

ASX ticker: NIC

ASX release: 31 July 2024

Shares on issue: 4.29B

Market capitalisation: A\$3.45B  
(@ A\$0.805)

## Board of Directors

*Executive Chairman*

Norman Seckold

*Managing Director*

Justin Werner

*Executive Director and CFO*

Chris Shepherd

*Non-Executive Directors*

James Crombie

Emma Hall

Dasa Sutantio

Muliady Sutio

Haijun Wang

Binghe Xiang

YuanYuan Xu

## Substantial shareholders

(as per last substantial holder notices)

Shanghai Decent 22.7%

PT DTN 20.0%

PT KBP 8.5%

L1 Capital 5.7%

## Further enquiries

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# QUARTERLY ACTIVITIES REPORT

For the quarter ended 30 June 2024

**US\$79.5M EBITDA from operations despite challenging wet season**

## RKEF operations

		March quarter	June quarter
Production	Ni tonnes	31,840	31,975
Sales	Ni tonnes	32,759	32,273
Cash cost	US\$/t Ni	9,446	9,980
EBITDA	US\$M	48.2	41.8
EBITDA/tonne sold	US\$/t Ni	1,472	1,296

## HPAL operations

		March quarter	June quarter
Attributable production (10%)	MHP tonnes	2,120	1,997
EBITDA/profit contribution	US\$M	11.2	13.0

## Mining operations

		March quarter	June quarter
Ore production	Ni wmt	3,114,775	2,969,352
EBITDA	US\$M	15.1	24.6

## Highlights

- Increase in equity interest in ENC HPAL Project to 44%
- Establishment of US\$250m Indonesian bank facility
- Repayment of US\$245M April 2024 Notes
- Appointment of Independent Non-Executive Director

\* Based on an average A\$/US\$ exchange rate of 0.659 during the June quarter, US\$79.5M of EBITDA from RKEF, HPAL and Hengjaya Mine operations (100% basis) represents A\$120.6M.

The Directors are pleased to present the June 2024 Quarterly Activities Report for Nickel Industries Limited (**Nickel Industries** or **the Company**) and its controlled entities (**the Group**).

For the quarter under review, the Company held an 80% interest in the Hengjaya Nickel (**HNI**), Ranger Nickel (**RNI**), Angel Nickel (**ANI**) and Oracle Nickel (**ONI**) rotary kiln electric furnace (**RKEF**) projects, an 80% interest in the Hengjaya Mine, a 10% interest in the Huayue Nickel Cobalt HPAL project (**HNC**). During and subsequent to the end of the quarter, the Company acquired a further 30.25% interest in the Excelsior Nickel Cobalt HPAL project (**ENC**), which is under construction, increasing its interest in ENC to 44.0%.

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

*"Despite very challenging conditions including persistent above average rainfall during the quarter, our mine and RKEF operations were able to perform robustly. August typically marks the beginning of the dry season and the Company is focused on setting itself up to deliver a strong second half of the year, with July mine sales at near record levels.*

*Margins from HNC continued to strengthen across the quarter which bodes well for our 72,000 tpa ENC HPAL project, with the Company pleased to announce expected expedited commissioning of the ENC project ahead of the contracted October 2025 date, potentially bringing forward cashflows.*

*We are proud to announce receipt of a number of awards for ESG and sustainability across the quarter with Nickel Industries being recognised as a leader in this field. The awarding of 10 university scholarships for indigenous students further demonstrates our investment into the local community and helping to support future leaders.*

*Finally, we are very pleased to welcome Ms Emma Hall to the board of Nickel Industries who brings a strong background in the global battery metals industry, which will provide valuable insight and support as Nickel Industries moves closer towards transitioning its business to higher margin, lower carbon-intensive class 1 and battery metals such as nickel cathode, MHP and nickel sulfate."*

## Safety

There were no LTIs recorded during the quarter against 2.18 million work hours registered.

The Company-wide 12-month rolling total recordable injury rate (**TRIR**) as at the end of June 2024 was 1.89.

During the quarter, the Company continued to work on its ISO 45001-2018 standards and reporting components focussed on Health and Safety certification. The Hengjaya Mine also successfully completed the annual ISO audits for Safety and Environment which were conducted by an independent third party.

## Sustainability

### Sustainability Report

In late June the Company released its 2023 Sustainability Report, the third sustainability report published by the Company and a continuation of the previous year's report published in March 2023. The Sustainability Report showcases the Company's commitment to exhibiting a leadership role in promoting responsible and sustainable mining in Indonesia by implementing industry best practices across our mining and downstream processing operations, with the steadfast support from the local communities in which the Company operates.

The report was developed in accordance with key reporting principles, including stakeholder inclusiveness, materiality, completeness, accuracy, balance, clarity, comparability, reliability, and timeliness. The Company has reported the information cited in the Global Reporting Initiative (GRI) content index for 2023 in accordance with the GRI Standards, along with the Metals and Mining (MM) Supplement Sector; Sustainability Accounting Standards Board (SASB) for Metals and Mining Standard; and the early adoption of the International Financial Reporting Standards (IFRS) Sustainability Disclosure Standards.

The 2023 Sustainability Report can be found on the Company's website at [2023 Sustainability Report](#).



**2024 World Environment Campaign in Morowali**

### University Scholarship Program

The Company, in partnership with Hasanuddin University, established a University scholarship program as part of our broader ongoing social initiatives within the local communities in which it operates. The scholarship program will provide full financial support to 10 local indigenous students per year from the Central Sulawesi, North Maluku and West Papua Provinces to pursue 4-year undergraduate degrees across the fields of metallurgical engineering, environmental engineering and mining engineering. It is envisaged this program will help foster the next generation of leaders in the local mining industry.



*University scholarship selection test on June 26 in Morowali*

### World Environmental Day

The Company participated in the 2024 World Environmental Day campaigns in various sustainability activities, such as tree planting, beach cleanup and showcasing its biodiversity conservation area. Furthermore, the Company continued to demonstrate its leadership in advancing sustainability within Indonesia’s nickel sector by delivering a keynote speech about the importance of responsible nickel production to other mining leaders and companies at the Indonesia Miner 2024 event, a premier mining event in Jakarta.

### CSR and Social Responsibility Awards

During the quarter, the Company’s Hengjaya Mine received the Top CSR (Community Social Responsibility) Award and the Indonesia Social Responsibility Award for the SMART HM (Semangat Meraih Cita-cita Bersama HM), with a focus on educating vocational school students to be more prepared to enter the industry.



*Top CSR Awards 2024 and Indonesia Social Responsibility Award ceremony*

## RKEF operations (80% indirect interest held by Nickel Industries)

Production		HNI	RNI	ANI	ONI	Total
NPI production	tonnes	36,716	35,842	84,811	101,167	258,536
NPI grade	%	12.1	12.2	13.1	11.9	12.4
Nickel in NPI	tonnes	4,444	4,356	11,118	12,057	31,975
- March quarter	tonnes	2,674	4,554	11,271	11,599	30,098
Nickel in matte	tonnes	-	-	-	-	-
- March quarter	tonnes	1,742	-	-	-	5,083
<b>Total nickel production</b>	<b>tonnes</b>	<b>4,444</b>	<b>4,356</b>	<b>11,118</b>	<b>12,057</b>	<b>31,975</b>
- March quarter	tonnes	4,416	4,554	11,271	11,599	31,840

Sales and contracts		HNI	RNI	ANI <sup>1</sup>	ONI	Total
Wtd avg contract price	US\$	11,534	11,461	11,278	11,463	11,408
- March quarter	US\$	11,554	11,081	10,907	11,239	11,149
<b>Tonnes sold</b>	<b>tonnes</b>	<b>4,564</b>	<b>4,356</b>	<b>11,296</b>	<b>12,057</b>	<b>32,273</b>
- March quarter	tonnes	5,046	4,554	11,561	11,599	32,759
<b>Sales revenue</b>	<b>US\$M</b>	<b>52.6</b>	<b>49.9</b>	<b>127.3</b>	<b>138.2</b>	<b>368.1</b>
- March quarter	US\$M	58.2	50.5	124.1	130.4	363.2

Costs and margins		HNI	RNI	ANI <sup>1</sup>	ONI	Total
Cash costs	US\$/t	11,131	11,309	9,071	9,914	9,980
- March quarter	US\$/t	10,320	10,342	8,797	9,411	9,446
<b>EBITDA<sup>2</sup></b>	<b>US\$M</b>	<b>(0.9)</b>	<b>(1.2)</b>	<b>25.7</b>	<b>18.2</b>	<b>41.8</b>
- March quarter	US\$/M	3.2	2.1	22.1	20.8	48.2
<b>EBITDA/tonne sold</b>	<b>US\$/t</b>	<b>(200)</b>	<b>(273)</b>	<b>2,276</b>	<b>1,510</b>	<b>1,296</b>
- March quarter	US\$/t	638	458	1,915	1,792	1,472

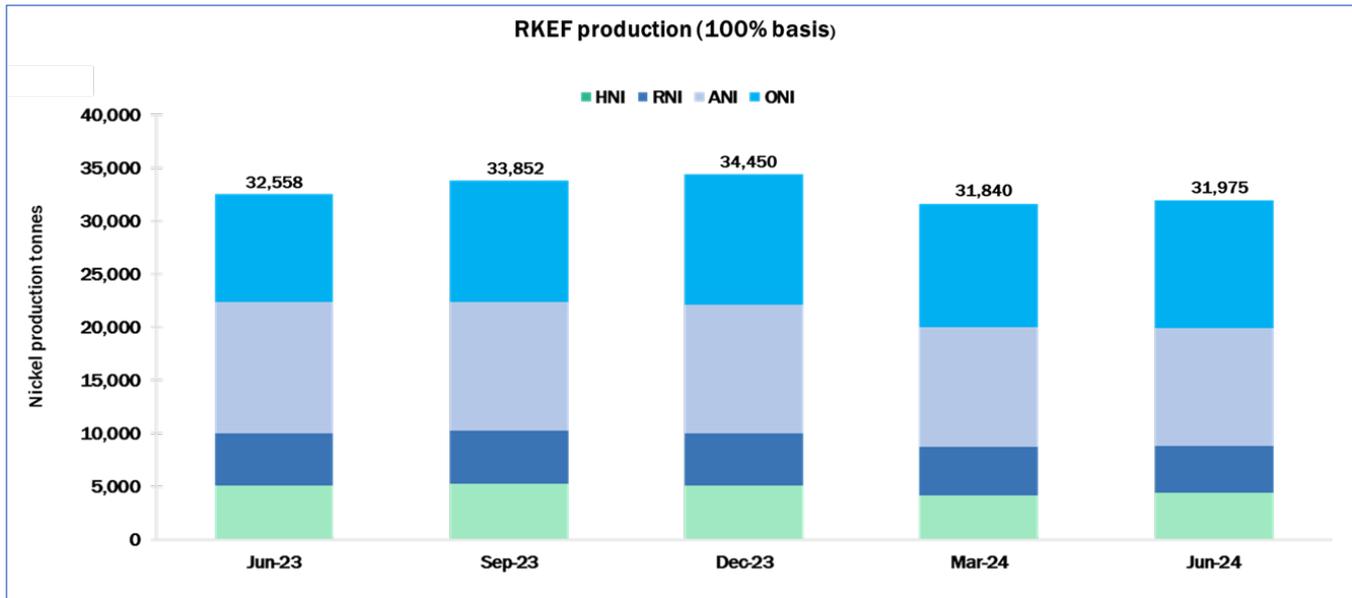
  

Summary RKEF metrics		March quarter	June quarter	% movement
Production (100%)	tonnes	31,840	31,975	0.4%
Tonnes sold	tonnes	32,759	32,273	(1.5%)
Sales revenue	US\$M	363.2	368.1	1.3%
EBITDA	US\$M	48.2	41.8	(13.3%)
EBITDA/tonne sold	US\$/t Ni	1,472	1,296	(12.0%)

<sup>1</sup> As the NPI produced by ANI is all exported, final contract pricing and consequently revenue and EBITDA numbers are affected by the final settlement variance, and adjustments which cross over quarterly period will be taken up in the following quarter.

<sup>2</sup> EBITDA is defined as profit/(loss) for the period, plus depreciation and amortisation costs, plus net financial income/(costs), plus tax expenses. As a result, EBITDA includes any impact from FX adjustments and also includes other adjustments not directly related to the sale of NPI and nickel matte. During the June quarter combined FX losses at the RKEF operations totalled US\$10.3M (March quarter: US\$7.6M).

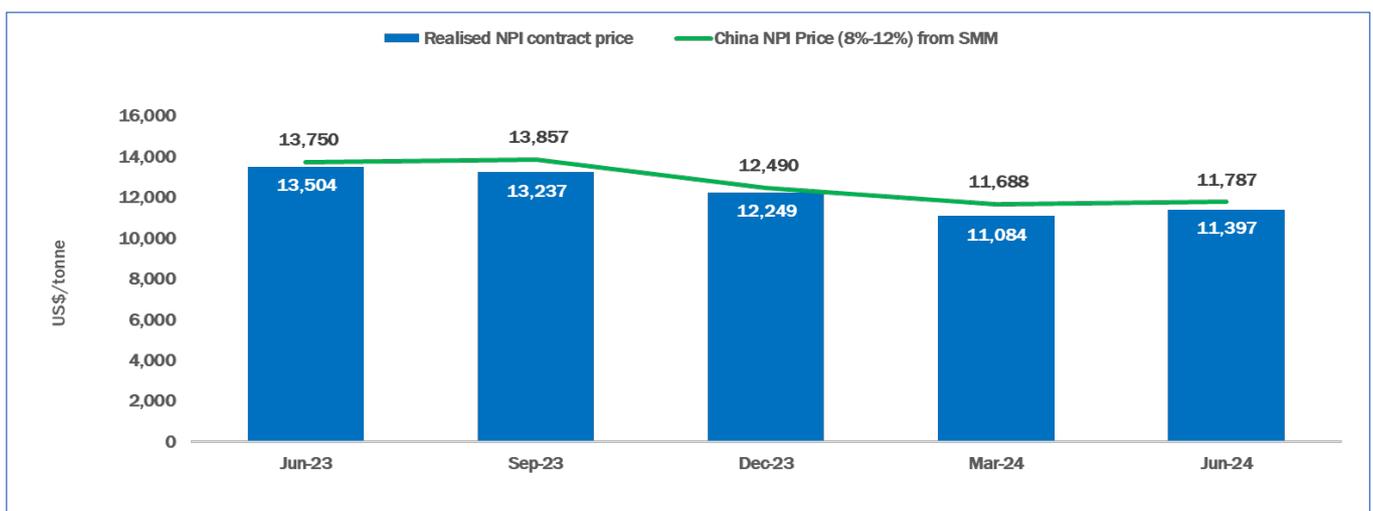
RKEF production



During the quarter, RKEF operations were negatively impacted by higher-than-average seasonal rainfall. As highlighted in the Company’s recent operating update (refer ASX release 4 July 2024), the rainfall negatively impacted levels of nickel ore sold into the IMIP, necessitating the continued requirement to utilise lower grade ore stockpiles and resulting in lower levels of nickel production and higher unit cash costs. Due to ore supply tightness stemming from the higher rainfall, nickel ore costs increased during the quarter, with these higher costs predominantly responsible for the increase in operating cash costs.

During the quarter, the Company performed some preventative maintenance and improvements at the ONI power plant. Given the plant was not operating at the full load factor for the entire quarter, ONI’s electricity costs were higher than usual (and relative to ANI).

China NPI price (8%-12%) v NPI contract price



Realised contract prices rose marginally during the quarter (+2.3% from March qtr) versus a 0.8% increase in the China NPI price which has continued to remain relatively subdued in line with recent demand weakness within global stainless steel markets.

## HPAL operations

### Huayue Nickel Cobalt Project (10% indirect interest held by Nickel Industries)

During the quarter, the HNC Project produced 19,968 tonnes of nickel and 1,785 tonnes of cobalt in mixed hydroxide precipitate (MHP). Nickel Industries' attributable share of HNC production was 1,997 tonnes of nickel and 179 tonnes of cobalt.

Whilst HNC undertakes its own sales of MHP, offtake is also distributed to Tsing Creation for sale. The underlying EBITDA of HNC for the quarter on a 100% basis (with Nickel Industries holding a 10% interest) was \$112.7M and the EBITDA for Tsing Creation (with Nickel Industries holding a 100% interest) was \$1.8M<sup>3</sup>, giving a combined EBITDA of \$13.0M (March quarter \$11.2M)<sup>4</sup>.

## HPAL construction

### Excelsior Nickel Cobalt Project (44% indirect interest held by Nickel Industries)

During the quarter, continued strong progress was made at the Company's ENC HPAL project. Office and staff facilities have been completed and all earthworks and footings are now largely complete with concrete pouring to commence shortly, whilst long lead items and critical process equipment continue to be sourced and fabricated in China ahead of delivery to the IMIP.

In April 2024 the Company acquired a further 13.75% in the Project following a cash payment of US\$316.3M (refer ASX release 2 April 2024). As noted in the Company's recent operating update (refer ASX release 4 July 2024), the Company has completed the acquisition of an additional 16.5% interest in the Project increasing its equity interest in the Project to 44%, via a cash payment of US\$379.5M assist in the acceleration of the construction and commissioning of the nickel cathode and sulphate plants.



***Office and staff buildings completed with earthworks and footings at ENC largely complete in readiness for concrete pouring and plant erection***

<sup>3</sup> The Company is equity accounting its 10% interest in HNC and therefore will report in its financials its 10% share of the net profit of HNC, including any amortisation on the fair value of the acquisition. Tsing Creation is a Hong Kong entity through which the Company holds its 10% interest in HNC.

<sup>4</sup> \$6.9M in the March quarterly. Subsequently the Company has received and adjusted for the depreciation amounts within HNC.

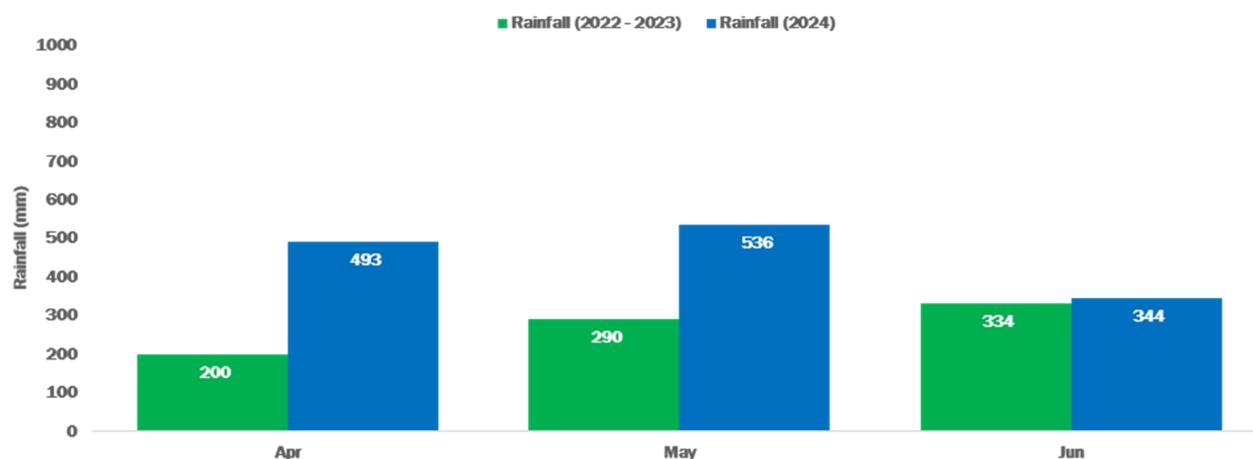
## Mining operations

### Hengjaya Mine (80% interest held by Nickel Industries)

Key reporting metrics		March quarter	June quarter
Saprolite mined	wmt	1,026,910	879,280
Limonite mined	wmt	2,087,865	2,090,072
Nickel ore mined	wmt	3,114,775	2,969,352
Overburden mined	BCM <sup>5</sup>	385,378	370,204
Strip ratio	BCM/wmt	0.12	0.12
Saprolite EBITDA	\$M	4.3	11.8
Limonite EBITDA	\$M	10.8	12.8

As highlighted in the Company's recent operating update (refer ASX release 4 July 2024), rainfall at the Company's Hengjaya Mine for the June 2024 quarter was 1,373mm, 48% and 91% higher respectively than the prior corresponding periods in 2023 and 2022, leading to a significant increase in "delay-time" hours and a requisite decrease in mine production and haulage capacity. The actual hours for the mine ore haulage for the quarter were 183 less than planned.

#### Hengjaya Mine rainfall summary



Additional haul trucks continue to be commissioned to provide the Hengjaya Mine with a full contingent of 175 x 50t payload haul trucks now operating at the mine site, and the Company has already commenced additional road improvements and surfacing to allow haulage hours to improve during the future wet periods. The benefits of these construction / improvement works are already being seen in July haulage numbers, and despite the higher-than-average rainfall in the June quarter, the Hengjaya Mine remains on track to produce 12 million wmt for 2024.

<sup>5</sup> BCM represents 'bank cubic metres'.

## Finance<sup>6</sup>

### Balance sheet

As at 30 June 2024, the Group held:

- Cash and cash equivalents: US\$358.1M (31 March 2024 - US\$553.3M);
- Trade receivables: US\$266.2M (31 March 2024 - US\$293.3M); and
- Inventories: US\$174.2M (31 March 2024 - US\$171.8M).

Cash and cash equivalents of US\$358.1M were held by Group companies as follows:

- US\$202.6M held by Nickel Industries;
- US\$114.7M held by the Indonesian RKEF entities and their related entities (Nickel Industries interest: 80%);
- US\$18.6M held by Hengjaya Mine (Nickel Industries interest: 80%); and
- US\$22.2M held by Tsing Creation (Nickel Industries interest: 100%).

Trade receivables of US\$266.2M were held by Group companies as follows:

- US\$231.7M held by the RKEF entities;
- US\$25.1M held by Hengjaya Mine<sup>7</sup>; and
- US\$9.4M held by Tsing Creation.

Inventories (valued at the lower of cost or net realisable value) of US\$174.2M were held by Group companies as follows:

- US\$115.5M held by the RKEF entities, being NPI of US\$6.5M and raw materials of US\$109.0M; and
- US\$58.7M of nickel ore held by Hengjaya Mine.

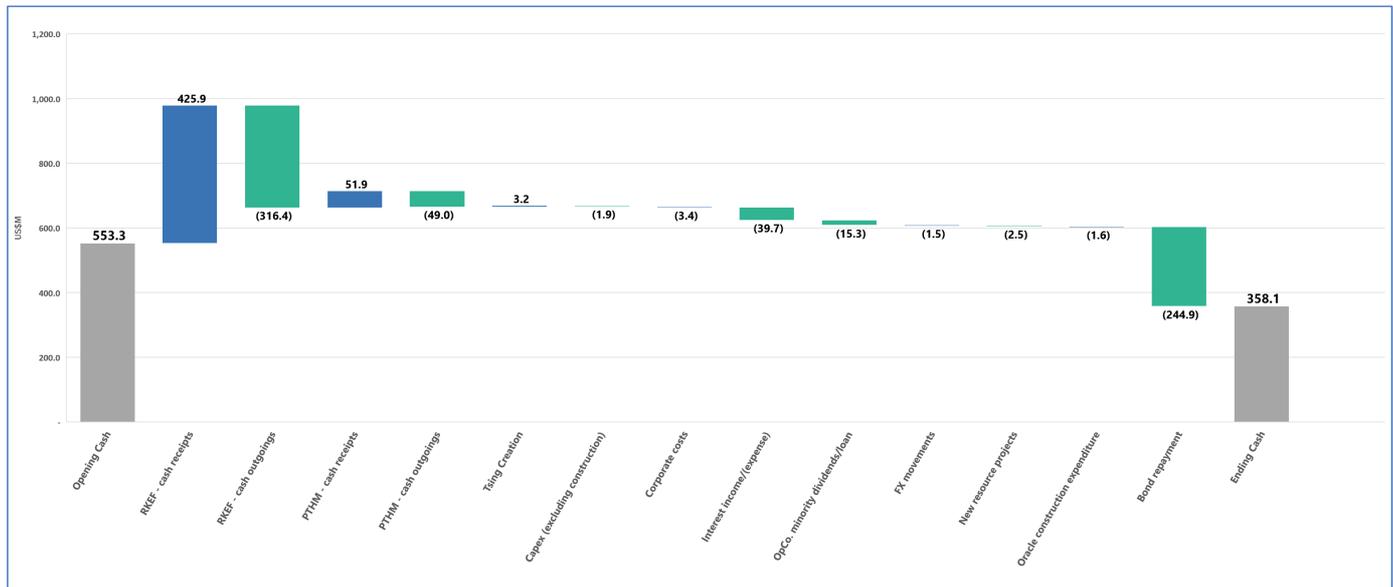
The Hengjaya Nickel, Ranger Nickel and Angel Nickel project distributed dividends and interest, net of withholding tax, during the June quarter to Nickel Industries and Shanghai Decent (and its associates), in proportion to the respective ownership interests. Nickel Industries received US\$53.9M and Shanghai Decent received US\$10.8M. Additionally, Oracle Nickel repaid working capital loans during the quarter, \$10.5M to Nickel Industries and \$4.5M to Shanghai Decent.

<sup>6</sup> Unaudited numbers from monthly operating entity financial reporting.

<sup>7</sup> Sales of saprolite ore by Hengjaya Mine to HNI and RNI are intra-group transactions and are eliminated on consolidation. Profit from saprolite ore sales is recognised on a consolidated level as a reduction in the cost of operations, once the saprolite ore has been consumed by the group in NPI operations.

## Cashflow

The following cashflow waterfall provides a reconciliation of cash movements for the Group during the June 2024 quarter.



**Cash flow waterfall – June 2024 quarter**

Whilst the four RKEF lines and power plant of Oracle Nickel were in operation during the quarter, some additional construction trade creditors were paid by Oracle Nickel during the quarter.

## Expenditures

Expenditure on mine production and development activities at the Hengjaya Mine during the quarter totalled US\$38.4M, of which US\$1.9M was capex.

Expenditure on exploration activities undertaken at the Hengjaya Mine during the quarter totalled \$0.8M. Additional expenditures shown in the waterfall above by PTHM, operator of the Hengjaya Mine relate to administration costs and taxes paid. Additional exploration expenditure across new resource project opportunities totalled US\$2.5M.

## Related party expenditures

During the quarter, the aggregate amount of payment to related parties and their associates totalled US\$648,092, comprising US\$501,308 of payments to Directors or Director-related entities for Directors’ consulting fees and US\$146,784 in fees were paid to MIS Corporate Pty Limited (**MIS**), an entity in which Director Norman Seckold has a controlling interest. MIS provides full administrative services, including administrative, accounting, company secretarial and investor relations staff both within Australia and Indonesia, office premises, services and supplies to the Group.

## Corporate highlights

### Increased equity interest in the ENC project to 44%

During the quarter, the Company completed the acquisition of an additional 13.75% interest in the Excelsior Nickel Project (ENC or the Project) and then subsequent to the end of the quarter completed the acquisition of a further 16.5%, increasing its equity interest in the Project to 44%.

The additional 30.25% interest was secured through two cash payments of US\$316.3M and subsequent to the end of the quarter US\$379.5M (US\$695.8M in total) to acquire shares in the Singaporean incorporated holding company, Excelsior International Investment Pte. Ltd, the ultimate owner of ENC. The second payment of US\$379.5M was made ahead of the scheduled 1 October 2024 payment date to assist in the acceleration of the construction and commissioning of the nickel cathode and sulphate plants as a result of strong feedback from potential customers of these products.

#### Acquisition schedule for Nickel Industries' 55% equity interest in ENC

Date	US\$M	Equity acquired	Cumulative equity
<b>Invested to date</b>	1,012.0	44.00%	44.00%
<b>By 1 July 2025</b>	126.5	5.50%	49.50%
<b>By 1 October 2025<sup>8</sup></b>	126.5	5.50%	55.00%
<b>Total</b>	<b>1,265.0</b>	<b>55.00%</b>	

### US\$250 term loan facility executed

During the quarter, the Company executed a US\$250M, 5-year term loan facility (the **Facility**), jointly provided by tier-1 banks PT Bank Negara Indonesia (Persero) Tbk (**BNI**) and DBS Bank Ltd (**DBS**).

Following the recent repayment of the US\$245M balance of the Company's April 2024 notes, the Facility has been established to support the remaining funding requirements for Nickel Industries' acquisition of a 55% equity interest in the Excelsior Nickel Cobalt HPAL project (**ENC**), which is currently under construction within the Indonesia Morowali Industrial Park (**IMIP**).

The interest rate applicable for the Facility will be a margin above the Secured Overnight Financing Rate (SOFR) (currently ~5.3%), according to the following schedule:

- initial 12-month period: 2.00%
- months 12 -18: 3.00%
- 18 months onwards: 3.50%

The establishment of this Facility follows the US\$400M multi-tranche facility that was secured in October 2023 from BNI and successfully syndicated to a mix of Asian, European and global banking institutions.

<sup>8</sup> Following commissioning of line 1 of the ENC Project.

## Appointment of Independent Non-Executive Director

In June, the Company announced the appointment of Ms Emma Hall as an Independent Non-Executive Director. Emma has held senior executive level positions at a number of multi-national companies in the critical minerals industry. These companies specialised in mining, as well as downstream processing, where Emma led strategy, marketing and business development functions. Prior to this, Emma's earlier career was in investment banking in Sydney and London.

Emma has over 10 years' experience in the global battery metals industry including wide-ranging commercial and technical engagements with battery manufacturers and OEMs in USA, Europe, Japan, China and South Korea. This experience includes 5 years as Vice President Corporate Development at Tianqi Lithium Corporation during which the company significantly grew its presence in Australia, Chile and North Asia.

Emma holds Bachelor of Commerce and Bachelor of Laws (Hons) degrees from the University of Western Australia and a Masters of Applied Finance from Macquarie University and is a graduate of the Australian Institute of Company Directors.

## CONTACT INFORMATION

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