

### Analyst

David Coates 612 8224 2887

### Authorisation

Bradley Watson 618 9326 7672

# Nickel Industries Ltd (NIC)

The only name in nickel

## Recommendation

**Buy** (unchanged)

Price

**\$0.855**

Target (12 months)

**\$1.41** (previously \$1.54)

## Sector

Materials

## Expected Return

Capital growth	<b>65.0%</b>
Dividend yield	<b>5.3%</b>
Total expected return	<b>70.3%</b>

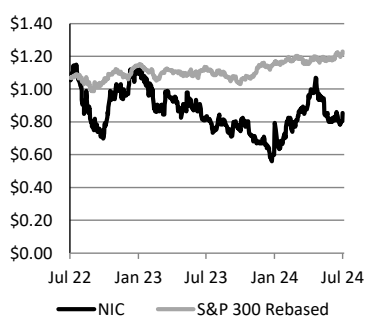
## Company Data & Ratios

Enterprise value	<b>\$4,660m</b>
Market cap	<b>3,664m</b>
Issued capital	<b>4,286m</b>
Free float	<b>54%</b>
Avg. daily val. (52wk)	<b>\$8.3m</b>
12 month price range	<b>\$0.54-\$1.085</b>

## Price Performance

	(1m)	(3m)	(12m)
Price (A\$)	0.82	0.88	0.82
Absolute (%)	4.9	-2.8	4.9
Rel market (%)	0.7	-8.0	-3.4

## Absolute Price



SOURCE: IRESS

## June 2024 quarterly report

NIC released its June 2024 quarter report. NIC produced 31,975t contained Ni (BPe 34,391t), with 25,580t attributable (BPe 27,513t). Cash costs were 5% above our forecast at US\$9,980/t (BPe US\$9,581/t). These figures exclude 1,997t of MHP production (BPe 1,935t) from the HNC HPAL plant which is now operating at close to steady state production. Production was steady qoq as weather impacts again disrupted ore supplies to RKEF operations. Combined with higher power and ore prices, operating costs were 6% higher overall at the RKEF operations qoq. Group EBITDA was up to US\$79.5m (from US\$70.3m qoq). NIC ended the quarter with cash of US\$358.1m (from US\$553.3m qoq) following the acquisition of a further 13.75% interest in the ENC HPAL project for cash consideration of US\$316.3m.

## Solid quarter in a tough market

In our view this was a solid result in a tough nickel market that also faced ongoing weather disruptions. That NIC still generated good earnings and not only funded its scheduled acquisition payments for the ENC HPAL project, but also brought its next scheduled payment forward speaks to the strength of its balance sheet and robust margins. The outlook is for a much stronger 2HCY24, as RKEF ore supply normalises in the dry-season, for higher grade and lower cost ore supplies. Haulage volumes from the Hengjaya Mine should also pick up materially. The accelerated construction schedule for the ENC HPAL plant is also a positive catalyst.

## Investment thesis – Buy, TP\$1.41/sh (from Buy,TP\$1.54/sh)

EPS changes in this report are: CY24: -57%; CY25: -18%; and CY26: +48%. Our NPV-based valuation drops 8% to \$1.41/sh on higher costs, lower CY24 production and a lower nickel price. NIC is one of the world's largest listed nickel producers and one of few that offers diversified exposure across a range of nickel products and markets. It continues to trade on undemanding valuation multiples, offers a supportive (unfranked) dividend and has demonstrated its ability to make money through the nickel price cycle. Retain Buy.

## Earnings Forecast

Year ending 31 December	2023a	2024e	2025e	2026e
Sales (US\$m)	1,880	1,731	2,320	3,860
EBITDA (US\$m)	403	389	626	1,098
Attributable NPAT (reported) (US\$m)	122	112	260	504
Attributable NPAT (reported) (A\$m)	183	169	372	721
EPS (adjusted) (Acps)	5.4	3.9	8.7	16.8
EPS growth (%)	-37%	-27%	120%	94%
PER (x)	15.9	21.7	9.8	5.1
FCF Yield (%)	-48%	-8%	11%	41%
EV/EBITDA (x)	7.5	7.8	4.8	2.8
Dividend (Acps)	4.5	4.5	5.0	9.0
Yield (%)	5.3%	5.3%	5.8%	10.5%
Franking (%)	0%	0%	0%	0%
ROE (%)	9%	7%	15%	29%

SOURCE: BELL POTTER SECURITIES ESTIMATES

# The only name in nickel

## June 2024 quarterly report

NIC released its June 2024 quarter report, announcing production and costs from its RKEF operations at the Hengjaya (HNI), Ranger (RNI), Angel (ANI) and Oracle (ONI) Nickel Projects in Indonesia. NIC also operates the Hengjaya Mine, producing laterite nickel ore and holds a 10% interest in the Huayue Nickel Cobalt (HNC) HPAL project which is also in production.

### Production

From its RKEF operations, production was steady qoq as weather impacts again disrupted ore supplies to RKEF operations and necessitated the drawdown of higher-cost, lower-grade stockpiles.

NIC produced 31,975t contained Ni (BPe 34,391t), with 25,580t attributable (BPe 27,513t). Cash costs were 5% above our forecast at US\$9,980/t (BPe US\$9,581/t). These figures exclude 1,997t of MHP production (BPe 1,935t) from the HNC HPAL plant which is now operating at close to steady state production.

### Costs and sales

Restricted ore supplies resulted in market prices for laterite nickel ore to increase, keeping operating costs elevated in the June quarter. Power costs at ONI were also higher as planned maintenance was undertaken at its dedicated power plant. Costs were 6% higher overall at the RKEF operations as a result.

This was partially offset by 2% higher weighted average contract NPI pricing for the June quarter, which lifted to US\$11,408/t. This pricing approximated 63% of our estimated average LME nickel price for the quarter of US\$18,176/t. Overall, margins contracted from US\$1,472/t to US\$1,296/t qoq.

Slightly lower sales volumes and slightly higher costs resulted in quarterly EBITDA from the RKEF operations of US\$48.1m (from US\$48.2m qoq).

Production from the Hengjaya Mine was impacted by haulage disruptions due to excessive rainfall, but sales increased materially following the permitting delays of the March quarter. Mine EBITDA lifted to US\$24.6m from US\$15.1m.

**Table 1 - NIC quarterly production summary**

	Jun-23 Actual	Sep-23 Actual	Dec-23 Actual	Mar-24 Actual	Jun-24 Actual	Jun-24 BP est.	Variance qoq %	Variance vs BPe %
<b>RKEF nickel production</b>								
Contained nickel (t)	32,558	33,852	34,450	31,840	31,975	34,391	0%	-7%
Contained nickel (t, attributable)	25,032	27,082	27,560	25,472	25,580	27,513	0%	-7%
Cash Cost (US\$/t Ni)	\$12,135	\$10,198	\$10,048	\$9,446	\$10,104	\$9,581	7%	5%
<b>HPAL nickel production</b>								
Contained nickel (t, attributable)	0	1,410	1,823	2,120	1,997	1,935	-6%	3%
Cash Cost (US\$/t Ni)	0	\$10,300	\$10,300	\$10,364	\$9,416	\$10,058	-9%	-6%

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

With a US\$13.0m contribution from the HPAL operations, group EBITDA was up to US\$79.5m (from US\$70.3m qoq). NIC ended the quarter with cash of US\$358.1m (from US\$553.3m qoq) following the acquisition of a further 13.75% interest in the ENC HPAL project for cash consideration of US\$316.3m. In addition to this, post quarter-end, NIC acquired a further 16.5% interest in ENC for US\$379.5m, ahead of the scheduled October payment date. NIC has stated this will accelerate the construction schedule and bring planned commissioning forward to the September quarter 2025.

The result again demonstrated the strategic advantages of NIC's diversified product mix and operating flexibility. With NPI margins much stronger than matte margins, matte production was ceased for the June quarter. The new HNC HPAL operations contributed ~6% of production but ~24% of nickel production EBITDA.

## Changes to our forecasts

Beyond updating for the June quarter production and cost report, we make the following changes to our modelled assumptions:

- Lower our forecast RKEF and laterite nickel ore production forecasts, reflecting the weaker than expected June quarter production performance;
- Increase our forecast operating costs across the RKEF operations on performance to date and higher ore prices and energy costs;
- Incorporate production from the ENC HPAL project into our formal production and earnings forecasts, for material upgrades to our CY26 estimates, the project's first full year of production. Previously, ENC had been included as a risk-adjusted item in our sum-of-the-parts NPV-based valuation;
- Update for our latest commodity price and exchange rate forecasts, which include a 3% cut to our CY24 nickel price and a 2% cut to our CY25 nickel price; and
- Update for NIC's latest net cash position and capital structure.

The net impacts of these changes are summarised in the table below:

**Table 2 - Changes to our CY forecasts**

Year end 31 December	Previous			New			Change		
	Dec-24	Dec-25	Dec-26	Dec-24	Dec-25	Dec-26	Dec-24	Dec-25	Dec-26
<b>Prices &amp; currency</b>									
Nickel price (US\$/t)	17,980	19,621	20,503	17,509	19,290	20,503	-3%	-2%	0%
US\$/A\$	0.66	0.70	0.70	0.66	0.70	0.70	0%	0%	0%
<b>Production &amp; costs</b>									
Ore mined (t)	8,025,000	9,100,000	9,100,000	7,500,000	9,100,000	9,100,000	-7%	0%	0%
Nickel in ore (t)	54,738	65,250	65,250	52,925	65,250	65,250	-3%	0%	0%
RKEF NPI production (t)	115,215	114,558	114,558	112,165	114,404	114,404	-3%	0%	0%
Contained nickel (t)	9,717	11,341	11,840	9,950	11,380	11,882	2%	0%	0%
Contained nickel (t, attributable)	8,073	8,084	8,084	8,073	13,997	48,762	0%	73%	503%
Cash costs (US\$/t Ni)	10,108	10,461	10,723	10,108	10,461	10,723	0%	0%	0%
<b>Earnings &amp; valuation</b>									
Revenue (consolidated, US\$m)	1,940	2,205	2,304	1,731	2,320	3,860	-11%	5%	68%
EBITDA (consolidated, US\$m)	602	675	698	389	626	1,098	-35%	-7%	57%
EBITDA (attributable, US\$m)	499	547	566	329	492	768	-34%	-10%	36%
NPAT (consolidated, US\$m)	352	416	442	160	361	773	-54%	-13%	75%
NPAT (attributable, US\$m)	263	316	340	112	260	504	-57%	-18%	48%
EPS (reported) (Acps)	9.3	10.5	11.3	3.9	8.7	16.8	-57%	-18%	48%
PER (x)	9.2	8.1	7.6	21.7	9.8	5.1	12.4	1.7	(2.5)
EPS growth (%)	72%	14%	7%	-27%	120%	94%	-99%	106%	86%
DPS (Acps)	8.0	5.0	6.0	4.5	5.0	9.0	-44%	0%	50%
Yield	9.4%	5.8%	7.0%	5.3%	5.8%	10.5%	-4%	0%	4%
NPV (A\$/sh)	1.20	1.54	1.65	1.03	1.41	1.49	-14%	-8%	-10%
<b>Price Target (A\$/sh)</b>		1.54			1.41			-8%	

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

The changes to our operational forecasts cut CY24 EBITDA by 34% and CY24 EPS by 57%. EPS for CY25 are down 7% on lower nickel price and price realisations, partially offset by the inclusion of the ENC HPAL production from here. Our CY26 forecasts step-up materially as we incorporate the first full year of ENC HPAL production into our forecasts. Our NPV-based target price is lowered 8% to \$1.41/sh (from \$1.54/sh).

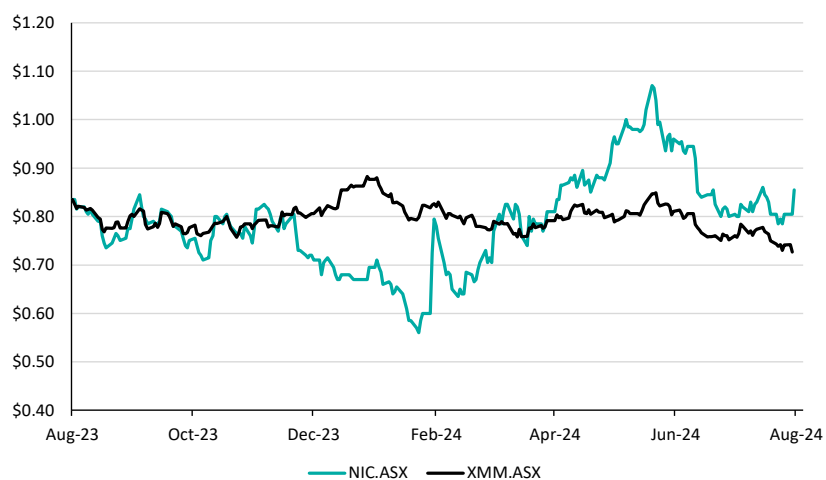
## Upcoming catalysts

Upcoming catalysts for NIC include:

- Release of NIC's 1H CY24 financial results, expected in late August 2024;
- Construction updates for the ENC HPAL plant, which is progressing ahead of its scheduled commissioning target of October 2025;
- Progress updates for the Hengjaya Mine, where production ramp-up of limonite nickel ore sales are increasing in CY24 following the completion of the new haul road;
- Update on qualification of potential sales of nickel cathode from the ENC HPAL project (under construction) to a leading Western space and aeronautical company;
- Payment of the final scheduled investment instalments for the ENC HPAL project of: US\$126.5m in each of July and October 2025 to lift NIC's interest to 55%;
- The potential sale of NIC's option over a further 20% interest in the ENC HPAL project (over and above its targeted 55% interest); and
- Exploration and development updates on the Siduarsari Nickel-Cobalt project in Papua province, Indonesia.

## NIC vs the ASX Metals and Mining Index

**Figure 1 - NIC relative share price performance vs ASX Metals and Mining Index (XMM)**



SOURCE: IRESS

# Nickel Industries Limited (NIC)

## Company description: fully integrated NPI producer

Nickel Industries Limited ('Nickel Industries' or 'NIC') was formed in 2007 and listed on the ASX in 2018 as Nickel Mines Ltd. Its operations are focused in Indonesia, where it holds an 80% interest four Rotary Kiln Electric Furnace (RKEF) NPI production lines (the two Hengjaya lines and the two Ranger lines), an 80% interest in the Oracle Nickel Project, comprising four new generation RKEF NPI production lines, a 10% interest in the Huayue Nickel Cobalt (HNC) HPAL project and a 55% interest in the Excelsior Nickel Cobalt (ENC) HPAL project which is under construction. All these projects are within the Indonesia Morowali Industrial Park (IMIP), a fully integrated stainless steel production facility in Central Sulawesi, Indonesia and in partnership with Shanghai Decent Investments (SDI) a subsidiary of Tsingshan Group, the world's largest stainless steel producer.

NIC also holds an 80% interest in the Angel Nickel Project, comprising four new generation RKEF NPI production lines currently in production within the Indonesia Weda Bay Industrial Park (IWIP) on Halmahera Island in Indonesia.

NIC also holds an 80% interest in Hengjaya Mine ('HM'), a high-grade, long-life nickel laterite deposit, in close proximity to the IMIP. The HM produces Direct Shipping Ore (DSO), the bulk of which is sold into the IMIP facility.

## Investment thesis – Buy, TP\$1.41/sh (from Buy,TP\$1.54/sh)

EPS changes in this report are: CY24: -57%; CY25: -18%; and CY26: +48%. Our NPV-based valuation drops 8% to \$1.41/sh on higher costs, lower CY24 production and a lower nickel price. NIC is one of the world's largest listed nickel producers and one of few that offers diversified exposure across a range of nickel products and markets. It continues to trade on undemanding valuation multiples, offers a supportive (unfranked) dividend and has demonstrated its ability to make money through the nickel price cycle. Retain Buy.

## Valuation: \$1.41/sh

Our 12-month forward NIC valuation incorporates DCF models of its attributable interests in the Hengjaya laterite nickel ore mine (HM), its 80% interests in the Hengjaya Nickel RKEF lines, the Ranger Nickel RKEF lines, Angel Nickel RKEF lines and Oracle Nickel RKEF lines.

We also include an NPV-based valuation for NIC's 10% interest in the HNC HPAL plant and a risk-adjusted NPV-based valuation for the ENC HPAL plant, which is currently under construction and in which NIC will hold a 55% interest.

We also include a notional value for other exploration and development projects, an estimate of corporate overhead costs and NIC's last reported net cash position. Our valuation is calculated on a fully diluted basis.

## Risks

Key risks to our investment case include (but are not limited to):

- **Funding and capital management risks:** Funding and capital management risks can include access to debt and equity finance, maintaining covenants on debt finance, managing dividend payments and managing debt repayments. Exploration and development companies with no sales revenues are reliant on access to equity markets and debt financing to fund the advancement and development of their projects.
- **Operating and development risks:** Mining companies' assets are subject to risks associated with their operation and development. Risks for each company can be heightened depending on method of operation (e.g. underground versus open pit mining) or whether it is a single mine company. Development of mining assets may be subject to receiving permits, approvals timelines or weather events, causing delays to commissioning and commercial production.
- **COVID-19 risks:** Mining companies rely on freedom of movement of workforces, functioning transport routes, reliable logistics services including road, rail, aviation and ports in order to maintain operations and get their products to market. They also rely on liquid, functioning markets to sell their products. Measures being put in place to combat the COVID-19 pandemic are posing risks to these conditions.
- **Operating and capital cost fluctuations:** The cost and availability of exploration, development and mining inputs can fluctuate widely and cause significant differences between planned and actual operating and capital costs. Key operating costs are linked to energy and labour costs as well as access to, and availability of, technical skills, operating equipment and consumables.
- **Commodity price and exchange rate fluctuations:** The future earnings and valuations of exploration, development and producing Resources companies are subject to fluctuations in underlying commodity prices and foreign currency exchange rates.
- **Resource growth and mine life extensions:** The viability of future operations and the earnings forecasts and valuations reliant upon them may depend upon resource and reserve growth to extend mine lives, which is in turn dependent upon exploration success, of which there are no guarantees.
- **Regulatory changes risks:** Changes to the regulation of infrastructure and taxation (among other things) can impact the earnings and valuation of mining companies. NIC's assets are located in Sulawesi, Indonesia, which has in the past implemented regulatory changes related to mining project ownership, fiscal terms and mineral export requirements.
- **Geopolitical risks:** Mining companies' assets are subject to geopolitical risks, arising from events in, and outside, the jurisdictions they operate in.
- **Sovereign risks:** Mining companies' assets are subject to the sovereign risks of the jurisdiction within which they are operating. NIC's assets are in Indonesia, a G20 country with one of the largest economies in SE Asia. Its sovereign debt is rated investment grade by the major ratings agencies.
- **Corporate/M&A risks:** Risks associated with M&A activity including differences between the entity's and the market's perception of value associated with completed transactions. NIC is the junior partner co-investing in production assets with a large, privately owned Chinese company. The strength and cohesiveness of this relationship over the long term has the potential to both add and reduce value to the partnership. A mitigating factor in this respect has been the +20% holding in NIC equity.

Table 3 - Financial summary

PROFIT AND LOSS						FINANCIAL RATIOS								
Year ending 31 Dec.	Unit	2022a	2023a	2024e	2025e	2026e	Year ending 31 Dec.	Unit	2022a	2023a	2024e	2025e	2026e	
<b>REVENUE</b>						<b>VALUATION</b>								
Revenue	US\$m	1,217.0	1,880.1	1,731.0	2,320.2	3,859.6	Attributable NPAT	US\$m	159.0	121.6	112.2	260.4	504.4	
Expense	US\$m	(882.4)	(1,476.8)	(1,341.7)	(1,694.1)	(2,761.2)	Attributable NPAT	A\$m	228.3	183.0	169.0	372.0	720.5	
<b>EBITDA</b>	<b>US\$m</b>	<b>334.6</b>	<b>403.3</b>	<b>389.4</b>	<b>626.1</b>	<b>1,098.4</b>	Reported EPS	US¢/sh	5.9	3.6	2.6	6.1	11.8	
Depreciation	US\$m	(66.6)	(111.7)	(116.7)	(128.5)	(188.2)	Reported EPS	A¢/sh	8.5	5.4	3.9	8.7	16.8	
EBIT	US\$m	268.0	291.7	272.7	497.6	910.2	Adjusted EPS	A¢/sh	8.5	5.4	3.9	8.7	16.8	
Net interest expense	US\$m	(32.8)	(55.6)	(65.8)	(72.7)	(62.2)	EPS growth	%	17%	-37%	-27%	120%	94%	
Unrealised gains (Impairments)	US\$m	-	-	-	-	-	PER <sup>1</sup>	x	10.0x	15.9x	21.7x	9.8x	5.1x	
Other	US\$m	(18.2)	(32.8)	(23.9)	(35.6)	(40.6)	DPS	A¢/sh	4.0	4.5	4.5	5.0	9.0	
<b>PBT</b>	<b>US\$m</b>	<b>217.0</b>	<b>203.3</b>	<b>183.0</b>	<b>389.3</b>	<b>807.4</b>	Franking	%	0%	0%	0%	0%	0%	
Tax expense	US\$m	(7.7)	(27.1)	(22.7)	(28.0)	(34.1)	Yield	%	4.7%	5.3%	5.3%	5.8%	10.5%	
Consolidated profit (loss) for the year	US\$m	209.4	176.2	160.3	361.3	773.3	FCF/share	A¢/sh	(19.7)	(40.8)	(6.5)	9.8	35.4	
Non-Controlling Interest	US\$m	50.4	54.6	48.1	100.9	268.9	FCF yield	%	-23%	-48%	-8%	11%	41%	
<b>Attributable NPAT (reported)</b>	<b>US\$m</b>	<b>159.0</b>	<b>121.6</b>	<b>112.2</b>	<b>260.4</b>	<b>504.4</b>	P/FCF	x	-4.4x	-2.1x	-13.2x	8.7x	2.4x	
NPAT (underlying)	US\$m	159.0	121.6	112.2	260.4	504.4	EV/EBITDA	x	9.0x	7.5x	7.8x	4.8x	2.8x	
<b>CASH FLOW</b>						<b>LIQUIDITY &amp; LEVERAGE</b>								
<b>OPERATING CASHFLOW</b>						<b>LIQUIDITY &amp; LEVERAGE</b>								
Receipts	US\$m	1,203.3	1,763.1	1,886.4	2,261.3	3,705.7	Net debt (cash)	\$m	415	66	378	233	(558)	
Payments	US\$m	(1,079.8)	(1,485.2)	(1,199.0)	(1,606.0)	(2,494.4)	ND / E	%	32%	3%	16%	9%	-20%	
Tax	US\$m	(58.2)	(56.4)	(51.0)	(58.3)	(68.6)	ND / (ND + E)	%	24%	3%	14%	8%	-25%	
Net interest	US\$m	1.0	11.7	(65.8)	(72.7)	(62.2)	Attr. EBITDA / Interest	x	8.4x	6.2x	5.0x	6.8x	12.4x	
Other	US\$m	(3.3)	(3.5)	-	-	-	<b>ATTRIBUTABLE DATA - NICKEL MINES LTD</b>							
<b>Operating cash flow</b>	<b>US\$m</b>	<b>63.0</b>	<b>229.8</b>	<b>570.7</b>	<b>524.3</b>	<b>1,080.5</b>	<b>Year ending 31 Dec.</b>	<b>Unit</b>	<b>2022a</b>	<b>2023a</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>	
<b>INVESTING CASHFLOW</b>						<b>MINERAL RESOURCES</b>								
Property, plant and equipment	US\$m	(9.4)	(19.1)	(75.4)	(229.5)	(18.9)	Revenues	US\$m	1,070.6	1,661.0	1,593.3	2,047.2	2,930.1	
Mine development	US\$m	(110.4)	(179.9)	-	-	-	EBITDA	US\$m	273.9	342.5	329.1	492.1	768.3	
Exploration & evaluation	US\$m	-	(24.9)	-	-	-	NPAT	US\$m	159.0	121.6	112.2	260.4	504.4	
Other	US\$m	(310.2)	(929.2)	-	-	-	Net distributable cash flow	US\$m	5.6	124.1	(232.1)	85.3	577.4	
<b>Investing cash flow</b>	<b>US\$m</b>	<b>(430.0)</b>	<b>(1,153.1)</b>	<b>(754.5)</b>	<b>(229.5)</b>	<b>(18.9)</b>	EV/EBITDA	x	11.8	9.0	9.4	6.6	4.2	
Free Cash Flow	US\$m	(367.0)	(923.3)	(183.8)	294.8	1,061.6	PER	x	10.0	15.9	21.7	9.8	5.1	
<b>FINANCING CASHFLOW</b>						<b>ORE RESERVE AND MINERAL RESOURCE</b>								
Share issues/(buy-backs)	US\$m	106.0	828.9	-	-	-	<b>Hengjaya Nickel Mine (HM)</b>					<b>Mdmt</b>	<b>% Ni</b>	<b>t Ni</b>
Debt proceeds	US\$m	230.3	580.5	300.0	-	-	<b>Mineral Resources</b>							
Debt repayments	US\$m	(5.6)	(315.5)	(246.0)	(50.0)	(150.0)	Measured					20,000	1.30%	260,000
Distributions to non-controlling interests	US\$m	(28.1)	(38.9)	-	-	-	Indicated					109,000	1.30%	1,417,000
Dividends	US\$m	(72.7)	(85.6)	(128.1)	(150.0)	(270.0)	Inferred					56,000	1.30%	728,000
Other	US\$m	143.3	91.6	-	-	-	<b>Total</b>					<b>185,000</b>	<b>1.30%</b>	<b>2,405,000</b>
<b>Financing cash flow</b>	<b>US\$m</b>	<b>373.2</b>	<b>1,061.2</b>	<b>(74.1)</b>	<b>(200.0)</b>	<b>(420.0)</b>	<b>ASSUMPTIONS - Prices</b>							
Change in cash	US\$m	6.2	137.8	(257.8)	94.8	641.6	<b>Year ending 31 Dec. (avg)</b>	<b>Unit</b>	<b>2022a</b>	<b>2023a</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>	
<b>BALANCE SHEET</b>						<b>ASSUMPTIONS - Production &amp; costs</b>								
<b>ASSETS</b>						<b>Hengjaya Mine</b>								
Cash & short term investments	US\$m	144.2	778.8	521.0	615.8	1,257.3	Ore mined	wmt	3,782,554	5,755,588	7,500,000	9,100,000	9,100,000	
Accounts receivable	US\$m	235.6	429.9	274.5	333.4	487.3	Ore grade	% Ni	1.7%	1.6%	1.5%	1.5%	1.5%	
Property, plant & equipment	US\$m	1,922.1	1,836.8	2,474.5	2,575.5	2,406.2	Nickel in ore	t Ni	45,838	52,238	52,925	65,250	65,250	
Mine development expenditure	US\$m	-	-	-	-	-	Nickel in ore (attributable)	t Ni	36,670	41,790	42,340	52,200	52,200	
Exploration & evaluation	US\$m	-	24.9	24.9	24.9	24.9	<b>RKEF + HPAL ops</b>							
Other	US\$m	370.6	1,001.0	1,001.0	1,001.0	1,001.0	NPI production	t	509,127	970,209	1,052,198	1,040,000	1,040,000	
<b>Total assets</b>	<b>US\$m</b>	<b>2,672.5</b>	<b>4,071.3</b>	<b>4,295.9</b>	<b>4,550.6</b>	<b>5,176.8</b>	NPI nickel (attributable)	t Ni	55,993	104,240	112,165	114,404	114,404	
<b>LIABILITIES</b>						<b>HPAL nickel (attributable)</b>								
Accounts payable	US\$m	177.2	192.8	335.4	423.5	690.3	-	3,233	8,073	13,997	48,762			
Income tax payable	US\$m	21.2	26.1	22.7	28.0	34.1	<b>Costs</b>							
Borrowings	US\$m	559.3	845.0	899.0	849.0	699.0	RKEF costs	US\$/t Ni	\$13,483	\$11,503	\$9,950	\$11,380	\$11,882	
Other	US\$m	100.3	100.8	99.8	99.8	99.8	HPAL costs	US\$/t Ni	-	\$10,424	\$10,108	\$10,461	\$10,723	
<b>Total liabilities</b>	<b>US\$m</b>	<b>858.0</b>	<b>1,164.7</b>	<b>1,357.0</b>	<b>1,400.4</b>	<b>1,523.3</b>	<b>VALUATION</b>							
<b>SHAREHOLDER'S EQUITY</b>						<b>Ordinary shares (m)</b>								
Share capital	US\$m	942.4	2,032.9	2,032.9	2,032.9	2,032.9							4,285.8	
Reserves	US\$m	19.1	19.1	19.1	19.1	19.1	Options in the money (m)							-
Retained earnings	US\$m	337.0	373.1	357.2	467.6	702.0	<b>Total shares diluted (m)</b>							4,285.8
<b>Total equity to NIC holders</b>	<b>US\$m</b>	<b>1,298.6</b>	<b>2,425.1</b>	<b>2,409.2</b>	<b>2,519.6</b>	<b>2,754.0</b>	<b>Valuation</b>	<b>Current</b>	<b>+12 months</b>	<b>+24 months</b>				
Non-controlling interest	US\$m	515.9	481.6	529.7	630.6	899.5	<b>Sum-of-the-parts</b>	<b>A\$m</b>	<b>A\$/sh</b>	<b>A\$m</b>	<b>A\$/sh</b>	<b>A\$m</b>	<b>A\$/sh</b>	
<b>Total equity</b>	<b>US\$m</b>	<b>1,814.5</b>	<b>2,906.6</b>	<b>2,938.9</b>	<b>3,150.2</b>	<b>3,653.5</b>	IMIP RKEF (NPV12)	1,031.7	0.24	972.7	0.23	1,000.8	0.23	
Weighted average shares	m	2,681.5	3,407.1	4,285.8	4,285.8	4,285.8	ANI RKEF (NPV12)	1,387.4	0.32	1,431.5	0.33	1,417.9	0.33	
<b>CAPITAL STRUCTURE</b>						<b>Costs</b>								
Shares on issue	m					4,285.8	ONi RKEF (NPV12)	395.4	0.09	1,069.9	0.25	1,362.4	0.32	
Other	m					0.0	Hengjaya Mine (NPV12)	319.4	0.07	358.8	0.08	360.9	0.08	
<b>Total shares on issue</b>	<b>m</b>					<b>4,285.8</b>	HNC HPAL (NPV12)	165.2	0.04	558.5	0.13	573.7	0.13	
Share price	A\$/sh					0.855	ENC HPAL (NPV12)	2,488.0	0.58	2,488.0	0.58	2,488.0	0.58	
Market capitalisation	A\$m					3,664.4	Other exploration	600.0	0.14	600.0	0.14	600.0	0.14	
Net cash	A\$m					-995.7	Corporate overheads	(978.9)	(0.23)	(1,071.9)	(0.25)	(1,168.2)	(0.27)	
<b>Enterprise value (undiluted)</b>	<b>A\$m</b>					<b>4,660.1</b>	Subtotal (EV)	5,408.2	1.26	6,407.6	1.50	6,635.6	1.55	
Options outstanding (m)	m					0.0	Net cash (debt)	(995.7)	(0.23)	(378.1)	(0.09)	(233.2)	(0.05)	
Options (in the money)	m					0.0	<b>Total (undiluted)</b>	<b>4,412.5</b>	<b>1.03</b>	<b>6,029.6</b>	<b>1.41</b>	<b>6,402.4</b>	<b>1.49</b>	
Issued shares (diluted for options)	m					4,285.8	Dilutive effect of options							
Market capitalisation (diluted)	A\$m					3,664.4	Add cash from options							
Net cash + options	A\$m					-995.7	<b>Total (diluted)</b>	<b>4,412.5</b>	<b>1.03</b>	<b>6,029.6</b>	<b>1.41</b>	<b>6,402.4</b>	<b>1.49</b>	
<b>Enterprise value (diluted)</b>	<b>A\$m</b>					<b>4,660.1</b>	<b>MAJOR SHAREHOLDERS</b>							
<b>SHAREHOLDER</b>						<b>%</b>	<b>m</b>							
Shanghai Decent (SDI)						22.7%	972.8							
PT United Tractors (conditional placement)						20.0%	857.0							
Tanito Group (PT Karunia)						8.5%	366.1							
L1 Capital						5.7%	245.9							
BlackRock Investment Management						5.1%	217.1							

SOURCE: BELL POTTER SECURITIES ESTIMATES

**Recommendation structure**

**Buy:** Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

**Hold:** Expect total return between -5% and 15% on a 12 month view

**Sell:** Expect <-5% total return on a 12 month view

*Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.*

*Such investments may carry an exceptionally high level of capital risk and volatility of returns.*

**Research Team**

Staff Member	Title/Sector	Phone	@bellpotter.com.au
Chris Savage	Head of Research/Industrials	612 8224 2835	csavage
Rob Crookston	Strategy	612 8224 2813	rcrookston
<b>Analysts</b>			
John Hester	Healthcare	612 8224 2871	jhester
Martyn Jacobs	Healthcare	613 9235 1683	mjacobs
Thomas Wakim	Healthcare	612 8224 2815	twakim
Michael Ardrey	Industrials	613 9256 8782	mardrey
Marcus Barnard	Industrials	618 9326 7673	mbarnard
Sam Brandwood	Industrials	612 8224 2850	sbrandwood
Joseph House	Industrials	613 9325 1624	jhouse
Baxter Kirk	Industrials	613 9235 1625	bkirk
Daniel Laing	Industrials	612 8224 2886	dlaing
Hayden Nicholson	Industrials	613 9235 1757	hnicholson
Chami Ratnapala	Industrials	612 8224 2845	cratnapala
Jonathan Snape	Industrials	613 9235 1601	jsnape
Connor Eldridge	Real Estate	612 8224 2893	celdridge
Andy MacFarlane	Real Estate	612 8224 2843	amacfarlane
Regan Burrows	Resources	618 9236 7677	rburrows
David Coates	Resources	612 8224 2887	dcoates
Stuart Howe	Resources	613 9325 1856	showe
Brad Watson	Resources	618 9326 7672	bwatson
James Williamson	Resources	613 9235 1692	jwilliamson
<b>Associates</b>			
Leo Armati	Associate Analyst	612 8224 2846	larmati
Kion Sapountzis	Associate Analyst	613 9235 1824	ksapountzis
Ritesh Varma	Associate Analyst	613 9235 1658	rvarma

**Research Coverage & Policies**

For Bell Potter Securities' Research Coverage Decision Making Process and Research Independence Policy please refer to our company website: <https://bellpotter.com.au/research-independence-policy/>.

**Authoring Research Analyst's Certification**

The Authoring Research Analyst is responsible for the content of this Research Report, and, certifies that with respect to each security that the Analyst covered in this Report (1) all the views expressed accurately reflect the Analyst's personal views about those securities and were prepared in an independent manner and (2) no part of the Analyst's compensation was, is or will be, directly or indirectly, related to specific recommendations or views expressed by that Research Analyst in the Research Report.

**Research Analyst's Compensation**

Research Analyst's compensation is determined by Bell Potter Securities Research Management and Bell Potter Securities' Senior Management and is based upon activities and services intended to benefit the investor clients of Bell Potter Securities Ltd. Compensation is not linked to specific transactions or recommendations. Like all Company employees Research Analysts receive compensation that is impacted by overall Company profitability.

**Prices**

The Price appearing in the Recommendation panel on page 1 of the Research Report is the Closing Price on the Date of the Research Report (appearing in the top right hand corner of page 1 of the Research Report), unless a before midday (am) time appears below the Date of the Research Report in which case the Price appearing in the Recommendation panel will be the Closing Price on the business day prior to the Date of the Research Report.

**Availability**

The completion and first dissemination of a Recommendation made within a Research Report are shortly after the close of the Market on the Date of the Research Report, unless a before midday (am) time appears below the Date of the Research Report in which case the Research Report will be completed and first disseminated shortly after that am time.

**Dissemination**

Bell Potter generally disseminates its Research to the Company's Institutional and Private Clients via both proprietary and non-proprietary electronic distribution platforms. Certain Research may be disseminated only via the Company's proprietary distribution platforms; however such Research will not contain changes to earnings forecasts, target price, investment or risk rating or investment thesis or be otherwise inconsistent with the Author's previously published Research. Certain Research is made available only to institutional investors to satisfy regulatory requirements. Individual Bell Potter Research Analysts may also opt to circulate published Research to one or more Clients by email; such email distribution is discretionary and is done only after the Research has been disseminated. The level and types of service provided by Bell Potter Research Analysts to Clients may vary depending on various factors such as the Client's individual preferences as to frequency and manner of receiving communications from Analysts, the Client's risk profile and investment focus and perspective (e.g. market-wide, sector specific long term and short term etc.) the size and scope of the overall Client relationship with the Company and legal and regulatory constraints.



**Disclaimers**

This Research Report is a private communication to Clients and is not intended for public circulation or for the use of any third party, without the prior written approval of Bell Potter Securities Limited.

The Research Report is for informational purposes only and is not intended as an offer or solicitation for the purpose of sale of a security. Any decision to purchase securities mentioned in the Report must take into account existing public information on such security or any registered prospectus.

This is general investment advice only and does not constitute personal advice to any person. Because this Research Report has been prepared without consideration of any specific client's financial situation, particular needs and investment objectives ('relevant personal circumstances'), a Bell Potter Securities Limited Broker (or the financial services licensee, or the representative of such licensee, who has provided you with this report by arrangement with Bell Potter Securities Limited) should be made aware of your relevant personal circumstances and consulted before any investment decision is made on the basis of this Research Report.

While this Research Report is based on information from sources which are considered reliable, Bell Potter Securities Limited has not verified independently the information contained in this document and Bell Potter Securities Limited and its directors, employees and consultants do not represent, warrant or guarantee expressly or impliedly, that the information contained in this Research Report is complete or accurate.

Nor does Bell Potter Securities Limited accept any responsibility for updating any advice, views, opinions or recommendations contained in this Research Report or for correcting any error or omission which may have become apparent after the Research Report has been issued.

Bell Potter Securities Research Department has received assistance from the Company referred to in this Research Report including but not limited to discussions with management of the Company. Bell Potter Securities Policy prohibits Research Analysts sending draft Recommendations, Valuations and Price Targets to subject companies. However, it should be presumed that the Author of the Research Report has had discussions with the subject Company to ensure factual accuracy prior to publication.

All opinions, projections and estimates constitute the judgement of the Author as of the Date of the Research Report and these, plus any other information contained in the Research Report, are subject to change without notice. Prices and availability of financial instruments also are subject to change without notice.

Notwithstanding other departments within Bell Potter Securities Limited advising the subject Company, information obtained in such role is not used in the preparation of the Research Report.

Although Bell Potter Research does not set a predetermined frequency for publication, if the Research Report is a fundamental equity research report it is the intention of Bell Potter Research to provide research coverage of the covered issuers, including in response to news affecting the issuer. For non-fundamental Research Reports, Bell Potter Research may not provide regular updates to the views, recommendations and facts included in the reports.

Notwithstanding that Bell Potter maintains coverage on, makes recommendations concerning or discusses issuers, Bell Potter Research may be periodically restricted from referencing certain Issuers due to legal or policy reasons. Where the component of a published trade idea is subject to a restriction, the trade idea will be removed from any list of open trade ideas included in the Research Report. Upon lifting of the restriction, the trade idea will either be re-instated in the open trade ideas list if the Analyst continues to support it or it will be officially closed.

Bell Potter Research may provide different research products and services to different classes of clients (for example based upon long-term or short term investment horizons) that may lead to differing conclusions or recommendations that could impact the price of a security contrary to the recommendations in the alternative Research Report, provided each is consistent with the rating system for each respective Research Report.

Except in so far as liability under any statute cannot be excluded, Bell Potter Securities Limited and its directors, employees and consultants do not accept any liability (whether arising in contract, in tort or negligence or otherwise) for any error or omission in the document or for any resulting loss or damage (whether direct, indirect, consequential or otherwise) suffered by the recipient of the document or any other person.

In the USA and the UK this Research Report is only for institutional investors. It is not for release, publication or distribution in whole or in part in the two specified countries. In Hong Kong this Research Report is being distributed by Bell Potter Securities (HK) Limited which is licensed and regulated by the Securities and Futures Commission, Hong Kong. In the United States this Research Report is being distributed by Bell Potter Securities (US) LLC which is a registered broker-dealer and member of FINRA. Any person receiving this Research Report from Bell Potter Securities (US) LLC and wishing to transact in any security described herein should do so with Bell Potter Securities (US) LLC.

Disclosure: Bell Potter Securities acted as Joint Lead Manager and Underwriter to the US\$185m Institutional Placement of January 2023 and received fees for that service.

**Bell Potter Securities Limited**  
 ABN 25 006 390 772  
 Level 29, 101 Collins Street  
 Melbourne, Victoria, 3000  
 Telephone +61 3 9256 8700  
 www.bellpotter.com.au

**Bell Potter Securities (HK) Limited**  
 Room 1601, 16/F  
 Prosperity Tower, 39 Queens  
 Road Central, Hong Kong, 0000  
 Telephone +852 3750 8400

**Bell Potter Securities (US) LLC**  
 Floor 39  
 444 Madison Avenue, New York  
 NY 10022, U.S.A  
 Telephone +1 917 819 1410

**Bell Potter Securities (UK) Limited**  
 16 Berkeley Street London, England  
 W1J 8DZ, United Kingdom  
 Telephone +44 7734 2929