel Mines which reflects NPI production from RKEF lines.

1. Nickel Mines will acquire the stated interest in ANI by acquiring shares in Angel Capital Private Limited and an equal proportion of shareholder loans due or owing by Angel Capital Private Limited (and/or its subsidiaries), based on a valuation of US\$700m on a 100% basis.

2. Reflects Nickel Mines’ LTM Jun21 production + 80% of ANI nameplate capacity, assuming completion of the Second Acquisition and construction and ramp up of ANI.

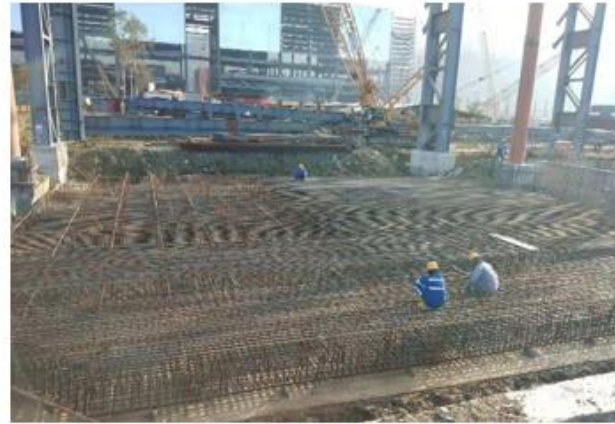


# Angel Nickel - on track for commissioning in 2H 2022

Engineering, procurement and construction activities at Angel Nickel are progressing well. All material earthworks and plant footings are largely completed, together with the fabrication of key long lead items including boilers, turbines and generators.



Scaffolding support for the RKEF Lines



Foundations of Main Workshop



Foundations for Dry Ore shed



Aerial view of ANI powerplant



Foundations for ANI powerplant



Column reinforcement for Electrostatic Precipitator

Work status (as at 30 June 2021)

Procurement of key capital equipment ~ 60%

Construction works ~ 40%

Installation ~ 8%



# Financial Snapshot - an excellent 1H across both RKEF and Mine operations

All figures in US\$M	1H 2021	1H 2020	▲
Sales Revenue	\$288.7	\$227.8	27%
Gross Profit	\$93.4	\$56.4	66%
Operating Profit	\$88.9	\$51.6	72%
Profit After Tax	\$83.0	\$45.5	82%
Profit Attributable to NIC	\$65.3	\$24.4	168%
EBITDA from RKEF Operations	\$101.3	\$74.0	37%
EBITDA from Mine Operations	\$11.5	(\$2.7)	

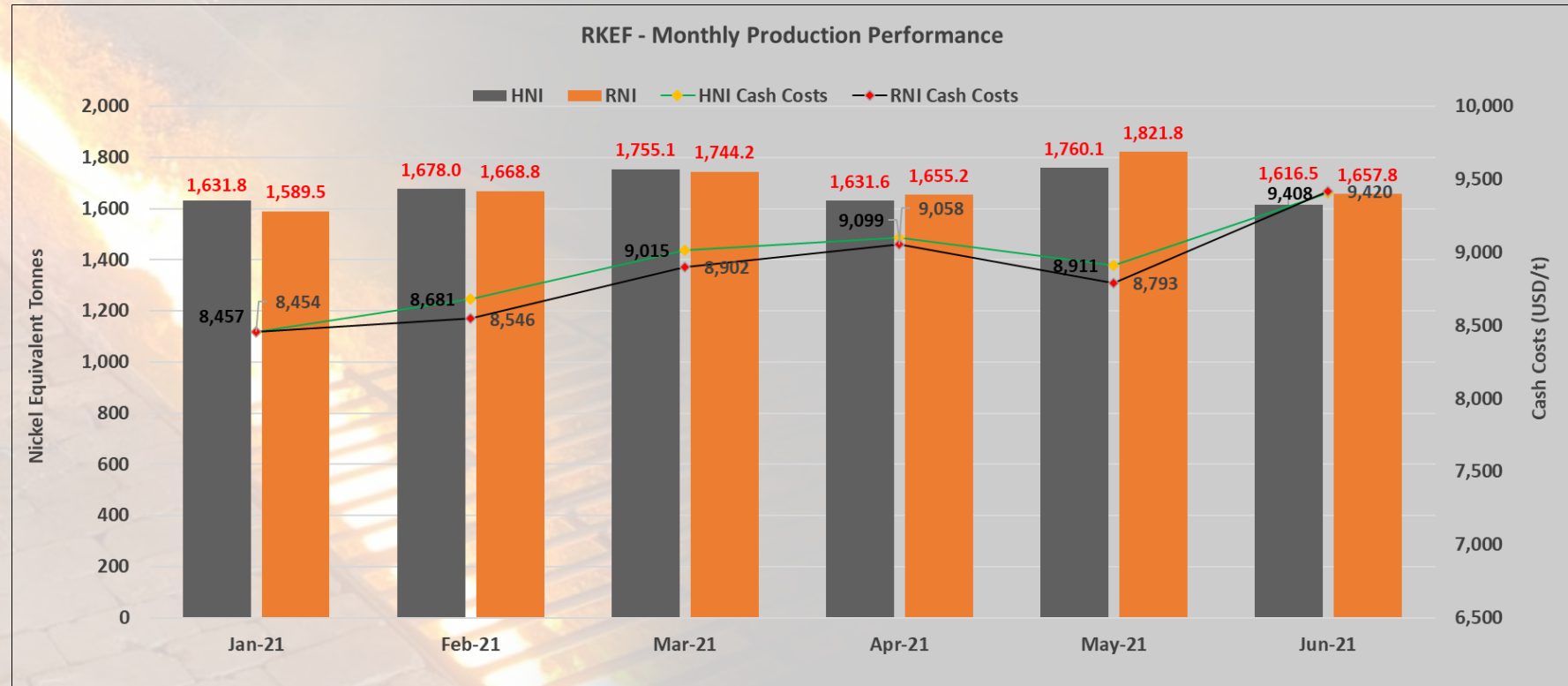
- Excellent 1H 2021 financial performance underpinned by:
  - Strong and consistent RKEF production.
  - Higher realised NPI prices.
  - Higher EBITDA margins despite cost pressures from rising nickel ore, coal and electricity prices.
  - Material profit contribution from Hengjaya Mine resulting from significant investment in mine expansion initiatives over the last 18 months.
- Increased profit attributable to NIC benefitting from the increased ownership interest in HNI and RNI from 1 July 2020.
- Declaration of a 1H 2021 interim dividend of A\$0.02 cps (1H 2020 : A\$0.01 cps)
  - Paid - 10 September 2021

# RKEF Operations - consistent production performance continues

HENGJAYA NICKEL		March 2021 Quarter	June 2021 Quarter	1H 2021
NPI Production	tonnes	36,811.4	36,927.8	73,739.2
NPI Grade	%	13.8	13.6	13.7
Nickel Metal Production	tonnes	5,064.9	5,008.1	10,073.0
Cash Costs	US\$/t Ni	8,725	9,133	8,927

RANGER NICKEL		March 2021 Quarter	June 2021 Quarter	1H 2021
NPI Production	tonnes	35,127.9	37,558.7	72,686.6
NPI Grade	%	14.2	13.7	13.9
Nickel Metal Production	tonnes	5,002.5	5,134.8	10,137.3
Cash Costs	US\$/t Ni	8,641	9,081	8,864

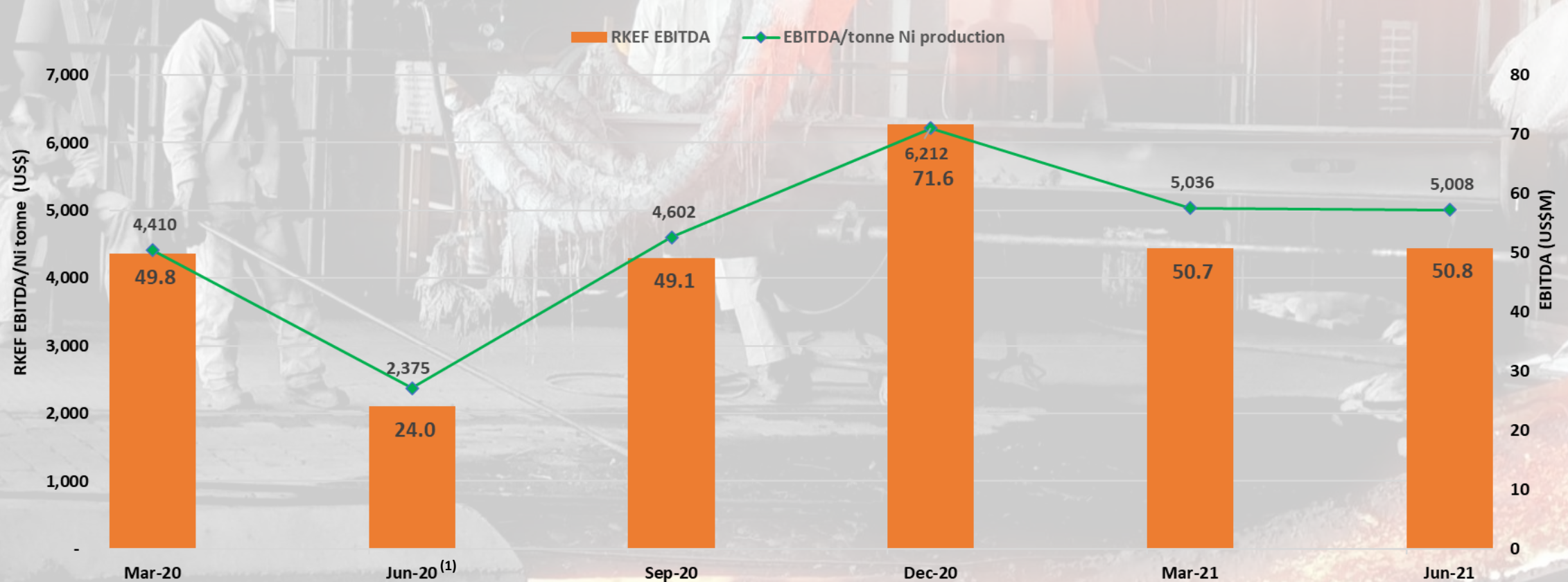
Production in  
1H 2021:  
  
20,210 tonnes  
nickel metal  
(100% basis)  
  
and  
  
16,168 tonnes  
nickel metal  
(NIC attributable)





Reliability and consistency are the hallmarks of NIC's RKEF operations

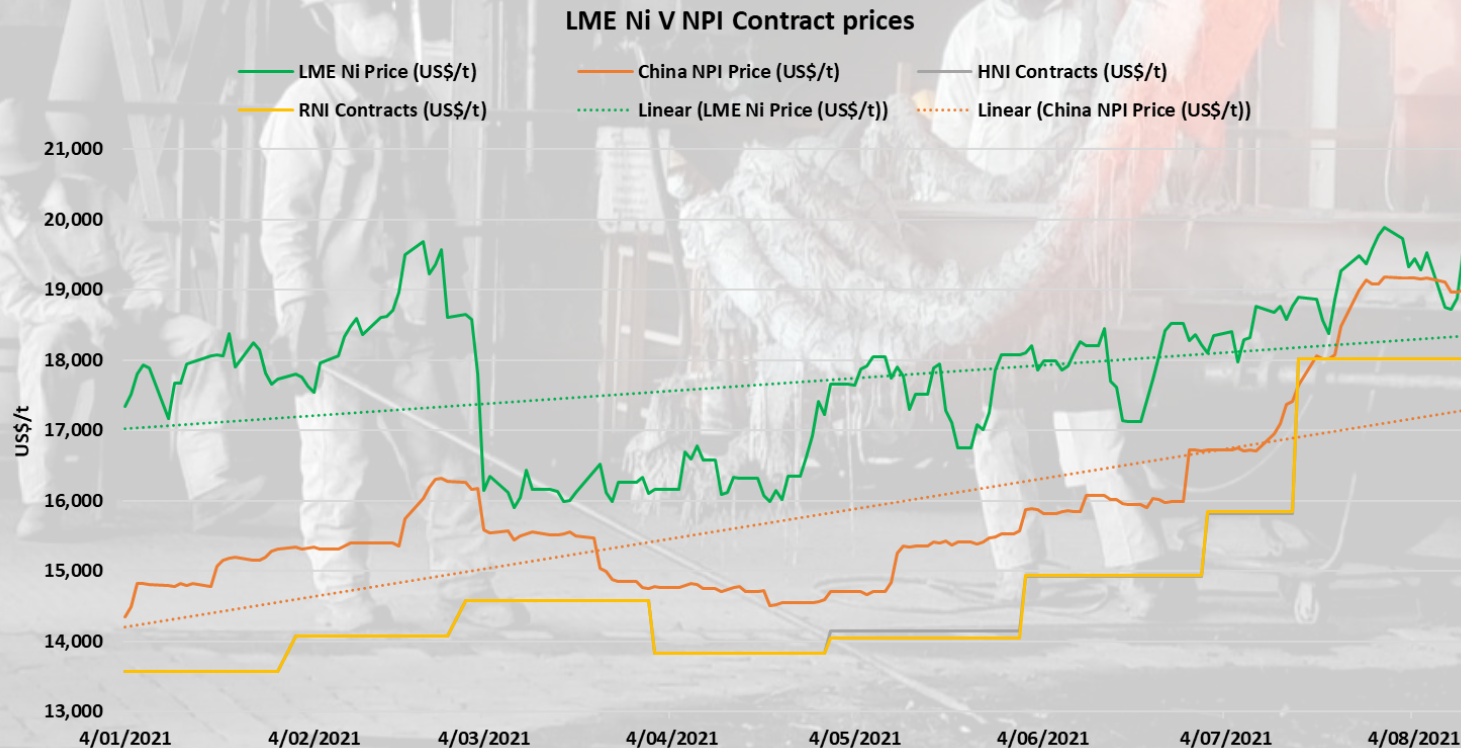
RKEF EBITDA Performance



(1) Pricing in the June quarter of 2020 was impacted by COVID-19.



# NPI Contract Prices - capturing the current NPI tailwinds



## ■ For 1H 2021

- Average China NPI price<sup>(1)</sup> was ~US\$15,300/t Ni representing approximately 88% of the average LME nickel price during the half.
- NIC's weighted average contract sales prices (pre-final assay) was 90.7% of the average China NPI price.
- Discount applicable to grade penalties imposed for NPI >12% (Ni/iron trade-off).

## ■ Looking ahead to 2H 2021

- China NPI prices have surged on the back of robust stainless steel consumption and supply tightness across the NPI market.
- Early Q3 contracts (pre- final assay) have been executed between US\$15,400/t Ni and US\$18,100/t Ni, materially above ~US\$14,100/t Ni from the June quarter.

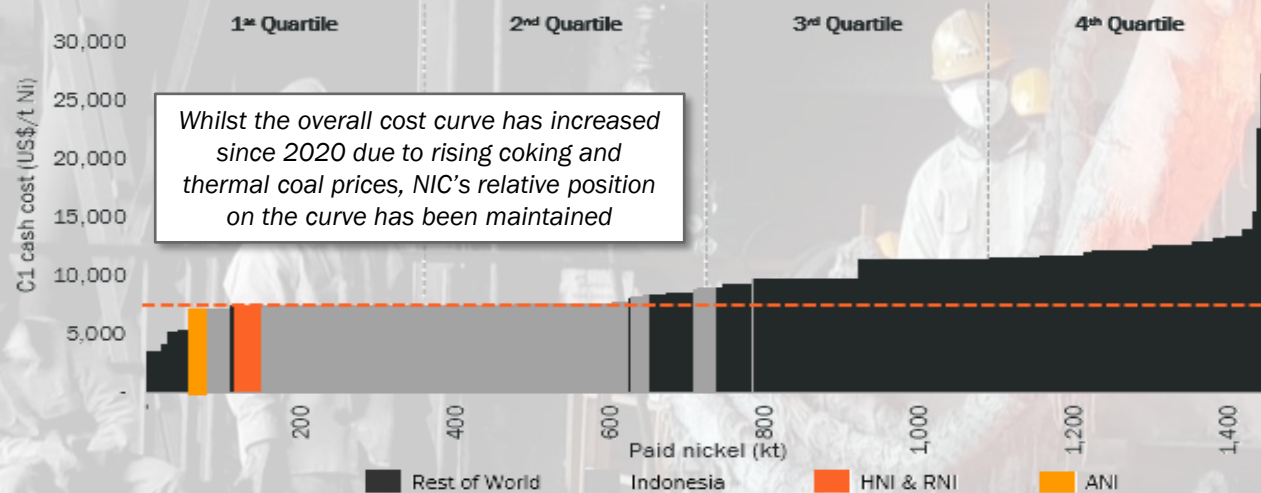
**NPI pricing has carried significant momentum into early 2H 2021**

(1) China NPI prices are quoted on 8-12% Ni grade basis.  
All prices quoted are on an ex-VAT basis.

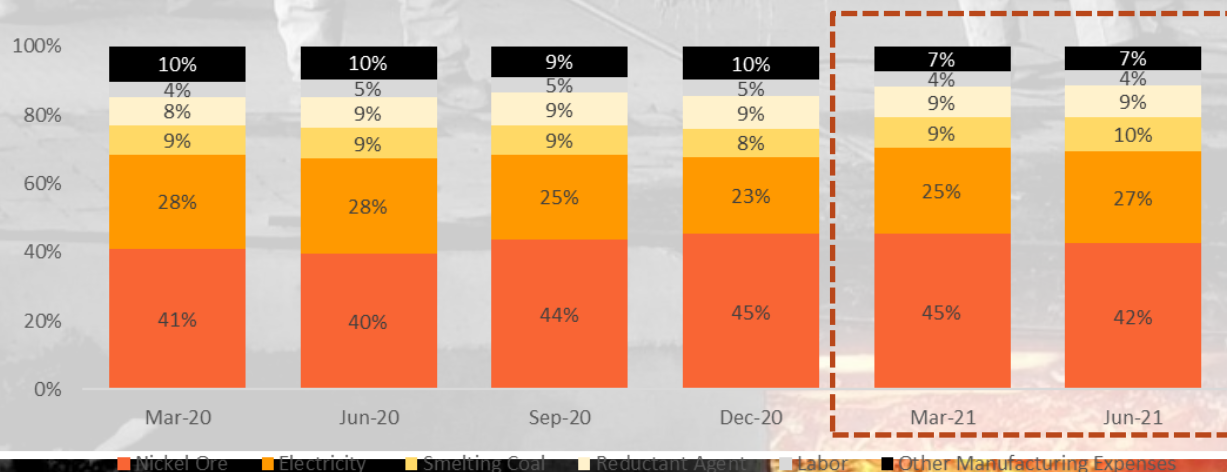


# A low-cost producer of NPI

Wood Mackenzie NPI/FeNi cost curve (2020)



Remarkably consistent operating cash costs composition - combined HNI and RNI



- NIC is a low cost, bottom cost quartile producer of NPI.
  - Certain input costs have been increasing- rising nickel ore, electricity and coking coal prices.
- The entire industry cost curve has moved higher. Importantly, NIC's operations have maintained their relative position in the bottom quartile.
  - The IMIP's centralised procurement management provides for economies of scale with regards to purchasing power.
  - Large stockpiles of key commodity inputs allow a smoothing of commodity price spikes.
  - Being part of a vertically integrated industrial supply chain brings numerous logistical benefits.
- Increasing natural hedge on nickel ore costs.
  - HNI and RNI consume ~4Mt nickel ore per annum. Hengjaya Mine is now producing at a run rate of 2Mtpa, moving to 3Mtpa from 1H 2022 and will continue to scale up.
  - This natural hedge will be particularly important in times where the LME Ni and NPI prices bifurcate.
- 1H EBITDA margins improved from the prior corresponding period. **THIS IS A MARGIN BUSINESS.**



# Hengjaya Mine – a tale of two halves

Production summary		March Qtr 2020	June Qtr 2020	1H2020	March Qtr 2021	June Qtr 2021	1H2021	
Saprolite mined	wmt	149,958	62,610	212,568	456,487	574,791	1,031,278	+385%
Overburden mined	BCM	179,524	150,817	330,341	262,270	549,213	811,483	
Limonite mined	BCM	75,254	182,730	257,984	402,557	349,373	751,930	+191%
Strip ratio <sup>(1)</sup>	BCM/wmt	1.5	4.0	2.2	1.5	1.6	1.5	
Tonnes sold	wmt	155,599	54,029	209,628	424,410	542,384	966,794	+361%
Average grade	%	1.83	1.80	1.81	1.77	1.78	1.77	
Average price received	US\$/t	24.32	23.79	23.64	35.40	36.09	35.80	
Average cost of production <sup>(2)</sup>	US\$/t	29.70	44.73	34.17	22.78	23.48	23.17	



(1) Strip ratio includes limonite as overburden.

(2) Monthly production costs are a six-month average of mining costs plus port/selling costs for the actual month.

- Hengjaya Mine delivered a significantly improved operational performance in 1H 2021.
  - Record levels of mining production - both saprolite and limonite.
  - Current run-rate for saprolite production now at 2Mtpa, ramping up to 3Mtpa from 1H 2022.
  - Expansion initiatives implemented over the last 18 months are now bearing fruit.
- This translated to improved financial performance and a return to profitability.
  - US\$7.5M EBITDA (on a stand-alone basis) for Q2 2021.
  - Hengjaya Mine set to make an increasing contribution to the overall Group result.





## Community

- Employee numbers are **> 1,850 locals<sup>(1)</sup>** at current operations, with an additional **~2,000** expected to be employed at Angel Nickel
- **Captive power capacity** installed at IMIP, providing significant social benefit and increasing affluence to remote regions
  - Recent statistics reveal that over the last decade the District of Morowali in Central Sulawesi has grown by 1,200% versus growth across the broader province of 160%<sup>(2)</sup>
- NIC deeply involved in numerous community projects focused on **educational, health and agriculture**
- **Strong engagement** with local and regional stakeholders including the Tangofa, Bete Bete and Bahodopi village regions
- Assisted locals in **rebuilding efforts** following natural disaster events including earthquakes and flooding



## Environment

- Since early 2020 IMIP has cumulatively invested more than US\$300 million in environmental initiatives
- Recently appointed an experienced **Sustainability Manager** with first stand alone **Annual Sustainability Report** targeted for release with the 2021 Annual Report
- Completion of **CO<sub>2</sub> emissions study** and global benchmarking
- Commencement of Hengjaya Mine **solar project**
- Hengjaya Mine operations are **tailings free** and received **“Best Mine Site Rehabilitation Works”** by Central Forestry in Sulawesi
- Gaseous waste controlled through electrostatic precipitators and bag filters, with emissions managed through **continuous emission monitoring systems for air quality and adherence to air quality standards**
- Qualified and independent third parties test and analyse water quality, emissions and surrounding air quality, and bio quality in the sea for **compliance with Indonesian environmental standards**
- All silica slag tailings produced at RKEF processing plants are **recycled** for use as industrial brick and concrete slab works and dedicated landfill
- **Liquid waste managed** via settlement ponds and waste water treatment plants



## Health & Safety

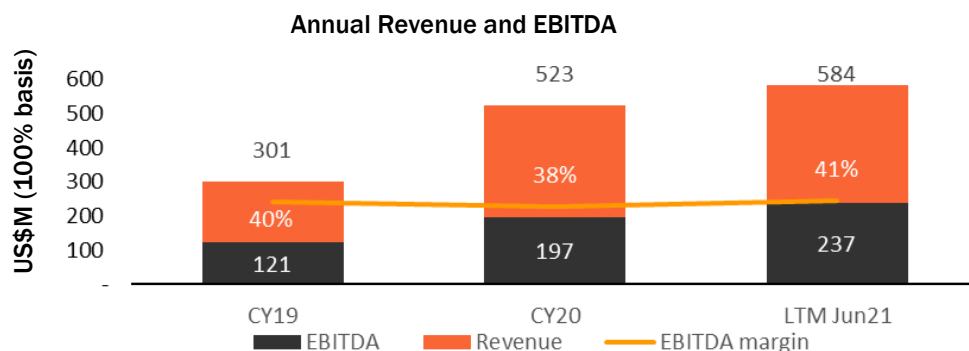
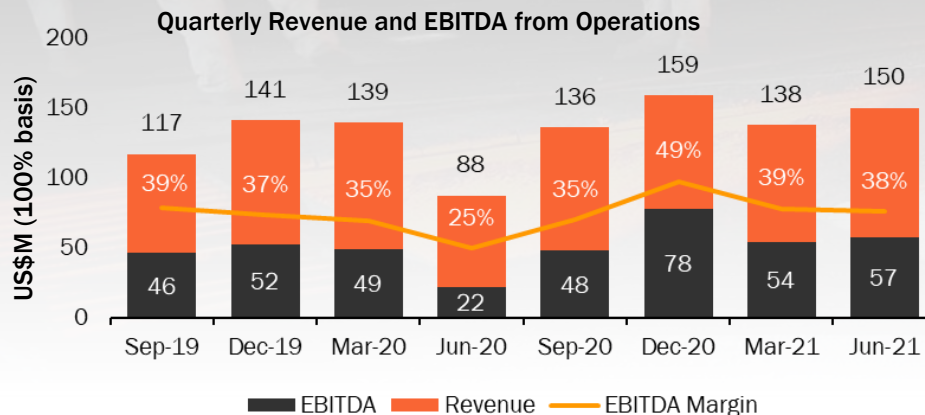
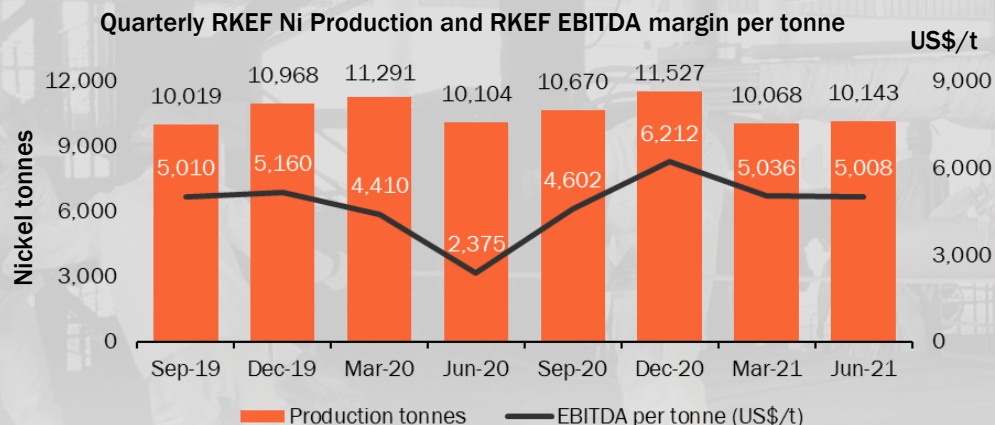
- Nickel Mines is committed to upholding **high standards of health and safety** at its operations
- Staff and contractors are trained in safe operating practices on a regular and routine basis
- Accumulated **>3.8m safe worked hours** since the last Lost Time Injury (“LTI”) in November 2019
- **Zero incidents or fatalities** have been recorded for Hengjaya Mine staff to date

1. > 1,500 locals employed across the HNI/RNI RKEF operations and > 350 locals employed at Hengjaya Mine

2. <https://sulteng.bps.go.id/>



# Consistent, steady-state industrial production and strong EBITDA margins



## 1H 2021:

- Consistent levels of production of ~10,000/t Ni per quarter.
- Improved EBITDA margins.
- Attractive stainless steel and nickel market fundamentals are providing strong NPI price momentum heading into 2H 2021.  
**NIC IS HIGHLY LEVERAGED TO THESE TAILWINDS.**
- Increasing financial contribution from Hengjaya Mine to the overall Group result as production levels continue to scale up.

## 2H 2021

- More of the same, but with significantly improved NPI prices.

## Looking ahead to 2022:

- Angel Nickel commissioning expected in 2H 2022 more than doubling the nameplate capacity of our RKEF operations.
- Hengjaya Mine to increase saprolite production levels from 2Mtpa to 3Mtpa and beyond in addition to a potential commencement of limonite sales as the IMIP's HPAL projects come online.





## Strategic Partnership with Tsingshan

- Partnership in 3 RKEF projects across 2 world class industrial parks - IMIP and IWIP
- NIC provides a publicly available investment exposure to Tsingshan and its world class NPI operations



## Established Operators within the IMIP/IWIP

- IWIP is estimated to become one of the world's largest nickel production centres, alongside the IMIP with NIC having operational footprints in both parks post ANI commissioning
- NIC benefits from vertically integrated supply chains and supported by world class infrastructure and logistics



## RKEF Processing Technology and Market Innovation

- Tsingshan pioneered RKEF technology to produce NPI from lateritic ores
- Tsingshan operations offer compelling capital intensity and profitability
- NIC benefits from Tsingshan's market leadership and innovation



## Consistent Production Outperformance

- Stable and consistent production running well above nameplate (~10kt Ni per quarter on 100% basis)
- Industrial style cost base key to bottom quartile cost profile
- Low levels of sustaining capex



## Nickel Price Leverage

- Significant leverage to the nickel price (via NPI pricing) with stable production profile and cost structure versus typical mining operations



## Unrivalled Growth Profile

- Clearly defined pathway to double production capacity within 12 months (ANI) to become a top 10 global nickel producer
- Operating footprints within two of the worlds largest nickel production centres (IMIP and IWIP) provide numerous future growth opportunities



## Compelling Financials

- Robust balance sheet and modest leverage afford strong capacity to fund future growth initiatives
- 7-year corporate income tax holiday for HNI and RNI with ~5 years remaining
- Strong EBITDA to FCF conversion courtesy of tax concessions and low levels of sustaining capex
- A\$0.02 interim/final dividend



## World Class Nickel Resource

- Hengjaya Mine - a long-life, high-grade nickel laterite deposit with significant strategic value to the IMIP
- Ability to supply saprolite ore (RKEF) and limonite ore (HPAL)
- Set to make an increased financial contribution to overall Group result as production ramp-up continues



# THANK YOU

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