

26 August 2021

The Manager Companies
ASX Limited
20 Bridge Street
Sydney NSW 2000

(36 pages by email)

Dear Madam

HALF YEAR REPORTS AND DIVIDEND DECLARATION

The Directors are pleased to announce the declaration of an interim dividend of A\$0.02 per share, being a distribution of A\$50.3M.

Shareholders who hold shares on the Record Date of 2 September 2021 will be entitled to the dividend.

Highlights for the 6 Months to 30 June 2021 (in US\$ unless otherwise stated):

- Nickel Mines Group Results:
 - Sales revenue: Up 27% to \$288.7M (6 months to 30 June 2020: \$227.8M).
 - Gross profit: Up 66% to \$93.4M (6 months to 30 June 2020: \$56.4M).
 - Operating profit: Up 72% to \$88.9M (6 months to 30 June 2020: \$51.6M).
 - Profit after tax: Up 82% to \$83.0M (6 months to 30 June 2020: \$45.5M).
 - Profit after tax attributable to NIC: Up 168% to \$65.3M (6 months to 30 June 2020: \$24.4M).
 - RKEF EBITDA: Up 37% to \$101.3M (6 months to 30 June 2020: \$74.0M).
 - RKEF EBITDA attributable to NIC: Up 82% to \$81.0M (6 months to 30 June 2020: \$44.4M).
 - Hengjaya Mine EBITDA*: \$11.5M (6 months to 30 June 2020: \$2.7M loss).
- * On a stand-alone basis.
- 20,210.3 tonnes (16,168.2 tonnes attributable) of nickel metal produced in 146,425.8 tonnes of nickel pig iron.
- Acquired a 50% ownership of the Angel Nickel RKEF project.
- Nickel Mines Group Balance Sheet:
 - Net assets: \$1,120.2M (31 December 2020: \$1,086.2M).
 - Current assets: \$386.2M (31 December 2020: \$538.6M).
 - Net current assets: \$347.2M (31 December 2020: \$480.9M).

By order of the Board



Richard Edwards
Company Secretary

pjn10866

Appendix 4D

Half Year Report

Name of entity

NICKEL MINES LIMITED

ABN or equivalent company reference

44 127 510 589

Financial half year ended ('current period')

30 JUNE 2021

Results for announcement to the market

Revenues from ordinary activities	up	26.7%	to	US\$288.7M
Profit from ordinary activities after tax attributable to members	up	167.8%	to	US\$65.3M
Net profit for the period attributable to members	up	167.8%	to	US\$65.3M
Dividends (distributions)		Amount per security		Franked amount per security
Final dividend		N/A		N/A
Interim dividend		A\$0.02		Nil¢
Previous corresponding period				
Final dividend		N/A		N/A
Interim dividend		A\$0.01		Nil¢
Record date for determining entitlements to the dividend.				2 September 2021
Brief explanation of any of the figures reported above and short details of any bonus or cash issue or other item(s) of importance not previously released to the market: Refer attached reports.				
NTA backing		Current period		Previous corresponding period
Net tangible asset backing per ordinary security		US\$0.445		US\$0.35

Additional information supporting the Appendix 4D disclosure requirements can be found in the Directors' Report and the consolidated financial statements for the half-year ended 30 June 2021.

This report is based on the consolidated financial statements for the half-year ended 30 June 2021 which have been reviewed by KPMG.

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

For personal use only

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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 ⁽¹⁾.
- 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.

⁽¹⁾ 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
NPI Production	tonnes	73,739.2	72,686.6	146,425.8
NPI Grade	%	13.7	13.9	13.8
Nickel Metal Production	tonnes	10,073.0	10,137.3	20,210.3
Nickel Metal Production Attributable to Nickel Mines	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
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

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
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DIRECTORS' REPORT

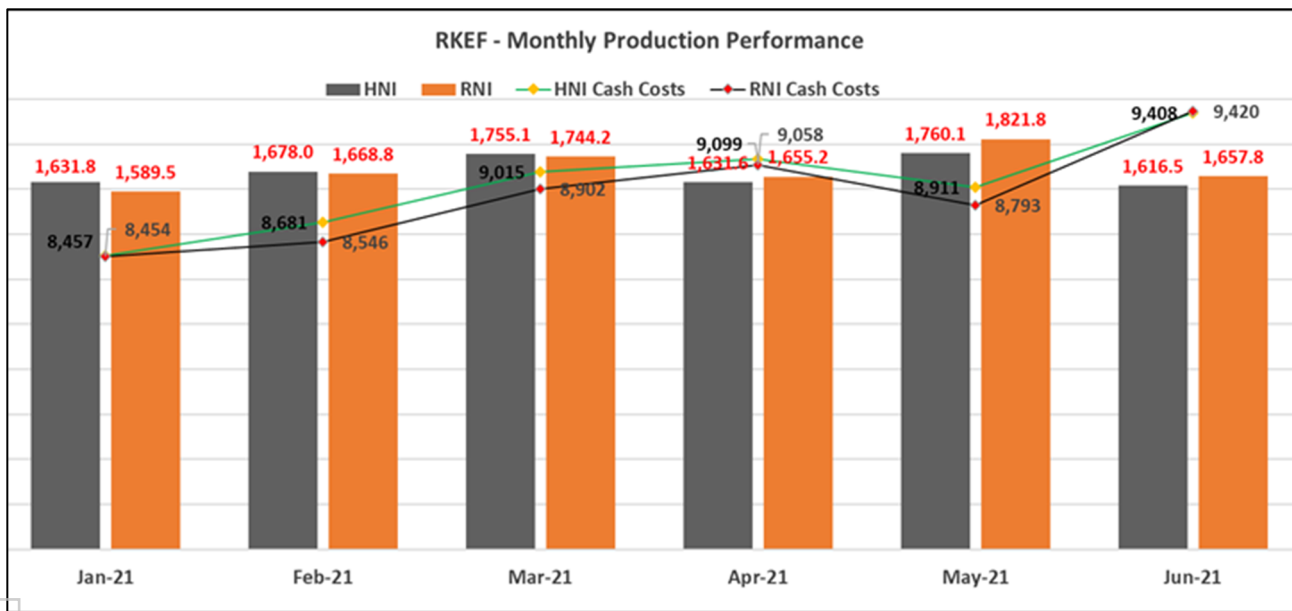
Ranger Nickel (80% interest held by Nickel Mines)

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
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

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.



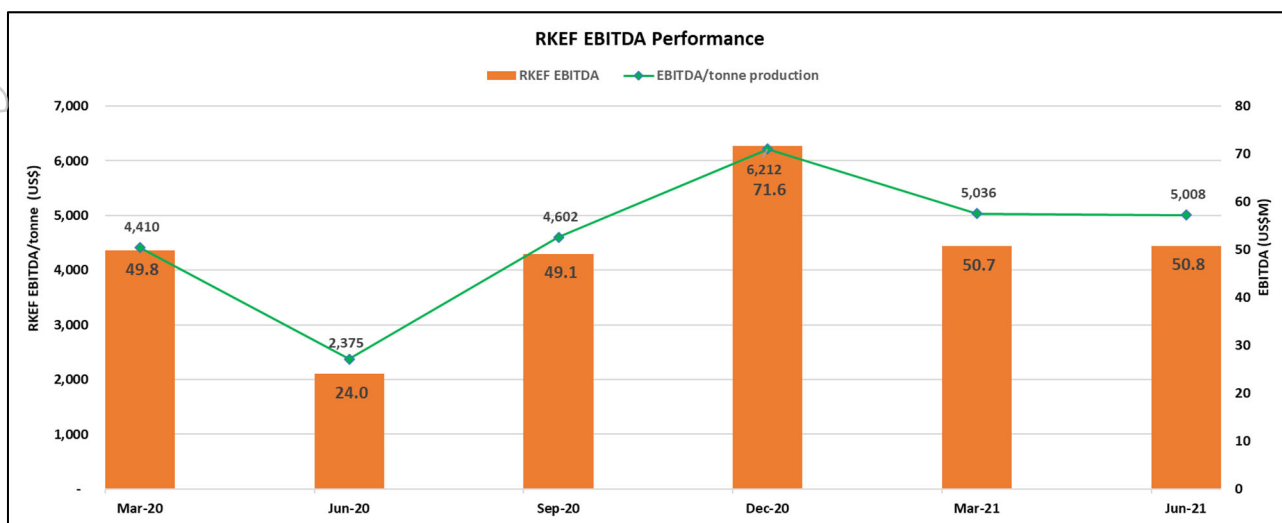
Production and cost performance from Hengjaya Nickel and Ranger Nickel

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
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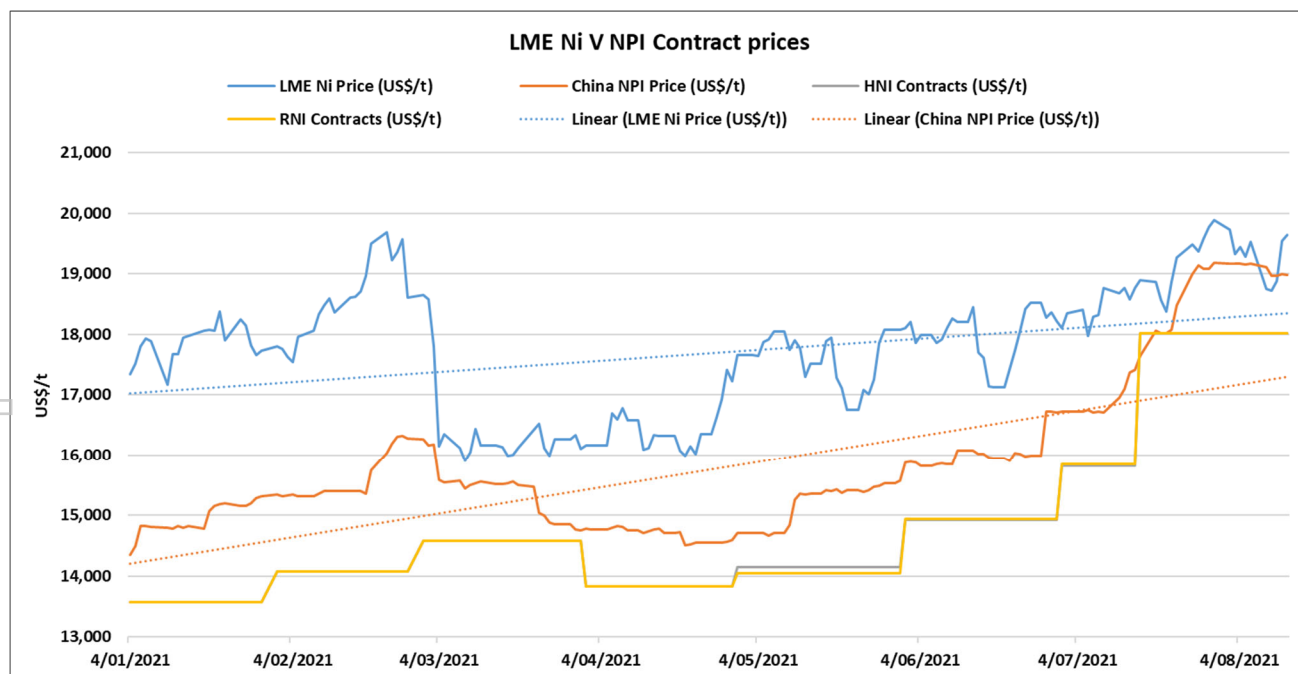
DIRECTORS' REPORT



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

⁽¹⁾ Strip ratio includes limonite as overburden.

⁽²⁾ 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
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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.

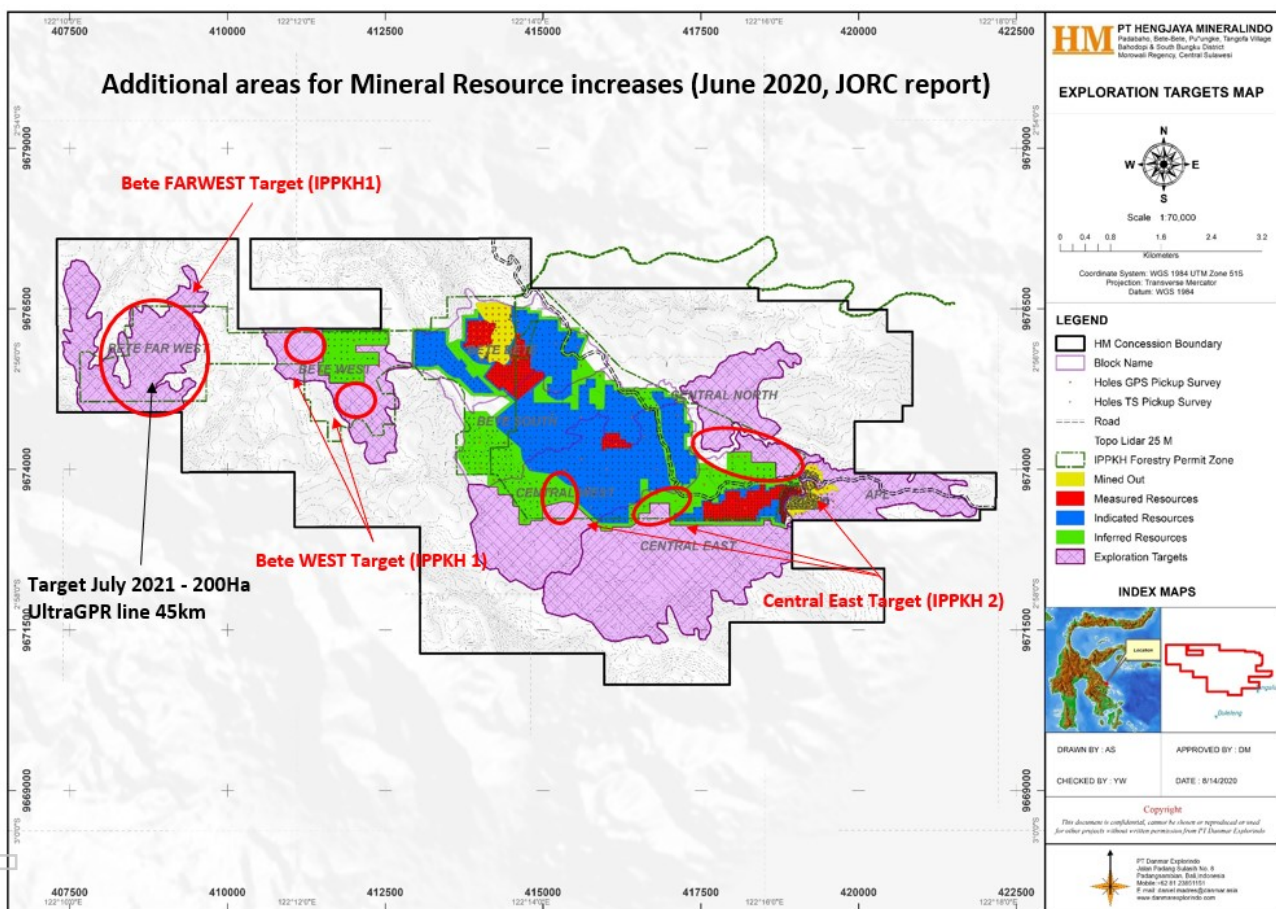
**NICKEL MINES LIMITED
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DIRECTORS' REPORT

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
Total	185	1.3	0.08	28

Hengjaya Mine Mineral Resource Table

NICKEL MINES LIMITED
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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

Stephen Board
Partner

Brisbane
26 August 2021

NICKEL MINES LIMITED
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**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 30 June 2021 \$	6 months to 30 June 2020 \$
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)
Results from operating activities		<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)
Net financial expense		<u>(3,628,335)</u>	<u>(6,040,441)</u>
Profit before income tax		<u>85,269,232</u>	<u>45,531,581</u>
Income tax expense		(2,245,481)	-
Profit for the period		<u>83,023,751</u>	<u>45,531,581</u>
Other comprehensive income		-	-
Total comprehensive profit for the period		<u>83,023,751</u>	<u>45,531,581</u>
Profit attributable to:			
Owners of the Company		65,291,094	24,383,770
Non-controlling interest		17,732,657	21,147,811
Profit for the period		<u>83,023,751</u>	<u>45,531,581</u>
Total comprehensive profit attributable to:			
Owners of the Company		65,291,094	24,383,770
Non-controlling interest		17,732,657	21,147,811
Total comprehensive profit for the period		<u>83,023,751</u>	<u>45,531,581</u>
Earnings per share			
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
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CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Notes	30 June 2021 \$	31 December 2020 \$
US\$			
Current assets			
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
Total current assets		<u>386,230,831</u>	<u>538,640,285</u>
Non-current assets			
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
Total non-current assets		<u>1,002,915,522</u>	<u>696,036,699</u>
Total assets		<u>1,389,146,353</u>	<u>1,234,676,984</u>
Current liabilities			
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
Total current liabilities		<u>39,027,359</u>	<u>57,709,491</u>
Non-current liabilities			
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
Total non-current liabilities		<u>229,918,401</u>	<u>90,738,585</u>
Total liabilities		<u>268,945,760</u>	<u>148,448,076</u>
Net assets		<u>1,120,200,593</u>	<u>1,086,228,908</u>
Equity			
Share capital	13	732,929,135	732,929,135
Reserves		19,204,534	19,204,534
Retained profits		214,516,926	187,927,099
Total equity attributable to equity holders of the Company		<u>966,650,595</u>	<u>940,060,768</u>
Non-controlling interest		153,549,998	146,168,140
Total equity		<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.

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

US\$	Notes	Share capital \$	Retained profits \$	Reserves \$	Total \$	Non- controlling interest \$	Total equity \$
Balance at 1 January 2020		315,501,048	92,757,906	19,206,524	427,465,478	294,653,627	722,119,105
Total comprehensive income for the period							
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
Transactions with owners, recorded directly in equity							
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)
Balance at 30 June 2020		463,647,350	117,141,676	17,274,036	598,063,062	146,461,358	744,524,420
Balance at 1 January 2021		732,929,135	187,927,099	19,204,534	940,060,768	146,168,140	1,086,228,908
Total comprehensive income for the period							
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
Transactions with owners, recorded directly in equity							
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)
Balance at 30 June 2021		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.

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

US\$	Notes	30 June 2021 \$	30 June 2020 \$
Cash flows from operating activities			
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)
Net cash from operating activities		<u>85,581,901</u>	<u>78,703,993</u>
Cash flows from investing activities			
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>	-
Net cash used in investing activities		<u>(322,263,091)</u>	<u>(148,373,699)</u>
Cash flows from financing activities			
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)
Net cash from financing activities		<u>76,585,259</u>	<u>112,457,736</u>
Net increase in cash and cash equivalents		(160,095,931)	42,788,030
Effect of exchange rate adjustments on cash held		(1,547,357)	(1,353,042)
Cash and cash equivalents at the beginning of the period		<u>351,445,322</u>	<u>49,820,013</u>
Cash and cash equivalents at the end of the period		<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.

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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.

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.

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NOTES TO THE FINANCIAL STATEMENTS
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	6 months to 30 June 2021	6 months to 30 June 2020
	\$	\$
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
	<u>1,591,668</u>	<u>2,768,841</u>

* 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)
	<u>(3,628,335)</u>	<u>(6,040,441)</u>

30 June 2021	31 December 2020
\$	\$

NOTE 6 - TRADE AND OTHER RECEIVABLES

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

6 months to 30 June 2021	6 months to 30 June 2020
\$	\$

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	<u>65,291,094</u>	<u>24,383,770</u>
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Weighted average number of ordinary shares (basic and diluted)

	N° of shares	N° of shares
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	<u>2,515,029,051</u>	<u>1,736,476,870</u>

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

	30 June	31 December
	2021	2020
	\$	\$
NOTE 8 - INVENTORY		
Current		
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

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

NOTE 11 - EQUITY-ACCOUNTED INVESTEEES

	30 June	31 December
	2021	2020
	\$	\$
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)	-
	347,541,080	-

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	-
	2,680,137	12,857,143

Non-current

Ranger debt facility	-	32,142,857
Senior Unsecured Notes	171,210,732	-
	171,210,732	32,142,857

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:

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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 1/15th 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% ⁽¹⁾	2020-24	-	-	45,000,000	45,000,000
Senior Unsecured Notes	US\$	6.5%	2024	173,890,869	175,000,000	-	-
Total interest bearing liabilities				173,890,869	175,000,000	45,000,000	45,000,000

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

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

	30 June 2021		31 December 2020	
NOTE 13 - ISSUED CAPITAL				
Issued and paid up capital				
2,515,029,051 ordinary shares fully paid (31 December 2020 - 2,515,029,051)	2,515,029,051		2,515,029,051	
	Number of shares	\$	Number of shares	\$
Ordinary shares				
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.

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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.

	Indonesia Mine Development \$	Indonesia RKEF Projects \$	Unallocated \$	Total \$
30 June 2021				
External revenues	-(1)	288,717,155	-	288,717,155
Reportable segment profit/(loss) before tax	5,429,219 ⁽³⁾	85,461,248 ⁽²⁾	(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 ⁽²⁾	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)

	Indonesia Mine Development	Indonesia RKEF Projects	Unallocated	Total
	\$	\$	\$	\$
30 June 2020				
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 ⁽²⁾	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

(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.

	30 June 2021	30 June 2020
	\$	\$
Reconciliations of reportable segment revenues and profit or loss		
Profit or loss		
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

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

NICKEL MINES LIMITED
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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

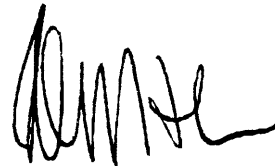
In accordance with a resolution of the Directors of Nickel Mines Limited, I state that in the opinion of the Directors:

- (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

To the shareholders of Nickel Mines Limited

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying **Interim Financial Report** of Nickel Mines Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of Nickel Mines Limited does not comply with the *Corporations Act 2001*, including:

- 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
- Complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2021;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year ended on that date;
- Notes 1 to 16 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

The **Group** comprises Nickel Mines Limited (the Company) and the entities it controlled at the Half-year's end or from time to time during the Half-year.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Group are responsible for:

- The preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*; and
- Such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2021 and its performance for the Half-year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of an Interim Period Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



KPMG



Stephen Board
Partner

Brisbane
26 August 2021

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:

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Share Registrar:

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