NICKEL MINES LIMITED
and its controlled entities

A.B.N. 44 127 510 589

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED
31 DECEMBER 2018

Contents

DIRECTOR'S 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 31 December 2018 and the Auditors' review report thereon.

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
Yuanyuan Xu – Non-Executive Director since 26 April 2018

RESULTS (all amounts in US$ unless otherwise stated)
The loss of the Group for the half year after providing for income tax amounted to $1,676,193 (2017 - loss of $635,888).

REVIEW OF OPERATIONS

During and following the half year ended 31 December 2018 significant milestones were achieved as follows:

Highlights:

- Successful completion of the Company's Initial Public Offering ('IPO'), with A$200 million being raised through the issue of 571,428,572 shares at A$0.35 each, with the Company being admitted to the ASX Official List on 20 August 2018.
- Following successful completion of the Company's IPO, Nickel Mines exercised its option to acquire a further 35% interest in the 2-line Rotary Kiln Electric Furnace ('RKEF') plant being constructed within the Indonesia Morowali Industrial Park ('IMIP') ('Hengjaya Nickel Project'), taking Nickel Mines' interest to 60%. The Company paid $70 million to Shanghai Decent Investment (Group) Co., Ltd., ('Shanghai Decent'), a Tsingshan group company in cash to acquire the additional 35% interest.
- In November 2018 the Company announced the conversion of a non-binding Memorandum of Understanding ('MoU') with Shanghai Decent to acquire an interest in two additional RKEF lines ('Ranger Nickel Project') into a binding Collaboration Agreement ('CA'). Subsequently, in November 2018 the Group completed the first acquisition under the CA, acquiring 17% of the Ranger Nickel Project for $50 million.
- During the half year ended 31 December 2018 a total of 249,168 wet metric tonnes ('wmt') of nickel ore were mined at the Group's 80% owned Hengjaya Nickel Mine ('HM') with an average stripping ratio of 1.8. A total of 245,327 wmt were sold during the half year at an average grade of 2.02% nickel.
- In November 2018, the Company announced that the Hengjaya Nickel Project was to receive material relief from Indonesian corporate income tax.
- In December 2018, the Company signed an MoU to supply limonite ore to a new High Pressure Acid Leach ('HPAL') plant recently announced to be constructed within the IMIP.
- On 31 January 2019, commissioning of the Hengjaya Nickel Project commenced, well ahead of construction schedule.

IMIP OPERATIONS
Hengjaya Nickel Project (60% interest held by Nickel Mines)

Ownership interest increased to 60%

During the half year, in accordance with its rights under its Collaboration and Subscription Agreement ('CSA'), the Company acquired a further 35% of the issued and paid-up share capital of Hengjaya Holdings Private Limited ('Hengjaya Holdings'), an intermediary company which owns 100% of the Hengjaya Nickel Project, for US$70 million. The purchase price was fully funded by proceeds from the Company's IPO and resulted in the Company's interest in the 2-line RKEF plant increasing to 60%. Nickel Mines has a 12 month call option from the date on which the first nickel pig iron is produced from the Hengjaya Nickel Project to increase its ownership of Hengjaya Holdings up to 100% for an additional amount of up US$120 million.

Construction update and commencement of NPI production

Subsequent to the end of the half year the Company announced that the Hengjaya Nickel Project has commenced commissioning. On 31 January 2019, Shanghai Decent, the Company's operating partner and 40% equity holder in the project advised that first nickel pig iron ('NPI') had been produced from one of Hengjaya Nickel's two rotary kilns in a maiden production run. Hengjaya Nickel's first kiln is expected to reach at least 80% of nameplate capacity by early April 2019. The second kiln is anticipated to commence commissioning in early March and is expected to reach at least 80% of capacity in early May 2019. Ramp-up to full scale production is anticipated to be achieved shortly thereafter.

The Hengjaya Nickel Project's commissioning showing the flow of molten NPI

Corporate Income Tax Relief

During the half year, the Minister of Finance of the Republic of Indonesia granted the Company's Indonesian operating entity, PT Hengjaya Nickel Industry ('Hengjaya Nickel'), material corporate income tax relief for its Hengjaya Nickel Project.

Notice of the tax relief was communicated to the Company by official decree from the Minister of Finance of the Republic of Indonesia on the basis that Hengjaya Nickel had "met the criteria and requirements for the reduction of corporate income tax as regulated in Article 3 of the Regulation of the Minister of Finance Number 35/PMK.101/2018 concerning Provision of Corporate Income Tax Reduction Facilities".

The corporate income tax reduction is as follows:

- a Corporate Income Tax Reduction of 100% for a period of seven tax years, starting from the tax year in which commercial production is achieved;
- a Corporate Income Tax Reduction of 50% of payable income tax for a period of two tax years, starting from the end of the initial seven year period; and
- exemption from withholding and tax collection by third parties on sales proceeds that would normally be remitted to the Indonesian Revenue Department for a period of seven years, also commencing from the tax year in which commercial production is achieved.

It should be noted that these concessions may be revoked and are maximum periods that may be amended or adjusted if certain conditions are not met, the most important condition being the satisfaction of a minimum investment realisation which Hengjaya Nickel comfortably exceeds.

Subsequent to the end of the half year, Hengjaya Nickel was issued an Industrial Business Licence ('Izin Usaha Industri' or 'IUI') by the Online Single Submission Management and Organizing Agency of the Government of Indonesia.

Issuance of the IUI signifies that Hengjaya Nickel has fulfilled all commitments and obtained all approvals required by the Government of Indonesia for commercial operation of the Hengjaya Nickel Project, including the production of NPI and the marketing, selling and receiving of payment for the NPI it produces. The IUI remains valid for the life of the Hengjaya Nickel Project so long as Hengjaya Nickel continues to comply with all applicable laws and regulations.

Ranger Nickel Project (17% interest held by Nickel Mines)

Execution of Collaboration Agreement and Acquisition of 17% interest

During the half year, the Company elevated an MoU to an executed binding Collaboration Agreement ('CA') with its partner Shanghai Decent to acquire up to an 80% equity interest in 2 additional RKEF lines currently under construction within the IMIP.

The additional RKEF lines, the Ranger Nickel Project, will be owned under a replica structure to the Company's Hengjaya Nickel Project with Nickel Mines acquiring its interest through a Singaporean incorporated holding company, Ranger Investment Private Limited ('Ranger') that will wholly own an Indonesian incorporated PMA operating company, PT Ranger Nickel Industry ('Ranger Nickel') that will wholly own the Ranger Nickel Project.

The CA provides for Nickel Mines to acquire its interest in the three tranches:

- An initial acquisition, the 'First Acquisition', saw Nickel Mines acquire an initial interest of 17% in Ranger and 17% of all shareholder loans due to Shanghai Decent (and its affiliates) at a cost of US$50 million (based on a valuation of US$300 million).
- A 'Second Acquisition Option', will permit Nickel Mines to increase its interest in Ranger and in the total shareholder loans to between 51% and 60% before 31 December 2019. If the Second Acquisition is completed within 60 days after the first batch of NPI is produced from the Ranger Nickel Project, the additional percentage acquired will be calculated based on a discounted valuation of US$280 million. If the Second Acquisition is completed more than 60 days after the first batch of NPI is produced from the Ranger Nickel Project, the additional percentage acquired will be calculated based on a valuation of US$300 million.

- Conditional upon completion of the Second Acquisition Option, a 'Third Acquisition Option', will permit Nickel Mines to increase its interest in Ranger and in the total shareholder loans to up to 80% within 18 months of the first batch of NPI being produced from the Ranger Nickel Project. Any additional interest acquired under the Third Acquisition Option will be calculated based on a valuation of US$300 million.

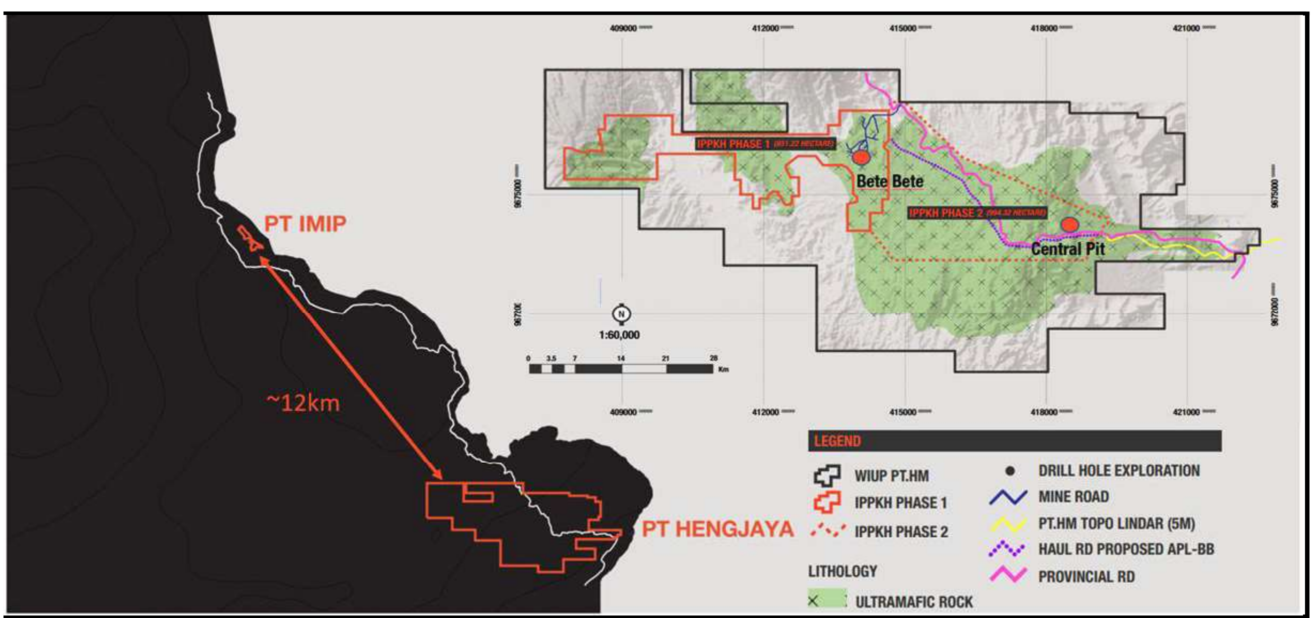
The terms of the CA provide for Shanghai Decent to take a lead role in the design, construction and operation of the Ranger Nickel Project, with an annual production capacity of no less than 14,000 tonnes of equivalent contained nickel, to be funded by Shanghai Decent (or its affiliates) by way of shareholder loans to Ranger and for construction to be completed within 20 months from the date of the CA.

Construction Update

The execution of the CA not only secured Nickel Mines an interest in an additional 2 RKEF lines but it has also seen Shanghai Decent further expedite their construction progress. By the end of the half year, all component equipment had been shipped to the IMIP ahead of assembly with the Ranger Nickel Project. Subsequent to the end of the year Shanghai Decent advised that an expedited schedule will now see the first kiln of the Ranger Nickel Project ready to commence commissioning in April 2019 with the second kiln to commence commissioning a month later in May, well ahead of previous guidance.

MOU to Supply Limonite Ore to New HPAL Plant

In December 2018, the Company signed an MoU to supply limonite ore to a new High Pressure Acid Leach ('HPAL') plant recently announced to be constructed within the IMIP. In September 2018, a consortium including two Tsingshan group companies, announced the planned construction of a new HPAL plant within the IMIP with an annual nameplate output of 50,000t of nickel and 4,000t of cobalt. Nickel production will be in the form of nickel intermediates that will be used to produce both nickel sulphate and nickel hydroxides to be sold into the burgeoning electric vehicle ('EV') battery market. Unlike the IMIP's RKEFs which require saprolite ore (>1.8% nickel), the HPAL plant will utilise a lower grade limonite ore (~1.0% nickel) for which the Company's 80% owned Hengjaya Mine is ideally placed to supply, being located ~12km south of the IMIP.



Map showing HM Mine proximity to the IMIP

The opportunity to supply limonite ore to the new HPAL plant will enable the Company to optimise and extract further significant value from its Hengjaya Mine resource. Where mining to date has seen the ore body's limonite layer removed as overburden to reach the higher grade saprolite ore, the ability to now monetise this lower grade limonite material (comprising both nickel and cobalt) will materially improve the efficiency of the Hengjaya Mine operations, lower mining costs and improve profitability.

Volume and pricing terms contemplated in the MoU remain commercial in confidence. Exclusivity to provide ore to the HPAL plant is not possible due to normal supply-risk management considerations.

In addition to the supply of limonite ore, the MoU also contemplates the potential for Nickel Mines' future equity participation in the HPAL plant, offering the Company significant diversity into the rapidly growing nickel sulphate and hydroxide markets.

The Company will continue to work closely with Tsingshan to progress this MoU into a binding definitive agreement as the HPAL plant nears completion and commissioning.

HENGJAYA MINE OPERATIONS

Hengjaya Mine (80% interest held by Nickel Mines)

Aerial image of the Hengjaya Mine

About the Hengjaya Mine

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, members of the Wijoyo Family.

The mine is located in the Morowali Regency, Central Sulawesi, Indonesia within an IUP licence covering 6,249 hectares. The IUP holds a 20 year mining operation/production licence with two further 10 year extension periods.

The Hengjaya Mine is one of the largest tonnage, high grade operations in close proximity to the IMIP in central Sulawesi. Using a 1.0% nickel cut-off grade, the Hengjaya Mine hosts a JORC compliant resource of 180 million dry tonnes at 1.3% nickel and 0.08% cobalt, containing 2.3 million tonnes of contained nickel and 140,000 tonnes of contained cobalt as follows:

Category	Dry Tonnes (million)	Ni (%)	Co (%)	Fe (%)
Measured	6.9	1.2	0.07	23
Indicated	50	1.4	0.07	26
Inferred	120	1.3	0.08	29
Total	180	1.3	0.08	28

Resources at the Hengjaya Mine are not fully defined and further exploration activities have commenced.

Production Report

Sales for the half year totalled 245,327 wet metric tonnes ('wmt') at an average grade of 2.02%. Grade is being incrementally decreased to meet the 1.9% RKEF feed grade and to maximise Bete Bete resources.

Production totalled 249,168 wmt for the quarter at an average stripping ratio of 1.8. Two new pits in the Bete Bete mining area were opened up bringing the total available pits to four.

		September Quarter Total	December Quarter Total	Half Year Total
Tonnes mined	wmt	125,992	123,176	249,168
Overburden mined	Bcm	201,093	254,604	455,697
Strip ratio	Bcm/wmt	1.6	2.1	1.8
Tonnes sold	wmt	105,620	139,707	245,327
Average grade	%	2.04	2.02	2.02
Average price received	US$/t	32.44	31.78	31.79
Average cost of production	CIF US$/t	22.70	25.55	24.10

The Company received final approval to access the new mine area in IPPKH Phase 2 (994.32 hectares) in December 2018. The construction of the new haul road, linking the jetty to Bete Bete and IPPKH 2 along with commencement of mining pre-stripping is planned for early 2019 followed by first ore mining which will enhance production and open up additional mining areas during the ramp up period.

Expansion activities continued including land compensation and clearing, completion of a new jetty stockpile area to allow capacity for increased production and civil works on expansion of the jetty.

To commence the production ramp up at the Hengjaya mine, additional mining trucks and excavators arrived on site in December and more equipment is scheduled to follow.

Exploration

Ground penetrating radar ('GPR') work was completed to the north and east of the current Bete Bete mining blocks ('Bete Bete extension') in area covering 120 hectares. Initial interpretation indicates significant resource upside potential in the Bete Bete extension with rocky saprolite thicknesses logged up to 10+ metres thickness. The GPR will be followed up with a detailed infill drilling program in the coming months.

CORPORATE

Initial Public Offering

During the half year, the Company completed an A$200 million IPO and was admitted to the Official List of the ASX on 20 August 2018. The raising was one of the largest resources industry IPOs on the ASX in the last decade.

The IPO saw the issue of 571,428,572 new fully paid ordinary shares at A$0.35 giving the Company an implied market capitalisation of A$486 million at the IPO Offer Price.

SUBSEQUENT EVENTS

- In January 2019 the Company provided a $9 million working capital loan to Hengjaya Nickel during the commissioning phase. Interest is charged at a rate of 6% p.a.
- On 31 January 2019, commissioning of the Hengjaya Nickel Project commenced.

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 10 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 31 December 2018.

Signed in accordance with a resolution of the Directors.

R. C. Neale

Robert Neale
Chairman
Sydney, 28 February 2019

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 31 December 2018 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

KPMG

Stephen Board

Partner

Brisbane

28 February 2019

NICKEL MINES LIMITED
and its controlled entities

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2018

US$	Notes	6 months to 31 December 2018 $	6 months to 31 December 2017 $
Nickel ore sales revenue		8,107,120	9,148,048
Cost of sales		(5,988,684)	(6,122,781)
Gross profit		2,118,436	3,025,267
Administration and consultants' expenses		(1,303,875)	(1,207,287)
Depreciation and amortisation		(41,674)	(43,802)
Other charges		(56,428)	-
Share of loss of equity accounted investee	10	(72,620)	-
Agency fee charges		-	(1,800,000)
Other expenses	4	(433,598)	(125,356)
Results from operating activities		210,241	(151,178)
Financial income	5	171,370	91,466
Financial expense	5	(1,605,850)	(576,176)
Finance costs		(1,434,480)	(484,710)
Loss before income tax		(1,224,239)	(635,888)
Income tax expense		(451,954)	-
Loss for the period		(1,676,193)	(635,888)
Other comprehensive income		-	-
Total comprehensive loss for the period		(1,676,193)	(635,888)
Loss attributable to:			
Owners of the Company		(1,939,163)	(1,195,357)
Non-controlling interest		262,970	559,469
Loss for the period		(1,676,193)	(635,888)
Total comprehensive loss attributable to:			
Owners of the Company		(1,939,163)	(1,195,357)
Non-controlling interest		262,970	559,469
Total comprehensive loss for the period		(1,676,193)	(635,888)
Earnings per share			
Basic and diluted loss per share (cents)	7	(0.16)	(0.37)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

NICKEL MINES LIMITED
and its controlled entities

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

US$	Notes	31 December 2018 $	30 June 2018 $
Current assets			
Cash and cash equivalents		14,648,104	806,574
Trade and other receivables	6	1,812,164	387,412
Inventory	8	746,310	588,843
Other		329,994	768,643
Total current assets		17,536,572	2,551,472
Non-current assets			
Other non-current asset		242,045	242,045
Investment in equity accounted investees	10	169,927,405	50,000,025
Property, plant and equipment	9	26,565,910	26,627,634
Total non-current assets		196,735,360	76,869,704
Total assets		214,271,932	79,421,176
Current liabilities			
Trade and other payables	11	3,200,692	2,855,385
Current tax payable		559,614	657,471
Provision – employee's benefit obligation		472,499	478,549
Total current liabilities		4,232,805	3,991,405
Non-current liabilities			
Provision – rehabilitation		280,140	285,057
Total non-current liabilities		280,140	285,057
Total liabilities		4,512,945	4,276,462
Net assets		209,758,987	75,144,714
Equity			
Share capital	12	239,395,594	103,105,128
Foreign currency translation reserve		(595,498)	(595,498)
Accumulated losses		(31,211,619)	(29,272,456)
Total equity attributable to equity holders of the Company		207,588,477	73,237,174
Non-controlling interest		2,170,510	1,907,540
Total equity		209,758,987	75,144,714

The above consolidated statement of financial position should be read in conjunction with accompanying notes.

NICKEL MINES LIMITED
and its controlled entities

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2018

US$	Notes	Share capital $	Foreign currency translation reserve $	Accumulated losses $	Total $	Non-controlling interest $	Total equity $
Balance at 1 July 2017		26,188,005	(595,498)	(25,960,930)	(368,423)	1,522,847	1,154,424
Total comprehensive income for the period							
Loss for the period		-	-	(1,195,357)	(1,195,357)	559,469	(635,888)
Total comprehensive loss for the period		-	-	(1,195,357)	(1,195,357)	559,469	(635,888)
Transactions with owners, recorded directly in equity							
Issue of shares	12	19,717,064	-	-	19,717,064	-	19,717,064
Costs of issue	12	(1,152,883)	-	-	(1,152,883)	-	(1,152,883)
Balance at 31 December 2017		44,752,186	(595,498)	(27,156,287)	17,000,401	2,082,316	19,082,717
Balance at 1 July 2018		103,105,128	(595,498)	(29,272,456)	73,237,174	1,907,540	75,144,714
Total comprehensive income for the period							
Loss for the period		-	-	(1,939,163)	(1,939,163)	262,970	(1,676,193)
Total comprehensive loss for the period		-	-	(1,939,163)	(1,939,163)	262,970	(1,676,193)
Transactions with owners, recorded directly in equity							
Issue of shares	12	147,601,139	-	-	147,601,139	-	147,601,139
Costs of issue	12	(11,310,673)	-	-	(11,310,673)	-	(11,310,673)
Balance at 31 December 2018		239,395,594	(595,498)	(31,211,619)	207,588,477	2,170,510	209,758,987

The above consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

NICKEL MINES LIMITED
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CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

US$	Notes	6 months to 31 December 2018 $	6 months to 31 December 2017 $
Cash flows from operating activities			
Cash receipts from customers		6,604,740	6,317,242
Cash payments in the course of operations		(7,677,841)	(6,904,877)
Interest received		171,370	13,150
Research and development rebate repayment		-	(260,703)
Net cash used in operating activities		(901,731)	(835,188)
Cash flows from investing activities			
Payments for investments in equity accounted investees	10	(120,000,000)	-
Payments for property, plant and equipment		(103,413)	(515,893)
Net cash used in investing activities		(120,103,413)	(515,893)
Cash flows from financing activities			
Proceeds from issue of shares	12	145,524,148	19,717,064
Costs of issue	12	(9,233,682)	(1,152,884)
Net cash from financing activities		136,290,466	18,564,180
Net increase in cash and cash equivalents		15,285,322	17,213,099
Effect of exchange rate adjustments on cash held		(1,443,792)	104,874
Cash and cash equivalents at the beginning of the period		806,574	278,775
Cash and cash equivalents at the end of the period		14,648,104	17,596,748

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

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 31 December 2018 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 year ended 30 June 2018 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 annual financial report for the year ended 30 June 2018 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 28 February 2019.

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.

This is the first set of the Group's financial statements where AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* have been applied. The application of these standards has not had a material impact on the financial statements.

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.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following note:

- Note 10 – Investment in equity accounted associates.

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 year ended 30 June 2018.

	6 months to 31 December 2018 $	6 months to 31 December 2017 $
NOTE 4 - OTHER EXPENSES		
Audit fees – KPMG audit and review of financial reports	116,763	60,094
Travel	115,040	26,513
Legal fees	201,795	38,749
	433,598	125,356
NOTE 5 - FINANCIAL INCOME AND FINANCE EXPENSE		
Interest income	171,370	13,150
Interest expense	(1,476)	(325,462)
Net change in fair value of financial liabilities at fair value	-	(250,714)
Foreign exchange gain/(loss)	(1,604,374)	78,316
	(1,434,480)	(484,710)

NOTE 6 - TRADE AND OTHER RECEIVABLES	31 December 2018	30 June 2018
GST receivable	25,137	11,291
Trade receivables	1,787,027	367,662
Other	-	8,459
	1,812,164	387,412

NOTE 7 – LOSS PER SHARE	6 months to 31 December 2018	6 months to 31 December 2017
Basic and diluted loss per share have been calculated using:		
Net loss for the period attributable to equity holders of the Company	(1,939,163)	(1,195,357)
	Nº of shares	Nº of shares
Weighted average number of ordinary shares (basic and diluted)		
- Issued ordinary shares at the beginning of the year	808,482,230	317,330,516
- Effect of shares issued on 22 December 2017	-	4,359,905
- Effect of shares issued on 28 December 2017	-	496,000
- Effect of shares issued on 14 August 2018	440,176,840	-
Weighted average number of shares at the end of the period	1,248,659,070	322,186,421

NOTE 8 – INVENTORY	31 December 2018 $	30 June 2018 $
Current		
Inventory – ore stockpiles	746,310	588,843
	746,310	588,843

During the period the Group continued to provide ore to PT Indonesia Tsingshan Stainless Steel ('ITSS'), an Indonesian subsidiary of Tsingshan Group, under an offtake agreement signed in October 2017 with ITSS guaranteeing to take supply of 50,000 wmt per month until 31 December 2018, with a cut-off grade of 1.60% nickel.

Inventories are measured at the lower of cost and net realisable value.

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT	31 December 2018 $	30 June 2018 $
Buildings	180,682	186,059
Furniture and Fittings	2,527	2,715
Mine infrastructure assets	1,665,396	1,698,835
Mining properties	24,360,675	24,442,313
Motor Vehicles	189,130	145,734
Office equipment	129,327	119,759
Plant and machinery	38,173	32,219
	26,565,910	26,627,634

During the period the Group acquired $102,821 of property, plant and equipment and recognised depreciation and amortisation totalling $164,545.

NOTE 10 – INVESTMENT IN EQUITY ACCOUNTED INVESTEES

	31 December 2018 $	30 June 2018 $
Investment in Hengjaya Holdings Private Limited		
Current		
Opening balance	50,000,025	-
Acquisition of a 25% interest in equity accounted investee	-	50,000,025
Acquisition of an additional 35% interest	70,000,000	-
Share of loss of equity accounted investee	(72,620)	-
	119,927,405	50,000,025

In September 2018, following successful completion of the Company's IPO capital raising, the Group acquired an additional 35% of the issued share capital of Hengjaya Holdings Private Limited ('Hengjaya Holdings'), a Singaporean holding company which holds 100% of the shares (directly and indirectly) of PT Hengjaya Nickel Industry ('Hengjaya Nickel'), which is an Indonesian PMA Company which will own and operate the RKEF Project once completed (subject to relevant regulatory approvals). This took the Company's interest in Hengjaya Holdings to 60%. As a result of the terms of an agreement between shareholders the Company continued to equity account this investment.

At 31 December 2018 the investment is accounted for as an equity accounted investment. The Company's share of the loss for the period is $72,620.

	31 December 2018 $	30 June 2018 $
Investment in Ranger Holdings Private Limited		
Current		
Opening balance	-	-
Acquisition of a 17% interest in equity accounted investee	50,000,000	-
	50,000,000	-

In November 2018 the Company announced the conversion of a non-binding Memorandum of Understanding with Shanghai Decent to acquire an interest in two additional RKEF lines a binding Collaboration Agreement ('CA'). Following the execution of the CA, the Group completion the First Acquisition under the CA, acquiring for $50,000,000 a 17% of the issued share capital of Ranger Holdings Private Limited ('Ranger Holdings'), a Singaporean holding company which holds 100% of the shares (directly and indirectly) of PT Ranger Nickel Industry ('Ranger Nickel'), which is an Indonesian PMA Company which will own and operate the RKEF Project once completed (subject to relevant regulatory approvals). The Company has significant influence over Ranger Holdings as a result of an agreement between shareholders.

At 31 December 2018 the investment is accounted for as an equity accounted investment as Nickel Mines believes it has significant influence over Ranger Holdings and Ranger Nickel. The Company's share of the loss for the period is $nil.

NOTE 11 - TRADE AND OTHER PAYABLES

	31 December 2018 $	30 June 2018 $
Current		
Creditors	2,877,050	2,533,155
Accruals	323,642	322,230
	3,200,692	2,855,385

NOTE 12 - ISSUED CAPITAL

	As at 31 December 2018 $	As at 31 December 2017 $
Issued and paid up capital		
1,387,995,624 ordinary shares fully paid (31 December 2017 – 436,237,895)	239,395,594	44,752,186

	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	808,482,230	103,105,128	317,330,516	26,188,005
Issue of shares	579,513,394	147,601,139	118,907,379	19,717,064
Costs of issue	-	(11,310,673)	-	(1,152,883)
Balance at the end of the period	1,387,995,624	239,395,594	436,237,895	44,752,186

During the half year ended 31 December 2018 the Group issued 571,428,572 shares for cash totalling A$200,000,000 (equivalent to $147,601,139). There were no amounts unpaid on the shares issued and share issue costs amounted to $11,310,673. 8,084,822 shares were issued as part of the costs of issue.

During the half year ended 31 December 2017 the Group issued 118,907,379 shares for cash totalling A$22,165,335 (equivalent to $19,717,064). There were no amounts unpaid on the shares issued and share issue costs amounted to A$1,479,572 (equivalent to $1,152,883).

Options

There were no options granted, exercised or lapsed unexercised during the half year ended 31 December 2018 or the year ended 30 June 2018.

Dividends

There were no dividends paid or declared during the half year ended 31 December 2018 or the year ended 30 June 2018.

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.

NOTE 13 - RELATED PARTIES

Peter Nightingale and Norman Seckold hold an interest in an entity, MIS Corporate Pty Limited ('MIS'), which provided full administrative services, including administrative, accounting and investor relations staff both within Australia and Indonesia, rental accommodation, services and supplies, to the Group. On 1 July 2017 MIS agreed to provide these services for a fee of A$15,000 per month. This fee will be reviewed quarterly by the Company and MIS. Fees charged by MIS during the half year amounted to A$114,300 (A$279,452 for the year ended 30 June 2018), which included the agreed monthly fee and the reimbursement of investor relation consulting fees incurred by MIS on behalf of the Group. At 31 December 2018 A$22,920 (30 June 2018: A$51,346) was included in the creditor's balance.

Apart from the details disclosed in this note, no Director has entered into a material contract with the Group during the half year and there were no material contracts involving director's interests subsisting at half year end.

NOTE 14 -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.

Reportable segments

For the half year ended 31 December 2018, the Group had two segments, being mine development in Indonesia and the RKEF Projects in Indonesia.

	Indonesia - Mine Development	Indonesia – RKEF Projects	Unallocated	Total
	$	$	$	$
6 months ended 31 December 2018				
External revenues	8,107,120	-	-	8,107,120
Reportable segment loss/(profit) before tax	(1,766,812)	72,620	2,918,431	1,224,239
Interest income	10,502	-	160,868	171,370
Depreciation and amortisation	41,002	-	672	41,674
Reportable segment assets	30,919,689	169,927,405	13,424,838	214,271,932
Reportable segment liabilities	(4,315,720)	-	(197,225)	(4,512,945)

NOTE 14 -SEGMENT INFORMATION (con't)

For the half year ended 31 December 2017, the Group had one segment, being mine development in Indonesia.

	Indonesia - Mine Development	Unallocated	Total
	$	$	$
6 months ended 31 December 2017			
External revenues	9,148,048	-	9,148,048
Reportable segment loss/(profit) before tax	(2,841,146)	3,477,034	635,888
Interest income	10,864	2,286	13,150
Depreciation and amortisation	43,802	-	43,802
Reportable segment assets	31,070,479	17,119,160	48,189,639
Reportable segment liabilities	(27,117,410)	(1,989,512)	(29,106,922)

Reconciliations of reportable segment revenues and profit or loss	As at 31 December 2018 $	As at 31 December 2017 $
Profit or loss		
Total loss/(profit) for reportable segments	(1,694,192)	(2,841,146)
Unallocated amounts:		
Interest income		
Net other corporate expenses	2,918,431	3,477,034
Consolidated loss before tax	1,224,239	635,888
Reconciliations of reportable assets and liabilities		
Assets		
Total assets for reportable segments	200,847,094	31,070,479
Unallocated corporate assets	13,424,838	17,119,160
Consolidated total assets	214,271,932	48,189,639
Liabilities		
Total liabilities for reportable segments	(4,315,720)	(27,117,410)
Unallocated corporate liabilities	(197,225)	(1,989,512)
Consolidated total liabilities	(4,512,945)	(29,106,922)

Revenue Disclosure
All external revenue relates to sales of nickel ore in Indonesia to a single counterparty.

NOTE 15 – SUBSEQUENT EVENTS

- In January 2019 the Company provided a $9 million working capital loan to Hengjaya Nickel during the commissioning phase. Interest is charged at a rate of 6% p.a.
- In February 2019 the Company announced that the first production of nickel pig iron (‘NPI’) from the Hengjaya Nickel Project had occurred on 31 January 2019.

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.

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 11 to 22 are in accordance with the *Corporations Act 2001* including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2018 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 in accordance with a resolution of the 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 is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2018 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:

- Condensed consolidated interim statement of financial position as at 31 December 2018
- Condensed consolidated interim statement of profit or loss and other comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows for the half-year ended on that date
- Notes 1 to 15 comprising a summary of significant accounting policies and other explanatory information
- 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 period.

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*
- such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2018 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*. As auditor of Nickel Mines Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an Interim 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

Brisbane

28 February 2019

Stephen Board

Partner

CORPORATE DIRECTORY

Directors:

Robert Neale
Norman Seckold
James Crombie
Weifeng Huang
Mark Lochtenberg
Peter Nightingale
Justin Werner
Yuanyuan Xu

Company Secretary:

Richard Edwards

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