

ASX Release: 29 April 2020

ASX: NIC

Shares on issue: 1.665B

Market capitalisation: \$841.1M
(@\$0.505)

Board of Directors

Non-Executive Chairman
Rob Neale

Executive Deputy Chairman
Norman Seckold

Managing Director
Justin Werner

Executive Director and CFO
Peter Nightingale

Non-Executive Director
James Crombie

Non-Executive Director
Weifeng Huang

Non-Executive Director
Mark Lochtenberg

Non-Executive Director
YuanYuan Xu

Substantial Shareholders

Shanghai Decent	18.1%
BlackRock Group	8.3%
Norman Seckold	7.4%
Shanghai Wanlu	7.3%
PT Karunia Bara Perkasa	6.2%
Regal FM	5.8%

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QUARTERLY ACTIVITIES REPORT

For the quarter ended 31 March 2020

RKEF PROJECTS DELIVER RECORD NICKEL PRODUCTION OF 11,291 TONNES

Highlights

- Record quarterly nickel production at both Hengjaya Nickel and Ranger Nickel RKEF projects.
- RKEF March quarter production of **11,291.3 tonnes** of nickel metal (100% basis), up 2.9% from 10,968.3 tonnes of nickel metal in the December quarter.
- NIC attributable nickel production of **6,774.8 tonnes** of nickel metal, up 2.9% from 6,581.0 tonnes of nickel metal in the December quarter.
- 12,170.8 nickel tonnes** sold (100% basis), up 13.2% from 10,755.0 nickel tonnes sold in the December quarter.
- RKEF March quarter sales of **US\$139.3M** (100% basis), down 1.3% from US\$141.1M in December quarter due to a lower nickel price.
- RKEF March quarter EBITDA of **US\$49.8M** (100% basis), down 12.0% from US\$56.6M in the December quarter.
- RKEF March quarter cash costs:
 - Hengjaya Nickel: **US\$7,671/tonne**, down 1.4% from December quarter.
 - Ranger Nickel: **US\$7,673/tonne**, down 2.7% from December quarter.
- Cash + receivables + inventory at quarter end of **US\$221.4M**, up 16.1% from US\$190.6M in the December quarter.
- Quarterly production from the Hengjaya Mine of 155,599 tonnes, down 20% from the December quarter as mining operations transitioned to the new Central pit.



NPI ingot casting within the IMIP

The Directors are pleased to present the March 2020 Quarterly Activities Report for Nickel Mines Limited ('Nickel Mines' or 'the Company') and its controlled entities ('the Group').

The Group's principal operating activities, located on Sulawesi, Indonesia, are two Rotary Kiln Electric Furnace ('RKEF') projects located within the Indonesia Morowali Industrial Park ('IMIP'), the Hengjaya Nickel and Ranger Nickel projects, in which the Company holds a 60% interest and the Hengjaya Mine, in which the Company holds an 80% interest.

RKEF Operations

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

During the March quarter, Hengjaya Nickel produced 5,671.7 tonnes of nickel metal at an average NPI grade of 14.2% at a production-weighted average cash cost of US\$7,671/tonne.

The Group's attributable nickel production was 3,403.0 tonnes of nickel metal, an increase of 1.7% on the December quarter.

The Company is pleased to report the following Hengjaya Nickel operating results for the March 2020 quarter:

HENGJAYA NICKEL		January	February	March	Quarter Total	December Quarter
NPI Production	tonnes	13,864.2	12,660.8	13,551.8	40,076.8	40,910.7
NPI Grade	%	13.8	14.4	14.3	14.2	13.6
Nickel Metal Production	tonnes	1,913.4	1,824.7	1,933.6	5,671.7	5,577.9
Cash Costs	USD/t Ni	7,331	7,909	7,782	7,671	7,778

For the March quarter, Hengjaya Nickel recorded (on a 100% basis) sales of US\$72.1M for 6,293.2 tonnes of nickel metal sold, underlying EBITDA of US\$25.7M¹ and an underlying net profit of US\$23.8M¹.

Ranger Nickel Project (60% interest held by Nickel Mines)

During the March quarter, Ranger Nickel produced 5,619.6 tonnes of nickel metal at an average NPI grade of 14.3% at a production-weighted average cash cost of US\$7,673/tonne.

The Group's attributable nickel production was 3,371.8 tonnes of nickel metal, an increase of 4.3% on the December quarter.

The Company is pleased to report the following Ranger Nickel operating results for the March 2020 quarter:

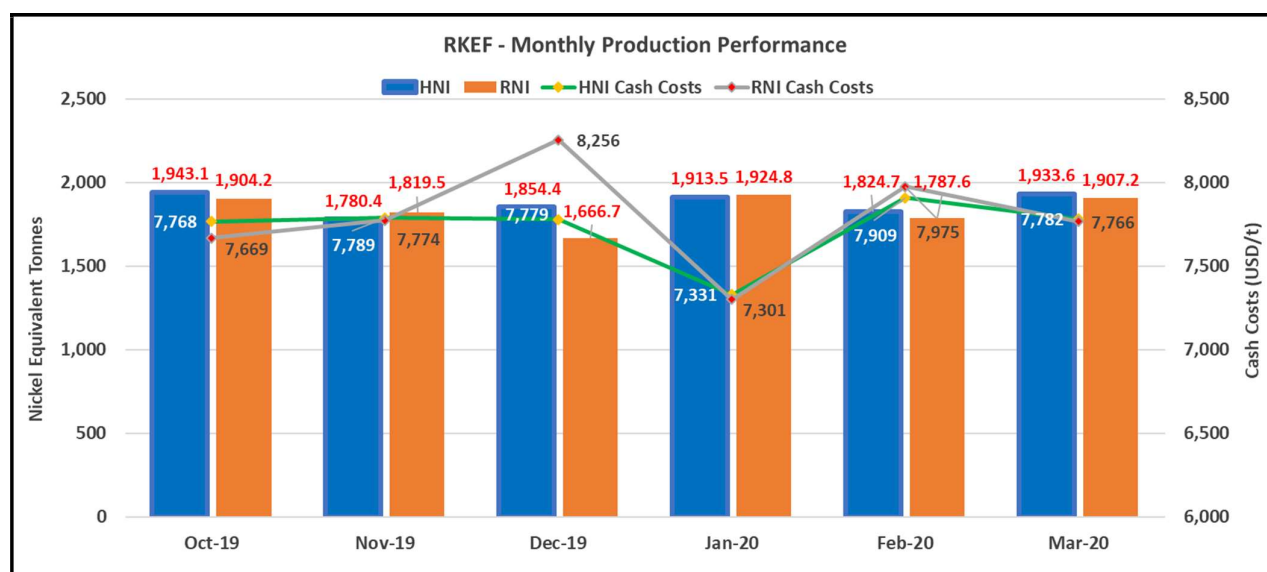
RANGER NICKEL		January	February	March	Quarter Total	December Quarter
NPI Production	tonnes	12,994.0	12,788.5	13,538.6	39,321.1	39,104.7
NPI Grade	%	14.8	14.0	14.1	14.3	13.8
Nickel Metal Production	tonnes	1,924.8	1,787.6	1,907.2	5,619.6	5,390.4
Cash Costs	USD/t Ni	7,301	7,975	7,766	7,673	7,886

¹ Unaudited numbers from monthly operating entity financial reporting. Final tonnes sold are adjusted for each contract following the receipt of final assay results, which are generally received approximately 60 days following the original contract date. Where final assay results have not yet been received tonnes sold is reported as stated in the original contract. The weighted average contract price for the March quarter, before receipt of final assay results, was US\$11,460/t of nickel.

For the March quarter, Ranger Nickel recorded (on a 100% basis) sales of US\$67.2M for 5,877.6 tonnes of nickel metal sold, underlying EBITDA of US\$24.1M² and an underlying net profit of US\$22.1M².



An RKEF project NPI tap



The Hengjaya Nickel and Ranger Nickel RKEF projects are now in steady state production

COMBINED RKEF OPERATIONS		January	February	March	Quarter Total	December Quarter
NPI Production	tonnes	26,858.2	25,449.3	27,090.4	79,397.9	80,015.4
NPI Grade	%	14.3	14.2	14.2	14.2	13.7
Nickel Metal Production	tonnes	3,838.2	3,612.3	3,840.8	11,291.3	10,968.3

During the March quarter, the combined Hengjaya Nickel and Ranger Nickel projects recorded (on a 100% basis) sales of US\$139.3M for 12,170.8 tonnes of nickel metal, underlying EBITDA of US\$49.8M and an underlying net profit of US\$45.9M.

² Unaudited numbers from monthly operating entity financial reporting. Final tonnes sold are adjusted for each contract following the receipt of final assay results, which are generally received approximately 60 days following the original contract date. Where final assay results have not yet been received tonnes sold is reported as stated in the original contract. The weighted average contract price for the March quarter, before receipt of final assay results, was US\$11,457/t of nickel.

Hengjaya Mine Operations

Hengjaya Mine (80% interest held by Nickel Mines)

Ore production decreased in the March quarter due to the winding down of the Bete Bete pit and the transition of mining operations to the new Central pit (also known as CZ21). First ore production from the Central pit was delivered to the jetty for barging in April 2020.

Mining from the Central pit will result in a number of efficiency improvements, including the haul distance decreasing from 13km to 6km, increased haul truck capacity from 8 tonnes to 30 tonnes, increased overburden fleet from 20 tonnes to 45 tonnes and the utilisation of larger barges with 10,000 tonne barges replacing the 6,500 tonne barges.

		January	February	March	Quarter Total	December Quarter
Tonnes mined	wmt	50,649	49,666	49,643	149,958	194,159
Overburden mined	BCM	119,040	144,435	27,480	290,955	428,041
Strip ratio	BCM/ wmt	2.4	2.9	0.6	1.08	2.2
Tonnes sold	wmt	54,374	47,811	53,414	155,599	196,675
Average grade	%	1.81	1.83	1.83	1.83	2.00
Average price received	USD/t	24.38	25.07	23.61	24.32	37.59
Average cost of production ³	CIF USD/t	28.52	29.24	31.37	29.70	26.27

Disclaimer

Whilst the Group's RKEF and mining operations have largely been unaffected by COVID-19 to date, it is not possible to predict the future course and duration of the pandemic and the impact that it may have on future operations.

The stripping ratio for the quarter decreased significantly to 1.1:1 due to the finalisation of mining at Bete Bete. Grade decreased to 1.83% due to mining of exposed ore in Bete Bete. Costs increased due to mobilisation costs of new mine contractors and adjustment for final payment for Bete Bete mining contract volumes.

Limonite Ore Stockpiling

A total of 217,303 wmt of limonite ore grading approximately 1.2% nickel has been stockpiled adjacent to waste dumps at Bete Bete in readiness for the future potential supply of limonite to the IMIP's HPAL projects. Limonite ore will also be stockpiled at the new Central pit.

Hengjaya Mine Expansion

Key expansion activities and operational restructuring initiatives continued during the quarter in support of the Hengjaya Mine's plan to significantly increase production during 2020.

Construction works on the haul road connecting Central pit to Bete Bete has commenced with a 5.4km pilot road 60% completed. Once fully completed, this will allow various mine deposits and pits to run either to the current jetty for barging or by road to the planned Hengjaya Mine to IMIP haul road.

A majority of new mining equipment from PT Sinar Terang Mandiri has arrived on site, been commissioned and commenced mining operations in Central pit.

³ Monthly production costs are a six month average of mining costs plus port/selling costs for the actual month.

Fabrication and civil earthworks for installation of an ore scalping grizzly has commenced. This project will improve overall ore recovery and beneficiate ore prior to being barged to the IMIP. The grizzly will have design and capacity for 40 tonne mine haul trucks to direct tip ore. This will beneficiate ore by rejecting oversize waste rock and will also improve ore recovery and reduce oversize sorting times at the mining face.

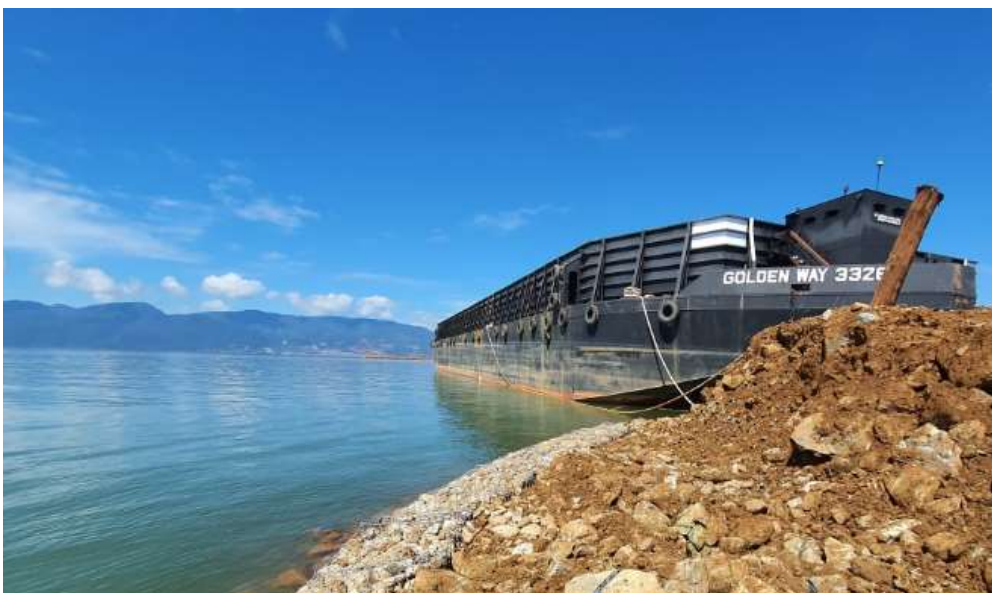


Central pit - Mining commenced in April 2020

The jetty is now capable of handling both 6,500 tonne and 10,000 tonne capacity barges to cope with the additional production. Sea wall extension works will continue until the middle of 2020.

The construction of the mine camp and infrastructure facilities continued during the quarter and are scheduled to be completed in the June 2020 quarter. New infrastructure includes; technical offices and workshops, community relations centre, safety, training and recreational buildings and a new mosque.

The Company conducted community consultation with local villagers and farmers with mutual agreement and compensation arrangements concluded. Other long-term community development programs are being formalised.



Jetty with first 10,000 tonne barge moored

Exploration

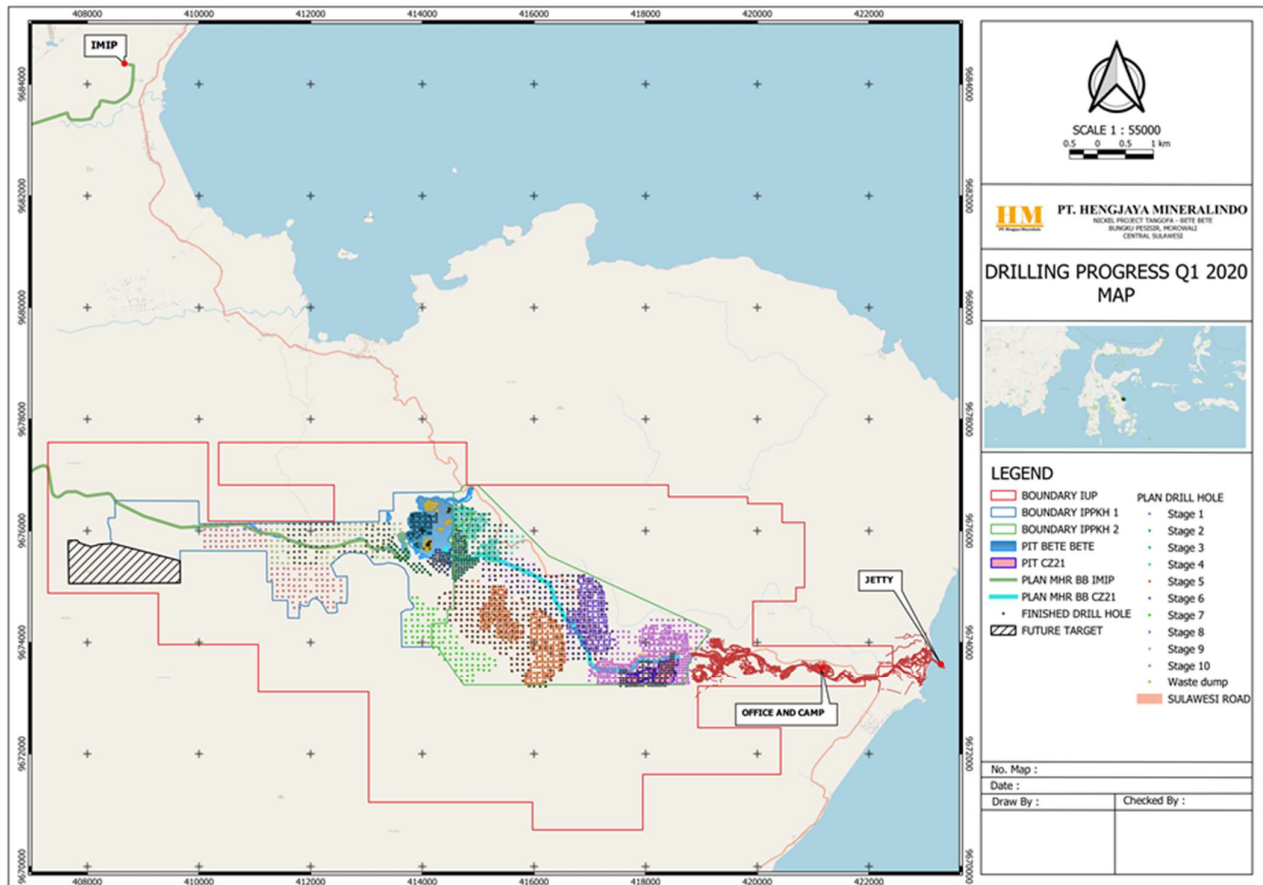
Ground penetrating radar ('GPR') surveys were completed in the Central pit area in advance of the drilling program. Initial results have been very promising showing good thickness of limonite and saprolite orebodies and good correlation with subsequent drilling results to date.

Exploration and infill drilling continued during the quarter, completing 251 holes for 5,244 metres. The program included infill drilling at the Central pit area to enhance the mine planning, scheduling and allowing separation of limonite ore from saprolite ore.

The drilling program is planned continue throughout 2020 targeting new areas of limonite and saprolite ores identified by the GPR.

In addition to nickel ore exploration, preliminary work has commenced on identifying significant quality mineable limestone deposits inside IPPKH1 which may be used for future off-take agreements for HPAL projects and main haul road construction works between the Hengjaya Mine and the IMIP.

A new block model is already being used for Central pit mine planning and an updated Resource estimate, including over areas not previously drilled or covered by the current Resource estimate, is expected to be finalised by mid-2020.



Extensive drilling has now been completed across a majority of the Hengjaya Mine tenement

Safety, Environment and Community

Safety

There were no lost time injuries or high potential incidents reported during the March quarter.

The record operating performance of both the Hengjaya Nickel and Ranger Nickel RKEF operations were achieved across the Chinese New Year season and against the backdrop of the emergence of the COVID-19 global pandemic from mid-January. Shanghai Decent, the Company's operating partner and manager of the IMIP, was quick to recognise the potential impacts of COVID-19 and immediately implemented strict access controls and health and safety measures to ensure the health and wellbeing of all its workers.

These proactive protocols have been in place since late January, when the virus was still in its infancy, and have ensured the continuation of normal, uninterrupted operations within the IMIP to date.

The Hengjaya Mine has strictly enforced non-essential visitor access to the operation since late January. Additional medical checks on workers and service providers are taken on a routine basis.

The mine site medical clinic also has additional medical supplies, medical staff and quarantine rooms for observations inside the camp. PPE, hygiene and monitoring of workers health is conducted daily.

Training of staff and contractors in safe operating practices continues on a regular and routine basis. Additional safe operating procedures continue to be developed including the review of all incoming mining fleet, associated risk management assessments and requirements.

Traffic management has been a strong focus for the new mine areas and associated haul roads.

Environment

No environmental incidents were reported during the March quarter, with work continuing on contouring and rehabilitating previously mined production areas.

Site rehabilitation continues at the Bete Bete waste dump areas and PT Hengjaya Mineralindo continues its involvement on the regional rehabilitation programs, with a focus on water management and associated sediment controls as a priority during the March quarter.



Mine rehabilitation

Community

The Group continues to work to establish personal development and training programs with both local and regional stakeholders, including the Tangofa, Bete Bete and Bahodopi village regions.

Local and regional activities were postponed during the quarter due to COVID-19 travel restrictions and the Company restricted access and travel protocols.

Finance⁴

Balance Sheet

At 31 March 2020, the Group held:

- Cash and cash equivalents: US\$72.9M (31 December 2019 - US\$49.8M)
- Trade receivables: US\$97.6M (31 December 2019 - US\$86.7M)
- Inventories: US\$50.9M (31 December 2019 - US\$54.2M)

Cash and cash equivalents of US\$72.9M were held by Group companies as follows:

- US\$25.6M held by Nickel Mines;
- US\$0.3M held by Hengjaya Mine, in which Nickel Mines holds an 80% interest;
- US\$24.5M held by Hengjaya Nickel and its related entities, in which Nickel Mines holds a 60% interest;
- US\$22.5M held by Ranger Nickel and its related entities, in which Nickel Mines holds a 60% interest.

Trade receivables of US\$97.6M were held by Group companies as follows:

- US\$54.9M held by Hengjaya Nickel;
- US\$41.0M held by Ranger Nickel;
- US\$1.7M held by Hengjaya Mine⁵.

Trade receivables increased by US\$10.9M from the December quarter due to increased tonnes sold (1,415 additional tonnes from the December quarter representing approximately US\$16.2M in sales) and longer settlement terms due to all Hengjaya Nickel and Ranger Nickel NPI being sold to Tsingshan's stainless steel operations in China. US\$86.7M in trade receivables reported at the end of the December quarter has been received in full.

Inventory (valued at the lower of cost or net realisable value) of US\$50.9M was held by Group companies as follows:

- US\$22.6M held by Hengjaya Nickel comprising US\$1.2M of NPI and US\$21.4M of raw materials;
- US\$28.2M held by Ranger Nickel comprising US\$1.4M of NPI and US\$26.8M of raw materials;
- US\$0.1M of nickel ore held by Hengjaya Mine.

Raw materials inventory (predominantly nickel ore) increased by US\$6.9M from the December quarter due to a seasonal build-up ahead of the upcoming wet season and each RKEF operation bringing their inventory levels in line with other RKEF lines within the IMIP.

NPI inventory decreased by US\$10.1M from the December quarter, representing approximately 90% of the additional 1,415 tonnes sold during the quarter.

⁴ Unaudited numbers from monthly operating entity financial reporting.

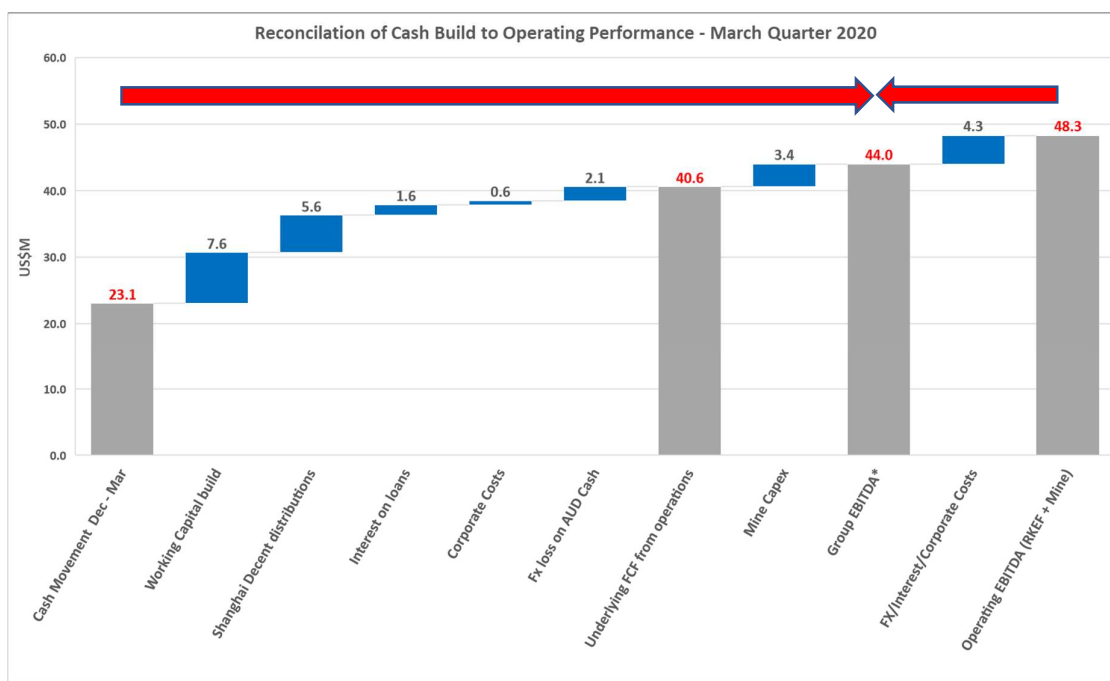
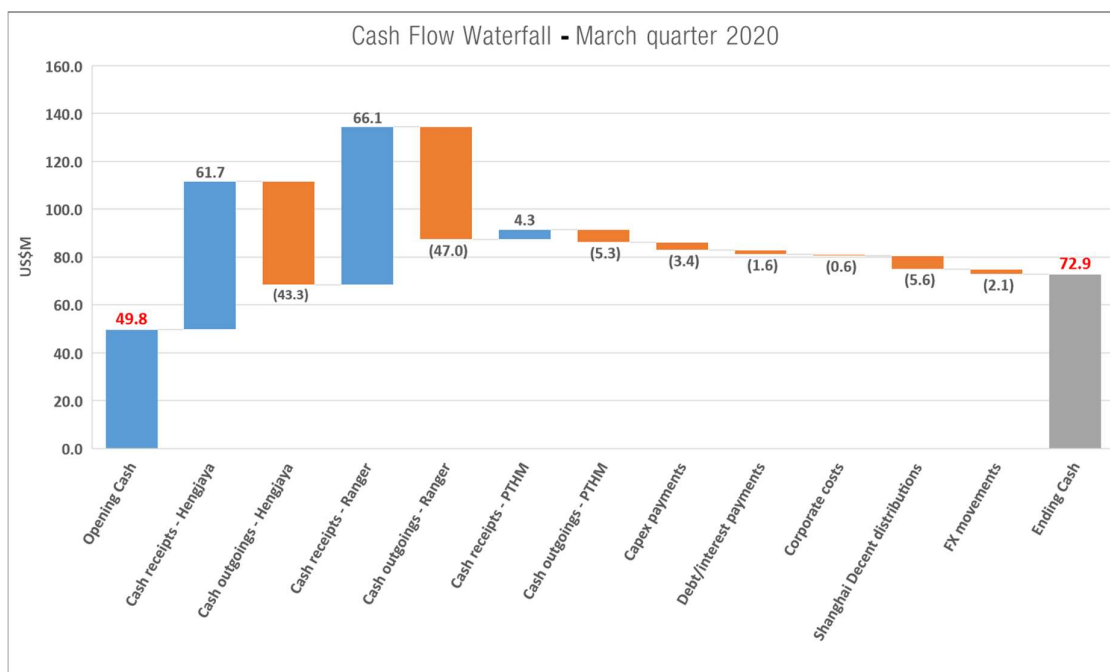
⁵ Sales by Hengjaya Mine to Hengjaya Nickel and Ranger Nickel are inter group transactions and are eliminated on consolidation.

During the quarter, Hengjaya Nickel commenced routine monthly repatriations of funds to its Singaporean holding company, Hengjaya Holdings Private Limited, which, in turn, distributes the funds to its shareholders, Nickel Mines and Shanghai Decent and its associates, in proportion to their ownership interests (i.e. 60% to Nickel Mines and 40% to Shanghai Decent and its associates). During the quarter, US\$8.4M was repatriated to Nickel Mines and US\$5.6M was repatriated to Shanghai Decent and its associates.

Ranger Nickel commenced the same routine monthly repatriations of funds in April 2020.

Cash Flow

The following cash flow waterfall provides a reconciliation of cash movements over the March 2020 quarter.



Expenditures

Expenditure on mine production and development activities during the quarter totalled US\$8.2M.

Expenditure on mine exploration activities during the quarter totalled US\$350,000.

Corporate

During the quarter PT Karunia Bara Perkasa, which is controlled by the Tanito Group, lodged a substantial shareholder notice acquiring 103,986,892 shares on market. The Tanito Group is a well-respected Indonesian business group with diversified interests across the energy and mining sectors, who are well known to the Board and management of Nickel Mines and have been followers of the Company's progress since its original investment in Indonesia in 2009. The Board is appreciative of their support and delighted to welcome them as substantial holders.

QUARTERLY PROGRESS

Commenting on operations over the March quarter, Managing Director Justin Werner said:

"Nickel Mines is pleased to again report another quarter of record production across both of its RKEF projects, a remarkable feat given it was accomplished against the backdrop of an unprecedented global pandemic. With the combined nickel output across both RKEF operations for the quarter approaching 11,300 tonnes, our operations team needs to be congratulated for their professionalism in navigating both RKEF operations through the extremely challenging operating conditions that persisted throughout most of the March 2020 quarter. In a nickel price environment where much of the world's production capacity is being forced to scale back production, Nickel Mines RKEF operations were able to generate approximately US\$40M in underlying free cash flow for the quarter.

We are also extremely pleased with the progress that has been made at Hengjaya Mine. With mining commenced from the Central pit, haul roads completed and our jetty now able to cater for up to 10kt barges, we look forward to ramping up production levels and unlocking the immense strategic value of Hengjaya Mines' resource."

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Statement of Compliance

The information in this report that relates to Mineral Resources and Exploration Results is based on information compiled by Mr Brett Gunter, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy. Information relating to the Mineral Resource was first disclosed in the ASX announcement 'Replacement Prospectus' dated 20 August 2018 and updated in the ASX announcements dated 17 December 2018. Mr Gunter has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Brett Gunter consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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Aerial photo of the IMIP.