

29 August 2019

The Manager, Companies
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

(46 pages by email)

Dear Madam,

PRELIMINARY FINAL REPORT

I attach the Nickel Mines Limited and its controlled entities ('Nickel Mines Group') Appendix 4E, Preliminary Final Report for the year ended 30 June 2019.

Highlights:

- Successful IPO raising A\$200M and ASX Listing in August 2018.
- Increased ownership of Hengjaya Nickel from 25% to 60%.
- Acquisition of 17% of Ranger Nickel (subsequently increased to 60% post year end).
- Completion of the construction and commissioning of Hengjaya Nickel.
- Completion of the construction and commencement of commissioning of Ranger Nickel.
- Hengjaya and Ranger production was 42,105.8 tonnes of nickel pig iron for 5,787.7 tonnes of contained nickel metal.
- Hengjaya Mine (80% owned) mine expansion permitted over a further 994.32 hectare area.

- Nickel Mines Group Results:
 - Gross profit: US\$21.6M (2018: US\$3.1M).
 - Profit from operating activities: US\$13.6M (2018: US\$1.6M loss).
 - Profit after tax: US\$71.8M (2018: US\$2.9M loss).

- Nickel Mines Group Balance Sheet:
 - Net assets: US\$454.8M (2018: US\$75.1M).
 - Current assets: US\$108.2M (2018: US\$2.6M).
 - Net current assets: US\$61.0M (2018: US\$1.4M net liabilities).

Yours sincerely



Richard Edwards
Company Secretary

pjn10033

Appendix 4E

Preliminary final report

Name of entity

NICKEL MINES LIMITED

ABN or equivalent company reference

44 127 510 589

Financial year ended ('current period')

30 JUNE 2019

Results for announcement to the market

Revenues from ordinary activities	Up	379%	to	US\$64.9M	
Profit from ordinary activities after tax attributable to members	Up	N/A*	to	US\$65.5M	
Net profit for the period attributable to members	Up	N/A*	to	US\$65.5M	
Dividends (distributions)	Amount per security		Franked amount per security		
Final dividend	Nil		Nil		
Interim dividend	Nil		Nil		
Previous corresponding period					
Final dividend	Nil		Nil		
Interim dividend	Nil		Nil		
Record date for determining entitlements to the dividend.	<table border="1" style="display: inline-table; width: 30%; border-collapse: collapse;"> <tr> <td style="text-align: center; padding: 5px;">N/A</td> </tr> </table>				N/A
N/A					
<p>Brief explanation of any of the figures reported above and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:</p> <p>Refer attached unaudited financial reports for the year ended 30 June 2019.</p>					
NTA backing	Current period		Previous corresponding period		
Net tangible asset backing per ordinary security	US\$0.298		US\$0.093		

The attached Preliminary Annual Report which forms part of this Appendix 4E is based on the financial report for the year ended 30 June 2019 which is in the process of being audited.

* The Company reported a loss from ordinary activities and also attributable to members of US\$3.3M for the year ended 30 June 2018.

NICKEL MINES LIMITED
and its controlled entities

A.B.N. 44 127 510 589

PRELIMINARY FINAL REPORT

FOR THE YEAR ENDED

30 JUNE 2019

NICKEL MINES LIMITED and its controlled entities

REVIEW OF OPERATIONS

Principal Activities and Review of Operations

(All amounts in US\$ unless otherwise stated)

The operating profit of the Group for the year ended 30 June 2019 after income tax was \$71,826,428 (2018: \$2,926,833 loss)

Nickel Mines Limited ('the Company' or 'Nickel Mines') was incorporated on 12 September 2007, under the laws of the State of New South Wales, Australia. The Company is focused on becoming a globally significant, low cost producer of nickel pig iron ('NPI'), a key ingredient in the production of stainless steel. At year end, the Company held a 60% interest in a 2 line Rotary Kiln Electric Furnace ('RKEF') plant ('Hengjaya Nickel') and a 17% interest in another 2 line RKEF plant ('Ranger Nickel'). Subsequent to year end, the Company's interest in Ranger Nickel has been increased to a 60% interest. The Company also holds an 80% interest in the Hengjaya Nickel Mine ('Hengjaya Mine'), a large tonnage, high grade nickel laterite deposit located in the Morowali Regency of Central Sulawesi, Indonesia.

During and following the year ended 30 June 2019 significant milestones were achieved as follows:

Highlights:

- Successful completion of the Company's oversubscribed Initial Public Offering ('IPO'), with A\$200 million being raised through the issue of 571,428,571 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 acquired a further 35% interest in Hengjaya Nickel which was under construction within the Indonesia Morowali Industrial Park ('IMIP'), increasing Nickel Mines' interest from 25% to 60%. The Company paid \$70 million in cash to Shanghai Decent Investment (Group) Co., Ltd., ('Shanghai Decent'), a Tsingshan group company, to acquire the additional 35% interest.
- In November 2018, the Company converted a non-binding Memorandum of Understanding ('MoU') with Shanghai Decent to acquire an interest Ranger Nickel into a binding Collaboration Agreement ('CA') and completed the first acquisition under the CA, acquiring 17% of Ranger Nickel for \$50 million.
- In November 2018, Hengjaya Nickel received material relief from Indonesian corporate income tax over a period of 9 years.
- In December 2018, the Company signed a Memorandum of Understanding ('MoU') to supply limonite ore to a new High Pressure Acid Leach ('HPAL') plant announced to be constructed within the IMIP.
- On 31 January 2019, the first of the Hengjaya Nickel RKEF lines was commissioned, well ahead of construction schedule. The second Hengjaya Nickel RKEF line was commissioned on 18 March 2019.
- In March 2019, Ranger Nickel received material relief from Indonesian corporate income tax over a period of 9 years.
- In April 2019, the Company announced its intention to move to a 60% interest of Ranger Nickel, with the acquisition to be funded via a funding package consisting of both debt and equity and in June 2019 the Company completed the of successful raising of A\$55 million through the issue of 137,500,000 shares at A\$0.40 each.
- On 30 May 2019, the first of the Ranger Nickel RKEF lines was commissioned, well ahead of construction schedule. The second Ranger Nickel RKEF line was commissioned on 29 June 2019.
- During the year ended 30 June 2019 a total of 454,615 wet metric tonnes ('wmt') of nickel ore were mined at the Hengjaya Mine, with an average stripping ratio of 1.9. A total of 484,268 wmt were sold during the year at an average grade of 1.96% nickel.
- Subsequent to year end and shareholder approval, the Company has increased its interest in Ranger Nickel with consideration being the drawdown of an \$80 million debt facility, the issue of 139,972,705 shares in the Company for \$40 million and a cash payment of \$1.4 million.

**NICKEL MINES LIMITED
and its controlled entities**

REVIEW OF OPERATIONS

IMIP OPERATIONS

At the commencement of the current financial year, the Company held a 25% interest in Hengjaya Nickel, which was under construction, and an MoU to acquire an interest in Ranger Nickel.

During the current financial year:

- The Company increased its interest in Hengjaya Nickel to 60%.
- Construction and commissioning of Hengjaya Nickel was completed.
- The Company converted the Ranger Nickel MoU to a definitive agreement and acquired an initial 17% of Ranger Nickel. Subsequent year end, the Company has increased its interest in Ranger Nickel to 60%.
- Construction of Ranger Nickel was completed and commissioning commenced.

A summary of production from Hengjaya Nickel and Ranger Nickel from commissioning to 30 June 2019 is as follows:

		Hengjaya Nickel	Ranger Nickel	Total
NPI Production	tonnes	39,628.7	2,477.1	42,105.8
NPI Grade	%	13.8	12.6	13.7
Nickel Metal Production	tonnes	5,476.5	311.2	5,787.7

Hengjaya Nickel (60% interest held by Nickel Mines)

Ownership Interest Increased to 60%

During the 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'), a Singaporean domiciled intermediary company which owns 100% of Hengjaya Nickel, for \$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 by Hengjaya Nickel to increase its ownership of Hengjaya Holdings to up to 100% for an additional amount of up to \$120 million.

Completion of Construction and Commencement of NPI Production

On 31 January 2019, Shanghai Decent, the Company's operating partner and 40% equity holder in the project advised that first NPI had been produced from one of Hengjaya Nickel's two rotary kilns in a maiden production run. On 18 March 2019 the second Hengjaya Nickel kiln also commenced commissioning and produced its first NPI.

Commencement of production at Hengjaya Nickel was a milestone for the Company, achieved less than 12 months after ground was broken at the project and is further evidence of Tsingshan's industry-leading ability to deliver a project in unmatched time and a testament to their commitment, professionalism and work ethic.

The commissioning process and production ramp-up is consistent with that previously implemented across the 20 existing RKEF lines currently in operation within the IMIP with greater than 80% of name plate production capacity now being achieved.

NICKEL MINES LIMITED
and its controlled entities

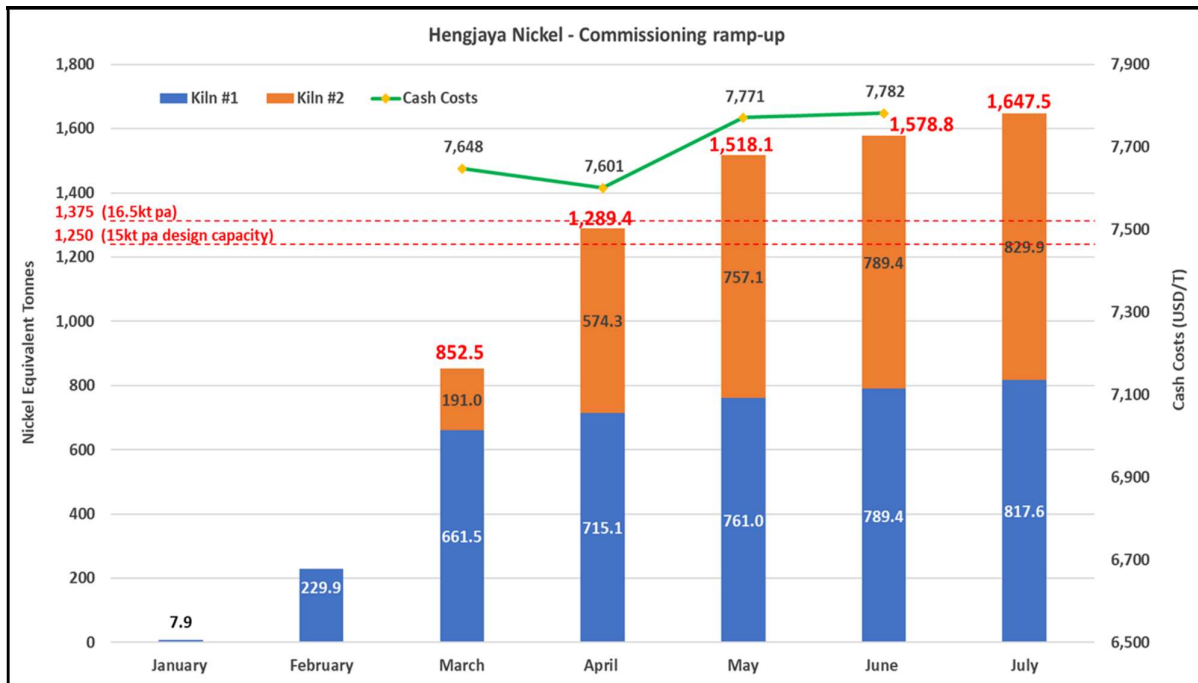
REVIEW OF OPERATIONS

		January	February	March	Quarter Total
NPI Production	tonnes	67.5	1,802.6	6,502.2	8,372.3
NPI Grade	%	11.6	12.7	13.1	13.0
Nickel Metal Production	tonnes	7.9	229.9	852.4	1,090.2
IMIP NPI Pricing⁽¹⁾	US\$/t Ni	12,800	12,800	12,800	12,800
Cash costs⁽²⁾	US\$/t Ni				7,648

		April	May	June	Quarter Total
NPI Production	tonnes	8,684.8	11,320.5	11,251.1	31,256.4
NPI Grade	%	14.8	13.4	14.0	14.0
Nickel Metal Production	tonnes	1,289.4	1,518.1	1,578.8	4,386.3
IMIP NPI Pricing⁽¹⁾	US\$/t Ni	12,800	11,800	11,700	12,059
Cash costs⁽²⁾	US\$/t Ni	7,601	7,771	7,782	7,725

- (1) The IMIP's NPI price is set on a monthly basis with reference to the average price paid for NPI by several of China's largest stainless steel mills with adjustments made for VAT in China and freight.
- (2) All-in costs (inclusive of depreciation and interest) for the March 2019 quarter averaged \$8,246/t Ni and the June 2019 quarter averaged \$8,198/t Ni.

During the transition from construction through commissioning, some operating costs may have been classified as capital costs and vice versa.



NICKEL MINES LIMITED and its controlled entities

REVIEW OF OPERATIONS

Corporate Income Tax Relief

In November 2018, the Minister of Finance of the Republic of Indonesia granted the Company's Indonesian operating entity, PT Hengjaya Nickel Industry, material corporate income tax relief.

The corporate income tax reduction is as follows:

- a 100% reduction for a period of seven tax years, starting from the tax year in which commercial production is achieved;
- a 50% reduction 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.

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 the Company's RKEF Project comfortably exceeds.

Subsequently PT Hengjaya Nickel Industry 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, signifying that PT Hengjaya Nickel Industry has fulfilled all commitments and obtained all approvals required by the Government of Indonesia for commercial operation of Hengjaya Nickel, including the production of NPI and the marketing, selling and receiving of payment for the NPI it produces subject to continued compliance with all applicable laws and regulations.

Ranger Nickel (17% interest, increased to 60% interest subsequent to year end, held by Nickel Mines)

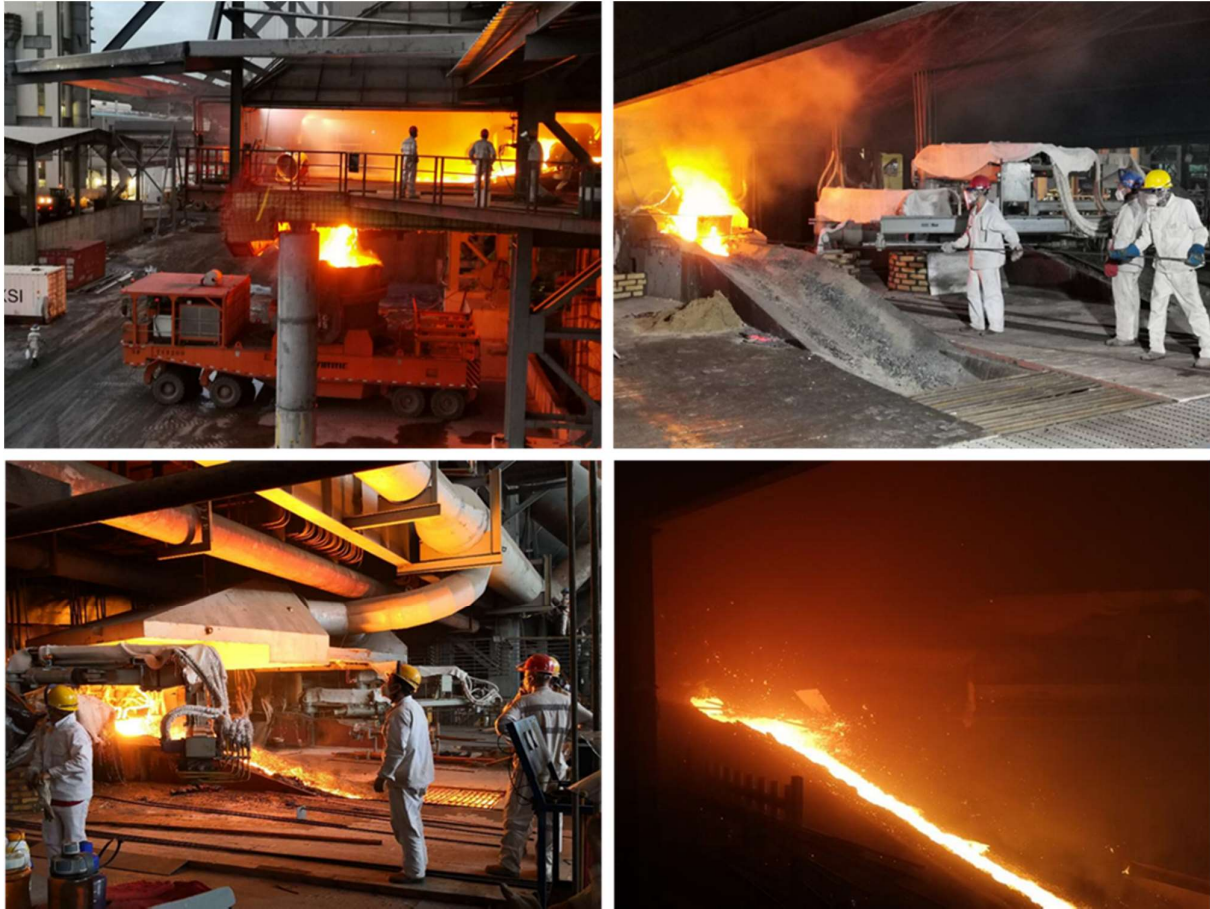
Completion of Construction and Commencement of NPI Production

On 30 May 2019, Shanghai Decent, the Company's operating partner and 83% equity holder in Ranger Nickel advised that first NPI had been produced from the first of Ranger Nickel's two rotary kilns. On 29 June 2019 news followed that Ranger Nickel's second kiln had also produced its first NPI in a maiden production run. The commissioning process and ramp-up to full production is anticipated to be consistent with that of Hengjaya Nickel which, as reported above, has enjoyed a seamless ramp-up and is currently producing nickel units well above nameplate capacity.

The commissioning of Ranger Nickel's kilns came well ahead of previous guidance for the middle of the September quarter and now sees all four kilns across the Company's Hengjaya Nickel and Ranger Nickel RKEF projects having been put into production in less than 18 months.

**NICKEL MINES LIMITED
and its controlled entities**

REVIEW OF OPERATIONS



Ranger Nickel's first production run showing the flow of molten NPI

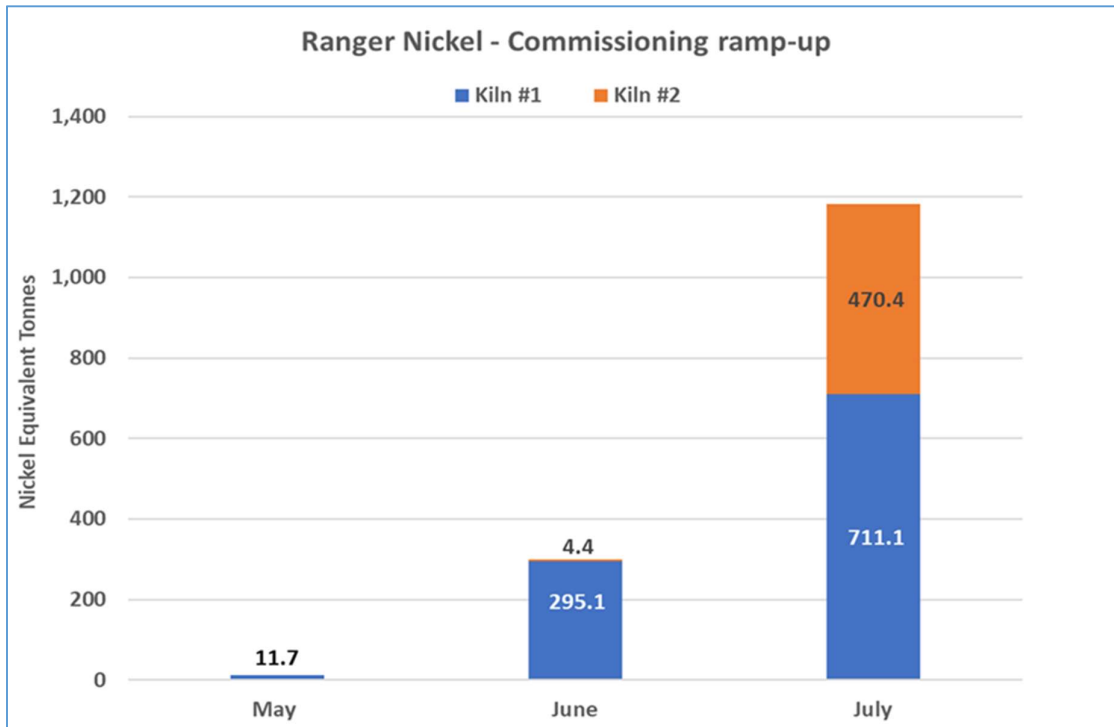
		April	May	June	Quarter Total
NPI Production	tonnes	-	123.1	2,354.0	2,477.1
NPI Grade	%	-	9.5	12.7	12.6
Nickel Metal Production	tonnes	-	11.7	299.5	311.2

Ranger Nickel production in July totalled 8,058.3 tonnes of NPI, containing 1,181.4 tonnes of nickel metal.

Cost of production during this transition period from construction through commissioning, from May to the end of July, was \$7,517/t Ni on a cash cost basis and \$7,980/t Ni on an all-in cost (inclusive of depreciation and interest) basis. Ranger Nickel production from the June quarter was sold subsequent to the end of the financial year.

NICKEL MINES LIMITED
and its controlled entities

REVIEW OF OPERATIONS



Ranger Nickel's commissioning profile since production commenced in late May 2019

Corporate Income Tax Relief for Ranger Nickel

In March 2019, the Minister of Finance of the Republic of Indonesia granted the Company's Indonesian operating entity, PT Ranger Nickel Industry, material corporate income tax relief.

The corporate income tax reduction is as follows:

- a 100% reduction for a period of seven tax years, starting from the tax year in which commercial production is achieved;
- a 50% reduction 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.

Ownership Interest Increased to 60%

Subsequent to year end and shareholder approval, the Company has increased its interest in Ranger Nickel from 17% to 60% for \$121.4 million with consideration being funded by the drawdown of an \$80 million senior debt facility provided by a Shanghai Decent associated company, the issue of 139,972,705 shares in the Company for \$40 million and a cash payment of \$1.4 million.

**NICKEL MINES LIMITED
and its controlled entities**

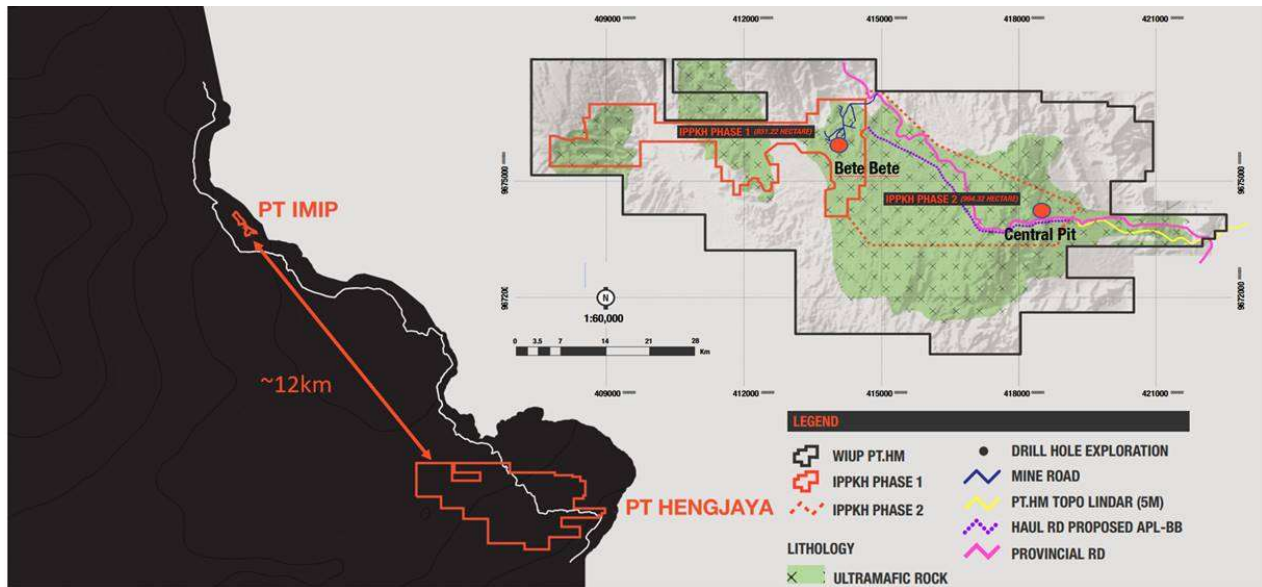
REVIEW OF OPERATIONS

Hengjaya Mine (80% interest held by Nickel Mines)

Overview

The Company holds an 80% interest in PT Hengjaya Mineralindo, the owner of 100% of the Hengjaya Mine, with the remaining 20% interest owned by the Company’s Indonesian partner.

The mine is located 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.



Map showing the Hengjaya Mine and proximity to the IMIP

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% Ni cut-off grade, the Hengjaya Mine hosts a JORC compliant resource of 180 million dry tonnes at 1.3% Ni and 0.08% Co, containing 2.3 million tonnes of contained nickel and 140,000 tonnes of contained cobalt.

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 as discussed below.

NICKEL MINES LIMITED
and its controlled entities

REVIEW OF OPERATIONS

Operations

Mining

Production totalled 454,615 wmt for the year at an average stripping ratio of 1.9:1.0. Sales for the year totalled 484,268 wmt at an average grade of 1.96% with grade being incrementally decreased to maximise mine's resources whilst still meeting the 1.9% RKEF feed grade.

		September 2018 Quarter	December 2018 Quarter	March 2019 Quarter	June 2019 Quarter	Total
Tonnes mined	wmt	125,992	123,176	127,196	78,251	454,615
Overburden mined	Bcm	201,093	254,604	279,781	117,484	852,962
Strip ratio	Bcm/wmt	1.6	2.1	2.2	1.5	1.9
Tonnes sold	wmt	105,620	139,707	142,918	96,023	484,268
Average grade	%	2.04	2.02	1.92	1.84	1.96
Average price received	US\$/t	32.44	31.78	27.51	23.42	28.84
Cash costs⁽¹⁾	CIF US\$/t	22.23	25.03	25.44	40.74	27.02

⁽¹⁾ All-in costs (inclusive of depreciation) averaged \$30.89/t.

The Company received final approval to access the new mine area in IPPKH Phase 2 (994.32 hectares) in December 2018. Expansion activities continued including land compensation, clearing, and completion of a new jetty stockpile area to allow capacity for increased production, drainage works and road widening. Works on expansion of the jetty have commenced which include jetty sea break wall extensions and dredging for larger barges to dock and load.

Whilst the heavy rain during the June 2019 quarter adversely impacted the Hengjaya Mine operations, it had little to no effect on the RKEF operations and production. More than three months of contingency nickel ore stockpiles are held at the IMIP site which can be drawn on whenever ore supply disruptions occur.

Ore Supply Agreements

There is an agreement in place to supply ore from the Hengjaya Mine site to the Hengjaya Nickel and Ranger Nickel RKEF lines. The Hengjaya Mine will commence the ramp up in ore production when access to the IPPKH 2 area is completed.

Mine Expansion

A number of key activities continued during the year in support of the Hengjaya Mine expansion including extension of the existing haul road to the new Central 21 area where the main portion of construction is now completed.

Mine planning initiatives, scheduling and operational improvements have recently shown improved production and ore grade results. The operational team and associated technical ability is being enhanced through both internal training and additional resources in operational readiness for the project to ramp up during the next 12 months. In addition, a new larger mining fleet (40 tonne class trucks, associated excavators and ancillary equipment) is planned to commence operations when mining in the IPPKH 2 area starts.

Widening of mine site haul roads has commenced to accommodate the 40 tonne class trucks required to meet the higher mine production rates planned for later in the year.

Additional mine site laboratory sample preparation and assay equipment has been installed and commissioned to enable additional on-site assays to be completed and faster grade control turnaround times.

**NICKEL MINES LIMITED
and its controlled entities**

REVIEW OF OPERATIONS

The mine camp and infrastructure facilities (accommodation, messing, workshops, warehouse, information technology systems, water and waste treatment plants) scope of works has been awarded and construction works have commenced.

Jetty expansions have commenced and when completed the jetty will have berthing capacity for four x 6,500t to 7,500t class barges.

Exploration

Access to the IPPKH 2 area has allowed ground penetrating radar ('GPR') surveys totalling 425 hectares to be completed to the north and east of the current Bete Bete mining blocks ('Bete Bete Extension'). Initial interpretation indicates significant resource upside potential in the Bete Bete Extension with rocky saprolite thicknesses logged up to 10+ metres thickness. The GPR was followed by exploration and infill drilling with 193 holes drilled for 3,109 metres completed during the year. The program included infill drilling to improve mine planning and scheduling.

Drilling and geological modelling of the Hengjaya Mine resource will continue through the 2019 calendar year through infill and exploration drilling on limonite and saprolite deposits.

Planning for Limonite Ore Supply

In December 2018, the Company signed an MoU to supply limonite ore to a new HPAL plant announced to be constructed within the IMIP.

To support the additional ore supply requirements of the HPAL plant, two options for a direct haul route into the IMIP are currently being considered. Detailed satellite imagery covering over 200km² to an accuracy of 50cm was completed with this detailed survey data to be used enable the detailed design and cost estimates for the preferred haul road route and other future infrastructure options.

The long term opportunity to supply limonite ore to the new HPAL plant continues to be planned for within the long term resource optimisation and, in readiness for eventual delivery, a number of limonite ore stockpiles are being accumulated within the Bete Bete area. In addition to the limonite ore being stockpiled, additional long term mine plans are in progress, including scheduling and stockpile locations which sit inside current and future mine areas and add no additional cost to the short term mine operations.

Drilling in the Central and Bete Bete areas includes modelling of the limonite ore zones and horizons for resource optimisation to reduce future mining costs for this material.

Mine Safety and Environment

There were no lost time injuries reported and no reportable environmental breaches during the year.

As part of the current operations and in preparation for operational readiness for the Hengjaya Mine's expansion, the occupation health and safety management systems are being restructured and overhauled. New staff have been recruited to support and train current staff with a continued focus to promote a safe work culture.

Environmental improvements and rehabilitation programs continue on site with no environmental issues raised or reported by Indonesian authorities.

The community relations teams continue to work closely with local and regional villages including religious, educational and health programs.

NICKEL MINES LIMITED
and its controlled entities

REVIEW OF OPERATIONS

Mineral Resources Statement

Summarised below by resource category is the JORC resource estimate for the Hengjaya Mine project, using a 1.0% nickel cut-off grade.

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

Resource Comparison 2019 to 2018

As detailed in review of operations the Company has been conducting an exploration drilling program at the Hengjaya Mine and anticipates issuing an updated Resource in the coming months. Whilst the underlying Resource has not been updated from that disclosed in the 2018 Annual Report, following the signing of a Memorandum of Understanding to supply limonite ore to a new High Pressure Acid Leach ('HPAL') plant to be constructed within the IMIP, which 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) the Company determined the cut-off grade appropriate given the potential economic extraction of nickel at this level using existing technology.

At 30 June 2018, the Company reported resources at a 1.5% Ni cut-off grade as follows:

Category	Dry Tonnes (million)	Ni (%)	Co (%)	Fe (%)
Measured	0.7	1.8	0.05	16
Indicated	15	1.9	0.06	17
Inferred	22	1.8	0.05	17
Total	38	1.8	0.06	17

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. Mr Gunter has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaking 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.

Information relating to the Mineral Resources Statement is based on, and fairly represents, information and supporting documentation prepared by Nickel Mines staff and contractors and approved by Mr Brett Gunter. The Mineral Resource Statement as a whole has been approved by Mr Gunter and he has consented to the form and context in which it appears in this report.

NICKEL MINES LIMITED
and its controlled entities

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019**

USD	Notes	2019 \$	2018 \$
Sales revenue	21	64,937,347	13,551,415
Cost of sales		(43,346,515)	(10,438,886)
Gross profit		21,590,832	3,112,529
Administration expenses:			
Directors' fees and consultants' expenses		(2,641,601)	(1,987,189)
Depreciation and amortisation expense		(6,836,420)	(319,113)
Agency fee charges		-	(1,800,000)
Share of profit of equity accounted investees	15	2,623,212	-
Other expenses	4	(1,122,798)	(626,213)
Results from operating activities		13,613,225	(1,619,986)
Financial income	5	58,315,916	675,890
Financial expense	5	(35,925)	(1,326,476)
Finance income/(expense)		58,279,991	(650,586)
Profit/(loss) before income tax		71,893,216	(2,270,572)
Income tax expense	8	(66,788)	(656,261)
Profit/(loss) for the year		71,826,428	(2,926,833)
Other comprehensive income			
Items that may be classified subsequently to profit or loss		-	-
Total comprehensive profit/(loss) for the year		71,826,428	(2,926,833)
Profit/(loss) attributable to:			
Owners of the Company		65,525,988	(3,311,526)
Non-controlling interest		6,300,440	384,693
Profit/(loss) for the year		71,826,428	(2,926,833)
Total comprehensive profit/(loss) attributable to:			
Owners of the Company		65,525,988	(3,311,526)
Non-controlling interest		6,300,440	384,693
Total comprehensive profit/(loss) for the year		71,826,428	(2,926,833)
Earnings per share			
Basic and diluted profit/(loss) per share (cents)	9	4.9	(0.72)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

USD	Notes	2019 \$	2018 \$
Current assets			
Cash and cash equivalents	18	49,002,977	806,574
Trade and other receivables	6	43,666,416	387,412
Inventory	10	8,917,474	588,843
Other current assets	7	6,617,630	768,643
Total current assets		108,204,497	2,551,472
Non-current assets			
Other non-current asset	7	4,459,072	242,045
Investment in equity accounted investees	15	49,960,736	50,000,025
Property, plant and equipment	11	340,090,494	26,627,634
Goodwill	16	29,219,349	-
Total non-current assets		423,729,651	76,869,704
Total assets		531,934,148	79,421,176
Current liabilities			
Trade and other payables	12	42,249,023	2,855,385
Current tax payable		303,729	657,471
Provision – employee’s benefit obligation		497,886	478,549
Borrowings	13	4,180,333	-
Total current liabilities		47,230,971	3,991,405
Non-current liabilities			
Provision – rehabilitation		198,309	285,057
Deferred income tax liability	8	29,391,174	-
Other non-current liability		346,816	-
Total non-current liabilities		29,936,299	285,057
Total liabilities		77,167,270	4,276,462
Net assets		454,766,878	75,144,714
Equity			
Share capital	14	275,938,304	103,105,128
Reserves		(639,437)	(595,498)
Retained profits/(Accumulated losses)		36,253,532	(29,272,456)
Total equity attributable to equity holders of the Company		311,552,399	73,237,174
Non-controlling interest		143,214,479	1,907,540
Total equity		454,766,878	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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Share capital	Retained Profits/ (Accumulated losses)	Reserves	Total	Non-controlling interest	Total equity
USD		\$	\$	\$	\$	\$	\$
Balance at 1 July 2017		26,188,005	(25,960,930)	(595,498)	(368,423)	1,522,847	1,154,424
Total comprehensive income for the year							
Loss for the year		-	(3,311,526)	-	(3,311,526)	384,693	(2,926,833)
Total comprehensive loss for the year		-	(3,311,526)	-	(3,311,526)	384,693	(2,926,833)
Transactions with owners, recorded directly in equity							
Issue of shares	14	79,587,329	-	-	79,587,329	-	79,587,329
Costs of issue		(2,670,206)	-	-	(2,670,206)	-	(2,670,206)
Balance at 30 June 2018		103,105,128	(29,272,456)	(595,498)	73,237,174	1,907,540	75,144,714
Balance at 1 July 2018		103,105,128	(29,272,456)	(595,498)	73,237,174	1,907,540	75,144,714
Total comprehensive income for the year							
Profit for the year		-	65,525,988	-	65,525,988	6,300,440	71,826,428
Total comprehensive profit for the year		-	65,525,988	-	65,525,988	6,300,440	71,826,428
Transactions with owners, recorded directly in equity							
Issue of shares	14	185,710,639	-	-	185,710,639	-	185,710,639
Costs of issue	14	(12,877,463)	-	-	(12,877,463)	-	(12,877,463)
Non-controlling interest		-	-	(43,939)	(43,939)	135,006,499	134,962,560
Balance at 30 June 2019		275,938,304	36,253,532	(639,437)	311,552,399	143,214,479	454,766,878

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

NICKEL MINES LIMITED
and its controlled entities

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

USD	Notes	2019 \$	2018 \$
Cash flows from operating activities			
Cash receipts from customers		33,443,269	13,468,402
Cash payments to employees and suppliers		(28,390,583)	(21,513,018)
Interest received		228,042	55,677
Taxes and fees paid		(1,154,626)	-
Research and development repayment		-	(259,102)
Net cash from/(used in) operating activities	18	<u>4,126,102</u>	<u>(8,248,041)</u>
Cash flows from investing activities			
Payments for investments in equity accounted investees	15	(120,000,000)	(50,000,025)
Payments for property, plant and equipment		(19,501,434)	(670,670)
Cash on acquisition of controlled entity	16	9,576,857	-
Loans to equity accounted investees		(10,700,000)	-
Net cash used in investing activities		<u>(140,624,577)</u>	<u>(50,670,695)</u>
Cash flows from financing activities			
Proceeds from issue of shares	14	183,633,648	73,908,362
Costs of issue		(10,792,817)	(1,770,206)
Contribution by non-controlling interest		15,000,000	-
Repayment of borrowings		(2,000,000)	(13,182,546)
Net cash from financing activities	18	<u>185,840,831</u>	<u>58,955,610</u>
Net increase in cash and cash equivalents		49,342,357	36,874
Effect of exchange rate adjustments on cash held		(1,145,953)	490,925
Cash and cash equivalents at the beginning of the year		<u>806,574</u>	<u>278,775</u>
Cash and cash equivalents at the end of the year		<u>49,002,977</u>	<u>806,574</u>

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

NICKEL MINES LIMITED
and its controlled entities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1 - REPORTING ENTITY

Nickel Mines Limited (the 'Company') is a company domiciled in Australia. The consolidated financial report for the year ended 30 June 2019 comprises the Company and its subsidiaries (together referred to as the 'Group'). The Group is a for-profit entity and is involved in nickel ore mining and nickel pig iron production operations.

NOTE 2 - BASIS OF PREPARATION

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. The consolidated financial report of the Group complies with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board ('IASB').

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value.

Functional and presentation currency

These consolidated 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 notes:

- Note 8 – Income tax expense
- Note 15 – Investment in equity accounted associates
- Note 16 – Controlled entities.

NICKEL MINES LIMITED
and its controlled entities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling interest

The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree. Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions.

Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Where a controlled entity issues shares to minority interests which does not result in loss of control by the Group, any gain or loss arising on the Group's interest in the controlled entity is recognised directly in equity.

Investments in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and a joint venture.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

Nickel ore and nickel pig iron sales revenue

Nickel ore and nickel pig iron sales revenue is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

NICKEL MINES LIMITED
and its controlled entities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Con't)

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to United States dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to United States dollars at foreign exchange rates ruling at the dates the fair value was determined.

The Group transacts in the following foreign currencies: Australian dollars (A\$ or AUD) and Indonesian Rupee (IDR).

Financial statements of foreign operations

The assets and liabilities of foreign entities are translated to United States dollars at the foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated to United States dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in the foreign currency translation reserve ('FCTR'), a separate component of equity.

Foreign exchange gains and losses arising from a monetary item receivable or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in the FCTR.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to United States dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to United States dollars at exchange rates at the dates of the transactions. When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss as part of the profit or loss on disposal.

At 30 June 2019 the functional currency of all components in the Group is United States dollars. The FCTR represents the foreign exchange differences which arose on retranslation in prior years on subsidiaries which have not yet been disposed.

Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see below accounting policy Impairment).

Depreciation and amortisation

Mining properties amortisation rate is applied on the basis of units of production over the life of the economically recoverable resources. The amortisation is included in the costs of conversion of inventories.

Depreciation is charged to the income statement using a reducing balance method from the date of acquisition using the following rates:

- Furniture and fittings and plant and machinery are depreciated at 25%.
- Land and buildings and infrastructure are depreciated at 5%.
- Mine infrastructure assets are depreciated at 5%.
- Office equipment is depreciated at rates of between 25% and 40%.
- Plant and machinery are depreciated at rates if between 12.5% and 25%.

NICKEL MINES LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Con't)

Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Non-financial assets

The carrying amounts of the Group's assets, other than deferred tax assets and inventories, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

Calculation of recoverable amount

The recoverable amount of assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Share capital

Transaction costs

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

Expenses

Net financing income

Net financing costs comprise interest payable on borrowings calculated using the effective interest method, interest earned and foreign exchange gains and losses.

Interest income is recognised in the income statement as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payment is established.

NICKEL MINES LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Con't)

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs which are directly attributable to the Group's exploration and evaluation and development activities are capitalised in relation to qualifying assets.

Income tax

Income tax on the income statement for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for: The initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

NICKEL MINES LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Con't)

Employee benefits

Wages, salaries, annual leave, sick leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on average costs over the relevant period of production, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

Site restoration

In accordance with the Group's environmental policy and applicable legal requirements, a provision for site restoration in respect of disturbed land, and the related expense, is recognised when the land is disturbed.

Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Liabilities classified at fair value through profit or loss

The fair value of those convertible notes that are measured at fair value through profit or loss have been measured with reference to the terms of the Convertible Loan Facility Agreement ('Loan Facility') using a valuation technique that considers inputs that include risk adjusted discount factor, probability of achieving IPO and US treasury bond rate.

NICKEL MINES LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Con't)

Exploration, evaluation and development expenditure

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised at cost or fair value, as exploration and evaluation assets on an area of interest basis. Costs incurred before the Group has obtained the legal rights to explore an area are recognised in the statement of comprehensive income.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- (i) the expenditures are expected to be recouped through successful development and exploitation of the area of interest;
or
- (ii) activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability and facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from exploration and evaluation expenditure to mining property and development assets within property, plant and equipment.

Financial instruments

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the Group Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

Loans and receivables

Loans and receivables comprise trade and other receivables.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Trade and other payables

Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and are normally settled on 30 day terms.

NICKEL MINES LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Con't)

Liabilities classified at fair value through profit or loss

When a convertible note is identified to contain an embedded derivative that meets the definition of a liability, the whole contract is measured and accounted for at fair value through profit or loss, unless the derivative is able to be measured reliably, in which case it is separated from the host contract and accounted for separately at fair value through profit or loss.

Any gains or losses arising on the instrument upon fair valuing at inception are not immediately recognised as a gain or loss in profit or loss, but are instead deferred and recognised as a gain or loss in profit or loss on a systematic basis over the life of the instrument. Any subsequent movement in the fair value of financial instruments that are carried at fair value through profit or loss are recognised directly in profit or loss within finance expenses.

Transaction costs of financial liabilities that are carried at fair value through profit or loss are expensed in profit or loss.

New standards and interpretations not yet adopted

New standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2019, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

AASB 16 Leases

AASB 16 replaces existing leases guidance, including AASB 17 Leases. The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply AASB 15 at or before the date of initial application of AASB 16.

AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Group has not yet completed a detailed assessment of the potential impact of applying AASB 16 on the financial statements.

NICKEL MINES LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

	2019	2018
	\$	\$
NOTE 4 - OTHER EXPENSES		
Audit fees – KPMG audit of financial reports	246,234	88,767
IPO related fees – KPMG	11,536	43,429
Travel	252,467	91,790
Legal fees	523,706	378,687
Tax charges	88,855	23,540
	1,122,798	626,213

NOTE 5 - FINANCIAL INCOME AND FINANCE EXPENSE

Interest income	249,933	55,677
Interest expense	(35,925)	(315,813)
Loss on extinguishing liabilities	-	(602,881)
Net change in fair value of financial liabilities at fair value	-	(407,782)
Net change in fair value of investment in associate	57,337,499 ⁽¹⁾	-
Foreign exchange gain	728,484	620,213
	58,279,991	(650,586)

⁽¹⁾ See note 15 for further details.

NOTE 6 - TRADE AND OTHER RECEIVABLES

GST/VAT receivable	58,612	11,291
Trade receivables	43,607,804	367,662
Other	-	8,459
	43,666,416	387,412

NOTE 7 – OTHER ASSETS

Current

Prepayments – IPO Costs	-	483,451
Prepayments - other	1,623,187	268,221
Security deposit	-	8,002
Loan to equity accounted investee	1,709,633	
Other	3,284,810	8,969
	6,617,630	768,643

In May 2019, the Company provided a \$1.7 million working capital loan to an associate, Ranger Nickel during the commissioning phase. Interest is charged at a rate of 6% p.a. and the balance is expected to be repaid within 12 months.

NICKEL MINES LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 7 – OTHER ASSETS (continued)	2019	2018
	\$	\$
<i>Non-current</i>		
Prepayments	4,059,223	-
Other	399,849	242,045
	<u>4,459,072</u>	<u>242,045</u>

NOTE 8 - INCOME TAX EXPENSE

Profit/(loss) before tax – continuing operations	71,893,216	(2,270,572)
Prima facie income tax expense/(benefit) at the Australian tax rate of 30% (2018: 30%)	21,567,965	(681,172)
Increase in income tax expense/(benefit) due to:		
- Effect of tax rates in foreign jurisdictions	(38,043)	(136,976)
- Non-deductible expenses	(20,709,711)	1,632,739
- Effect of deferred tax assets for tax losses not brought to account	64,764	(42,686)
- Effect of net deferred tax assets not brought to account	(889,085)	(32,882)
- Effect of foreign currency conversion	70,898	(82,762)
Income tax expense – current and deferred	<u>66,788</u>	<u>656,261</u>

Deferred tax assets/(liabilities) have been recognised in respect of the following items:

DTA on Australian tax losses	-	-
DTL net deductible temporary differences	29,391,174	-
Net	<u>29,391,174</u>	<u>-</u>

Deferred tax assets have not been recognised in respect of the following items:

Deductible temporary differences (net)	2,509,896	760,707
Tax losses	719,898	(26,609)
Net	<u>3,229,794</u>	<u>734,098</u>

The deductible temporary differences and tax losses do not expire under the current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise the benefits of the deferred tax asset. The Company does not have any franking credits.

NICKEL MINES LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

	2019	2018
	\$	\$
NOTE 9 – PROFIT/(LOSS) PER SHARE		
Basic and diluted profit/(loss) per share have been calculated using:		
Net profit/(loss) for the year attributable to equity holders of the Company	65,525,988	(3,311,526)
	<u>N° of shares</u>	<u>N° of shares</u>
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	-	43,011,718
- Effect of shares issued on 28 December 2017	-	15,294,233
- Effect of shares issued on 11 January 2018	-	13,624,425
- Effect of shares issued on 30 January 2018	-	4,148,352
- Effect of shares issued on 31 January 2018	-	6,796,291
- Effect of shares issued on 26 March 2018	-	1,648,352
- Effect of shares issued on 18 April 2018	-	31,180,898
- Effect of shares issued on 26 April 2018	-	28,768,277
- Effect of shares issued on 14 August 2018	509,462,325	-
- Effect of shares issued on 13 June 2019	6,421,703	-
Weighted average number of shares at the end of the year	<u>1,324,366,258</u>	<u>461,803,062</u>

NOTE 10 - INVENTORY

Inventory – ore stockpiles	714,190	588,843
Inventory – NPI production raw materials	8,203,284	-
	<u>8,917,474</u>	<u>588,843</u>

During the year, the Group provided nickel ore to PT Indonesia Tsingshan Stainless Steel ('ITSS'), an Indonesian Tsingshan group company, 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. In January 2019, the Group commenced supplying ore to the Company's 60% owned subsidiary Hengjaya Nickel, under an offtake agreement to supply 50,000 wmt per month in anticipation of the commencement of NPI production at Hengjaya Nickel.

Inventories are measured at the lower of cost and net realisable value. The cost of goods for the year ended 30 June 2019 totalling \$43,346,515 (2018: \$10,438,886) included employee expenses of \$1,427,741 (2018: \$1,132,787).

NICKEL MINES LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

	2019	2018
	\$	\$
NOTE 11 - PROPERTY, PLANT AND EQUIPMENT		
Furniture and fittings		
Furniture and fittings – cost	69,911	37,541
Accumulated depreciation	(46,127)	(34,826)
Net book value	23,784	2,715
Mine infrastructure assets		
Mine infrastructure assets – cost	3,526,044	2,404,029
Accumulated depreciation	(1,166,887)	(705,194)
Net book value	2,359,157	1,698,835
Buildings		
Buildings– cost	30,657,609	250,682
Accumulated depreciation	(602,563)	(64,623)
Net book value	30,055,046	186,059
Mining properties		
Mining properties– cost	27,836,972	24,996,168
Accumulated amortisation	(1,572,159)	(553,855)
Net book value	26,264,813	24,442,313
Office equipment		
Office equipment – cost	619,248	288,485
Accumulated depreciation	(269,485)	(168,726)
Net book value	349,763	119,759
Plant and machinery		
Plant and machinery – cost	286,026,881	661,949
Accumulated depreciation	(5,313,393)	(629,730)
Net book value	280,713,488	32,219
Motor vehicles		
Motor vehicles – cost	348,838	147,367
Accumulated depreciation	(24,395)	(1,633)
Net book value	324,443	145,734
Total property, plant and equipment	340,090,494	26,627,634

Impairment

After consideration of both internal and external factors, the Directors believe that no indicators of impairment existed at 30 June 2019 and have therefore not completed an impairment assessment over the carrying value of the Group's property, plant and equipment assets at 30 June 2019.

NICKEL MINES LIMITED
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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Con't)

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below.

	2019	2018
	\$	\$
Furniture and fittings		
Carrying amount at beginning of year	2,716	2,480
Additions	32,370	1,184
Depreciation	(11,302)	(948)
Net book value	<u>23,784</u>	<u>2,716</u>
Mine infrastructure assets		
Carrying amount at beginning of year	1,698,835	1,803,321
Additions	1,122,014	129
Depreciation	(461,692)	(104,615)
Net book value	<u>2,359,157</u>	<u>1,698,835</u>
Buildings		
Carrying amount at beginning of year	186,059	189,961
Additions	30,406,927	6,950
Depreciation	(537,940)	(10,852)
Net book value	<u>30,055,046</u>	<u>186,059</u>
Mining properties		
Carrying amount at beginning of year	24,442,312	24,113,579
Additions	2,840,804	471,221
Amortisation	(1,018,303)	(142,488)
Net book value	<u>26,264,813</u>	<u>24,442,312</u>
Office equipment		
Carrying amount at beginning of year	119,759	125,052
Additions	330,762	34,905
Depreciation	(100,758)	(40,198)
Net book value	<u>349,763</u>	<u>119,759</u>
Plant and machinery		
Carrying amount at beginning of year	32,219	41,682
Additions	285,364,932	8,916
Depreciation	(4,683,663)	(18,379)
Net book value	<u>280,713,488</u>	<u>32,219</u>

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Con't)

	2019	2018
	\$	\$
Motor vehicles		
Carrying amount at beginning of year	145,734	-
Additions	201,471	147,367
Depreciation	(22,762)	(1,633)
Net book value	324,443	145,734

NOTE 12 - TRADE AND OTHER PAYABLES

Current		
Creditors	39,228,037	2,533,155
Accruals	3,020,986	322,230
	42,249,023	2,855,385

NOTE 13 – BORROWINGS

Current		
Working capital loan	4,000,000	-
Interest on working capital loan	180,333	-
	4,180,333	-

During the year, the indirect shareholders of Hengjaya Nickel, Nickel Mines and Decent Investment International Private Limited ('Decent Investment') an associate of Shanghai Decent, provided working capital loans to Hengjaya Nickel totalling \$15 million to fund operations through the ramp-up commissioning phase of operations. These loans were proportionate to the shareholders interest in Hengjaya Nickel. i.e. Nickel Mines provided 60% of the total amount, \$9 million and Decent Investment provided 40%, \$6 million. Interest is charged at a rate of 6% p.a. In May 2019, \$3 million was repaid to Nickel Mines and \$2 million to Decent Investment. Total interest payable by Hengjaya Nickel on the working capital loans was \$413,833, with \$233,500 payable to the Company eliminating on consolidation and \$180,333 payable to Decent Investment. There is no fixed repayment date but it is anticipated the loans will be repaid within the next twelve months.

NOTE 14 - ISSUED CAPITAL

	Number of	\$
	shares	
Ordinary shares on issue at 30 June 2017 - fully paid	317,330,516	26,188,005
Issue of shares- cash	455,793,411	73,908,362
Issue of shares - share based payments	35,358,303	5,678,967
Costs of issue	-	(2,670,206)
Ordinary shares on issue at 30 June 2018 - fully paid	808,482,230	103,105,128
Issue of shares - cash	708,928,572	183,633,648
Issue of shares – non-cash	8,084,822	2,076,991
Costs of issue	-	(12,877,463)
Ordinary shares on issue at 30 June 2019 - fully paid	1,525,495,624	275,938,304

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NOTE 14 - ISSUED CAPITAL (continued)

2019

In June 2019 the Group issued 137,500,000 shares for cash totalling A\$55,000,000 (equivalent to \$38,109,500). There were no amounts unpaid on the shares issued and share issue costs amounted to \$1,566,790.

In August 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 additional shares were issued as part of the costs of issue.

2018

During the year ended 30 June 2018 the Group issued 455,793,411 shares for cash totalling \$73,908,362. There were no amounts unpaid on the shares issued and share issue costs amounted to \$2,670,206. In addition to the cash issues the Group had the following share based payment arrangements:

Settlement of liabilities

29,408,347 shares were issued as full settlement of liabilities owing totalling \$4,726,974. This included the following:

- Repayment of an unrelated party loan and related liabilities: \$1,600,000 settled through the issue of 10,000,000 \$0.16 shares.
- Repayment of related party loans: \$1,396,788 settled through the issue of 8,594,681 shares. This includes 6,898,239 shares issued at \$A0.213 per share and 1,696,442 shares issued at \$0.16 per share (see note 17).
- Payment of creditors: \$1,730,187 of creditor balances were settled through the issues of 10,813,666 shares issued at \$0.16 per share.

Director and employee payments

As noted in note 17, the Directors received a one-off payment in recognition of their efforts in respect of the pre-IPO capital raise in December 2017. The approved payment totalled A\$976,000 (excluding GST). The payment of A\$1,057,600 (including GST) was converted to \$851,368 using the rate of 80.5c and settled through the issue of shares on 31 January 2018 at the pre-IPO capital raising price of \$0.16 per share.

Bonus payments totalling \$100,625 were granted to employees of the Group in recognition of their efforts in respect of the pre-IPO capital raise in December 2017. The payments were settled through the issue of 628,906 shares at an issue price of \$0.16 per share.

Options

There were no options granted, exercised or lapsed unexercised during the year ended 30 June 2019 or year ended 30 June 2018.

Dividends

There were no dividends paid or declared during the year ended 30 June 2019 or 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.

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NOTE 15 – INVESTMENT IN EQUITY ACCOUNTED INVESTEE

Investment in Hengjaya Holdings Private Limited

	2019	2018
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 profit of equity accounted investee	2,662,476	-
Fair value movement in the carrying value of investment	57,337,499	-
Consideration for business combination	(180,000,000)	-
	-	50,000,025

In September 2018, following successful completion of the Company’s IPO capital raising, the Company 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’), an Indonesian PMA company which owns and operates the RKEF project. This acquisition increased the Company’s interest in Hengjaya Holdings to 60%. As a result of the terms of an agreement between shareholders of Hengjaya Nickel, the Company continued to equity account this investment until the terms of the agreement were amended whereby it was agreed that Nickel Mines could constitute the Board of Hengjaya Holdings at its discretion once it held a 60% interest in Hengjaya Holdings. It was then deemed that Nickel Mines controlled Hengjaya Holdings and equity accounting of the investment in Hengjaya Holdings was ceased at 31 March 2019.

The Company’s equity accounting share of Hengjaya Holdings profit from 1 July 2018 to 31 March 2019 was \$2,662,476.

Investment in Ranger Holdings Private Limited

	2019	2018
Current	\$	\$
Opening balance	-	-
Acquisition of a 17% interest in equity accounted investee	50,000,000	-
Share of loss of equity accounted investee	(39,624)	-
	49,960,736	-

In November 2018, the Company converted a non-binding Memorandum of Understanding with Shanghai Decent to acquire an interest in 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’), an Indonesian PMA company owns and operates the RKEF project, into a binding agreement. Following the execution of the binding agreement the Company acquired a 17% interest in Ranger Holdings for \$50,000,000.

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FOR THE YEAR ENDED 30 JUNE 2019

NOTE 15 – INVESTMENT IN EQUITY ACCOUNTED INVESTEE (continued)

In April 2019, the Company announced the intention to move from 17% to 60% via a funding package comprising a mixture of debt and equity. Subsequent to year end and shareholder approval, the Company has increased its interest in Ranger Nickel from 17% to 60% for \$121.4 million with consideration being funded by the drawdown of an \$80 million senior debt facility provided by a Shanghai Decent associated company, the issue of 139,972,705 shares in the Company for \$40 million and a cash payment of \$1.4 million.

At 30 June 2019 the investment is accounted for as an equity accounted investment as the Company believes it has significant influence over Ranger Holdings and Ranger Nickel. The Company's share of the loss for the period is \$39,264.

NOTE 16 - CONTROLLED ENTITIES

Acquisition of controlled entities

In August 2018, in accordance with its rights under a Collaboration and Subscription Agreement, 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 \$70 million. This took the Company's interest in Hengjaya Holdings to 60%. As detailed in note 15, the terms of the agreement were amended whereby it was agreed that Nickel Mines could constitute the Board of Hengjaya Holdings at its discretion once it held a 60% interest in Hengjaya Holdings. It was then deemed that Nickel Mines controlled Hengjaya Holdings and equity accounting of the investment in Hengjaya Holdings was ceased at 31 March 2019.

The acquisition and control of Hengjaya Holdings had the following effect on the Group's assets and liabilities on acquisition date, determined on a provisional basis:

Fair value of net assets of entity acquired:	Pre-acquisition carrying amounts \$	Fair value adjustments \$	Recognised values on acquisition \$
Cash and cash equivalents	9,576,857	-	9,576,857
Other current assets	21,148,737	-	21,148,737
Property, plant and equipment	114,170,669	195,476,576	309,647,245
Other non-current assets	3,537,359	-	3,537,359
Trade and other payables	(28,699,698)	-	(28,699,698)
Borrowings	(15,210,500)	-	(15,210,500)
Goodwill	-	26,969,349	26,969,349
Deferred income tax liability	-	(26,969,349)	(26,969,349)
Net assets and liabilities	<u>104,523,424</u>	<u>195,476,576</u>	<u>300,000,000</u>
Consideration transferred:			
Fair value of equity accounted investment	180,000,000		
Non-controlling interest	<u>120,000,000</u>		
	<u>300,000,000</u>		
Cash/consideration paid	-		
Cash acquired	<u>9,576,857</u>		
Net cash inflow	<u>9,576,857</u>		

The values of assets and liabilities recognised on acquisition are their estimated fair values. The fair value of the assets was determined on acquisition date by reference to a valuation of \$300 million, being the underlying valuation when determining the cost of any additional increase in the Company's interest in Hengjaya Nickel.

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NOTE 16 - CONTROLLED ENTITIES (continued)

Non-controlling interests

The following table summarises the information relating to the Group's subsidiaries that have a material non-controlling interest, before any intra-group eliminations.

	PT Hengjaya Mineralindo		Hengjaya Holdings and its controlled entities	
	2019 \$	2018 \$	2019 \$	2018 \$
Non-controlling interest percentage	20%	20%	40%	-
Current assets	2,796,988	1,953,623	62,894,012	-
Non-current assets	28,042,814	25,061,559	343,917,180	-
Current liabilities	(6,402,369)	(3,496,488)	(40,563,064)	-
Non-current liabilities	(19,309,503)	(18,598,676)	(29,219,349)	-
Net assets	5,127,929	4,920,018	337,028,779	-
Carrying amount of non-controlling interest	1,949,108	1,907,540	141,265,371	-
Revenue	14,184,410 ⁽¹⁾	13,551,416	52,717,022 ⁽²⁾	-
Profit	207,940	1,987,862	15,647,180	-
Other comprehensive income	-	-	-	-
Total comprehensive income	207,840	1,987,862	15,647,180	-
Profit allocated to non-controlling interest	41,568	384,693	6,258,872	-
Other comprehensive income allocated to non-controlling interest	-	-	-	-

⁽¹⁾ Includes nickel ore sales post 1 April 2019 to the Company's controlled entity PT Hengjaya Nickel Industry.

⁽²⁾ Only includes nickel pig iron sales post 1 April 2019, the date at which Hengjaya Holdings and its controlled entities were consolidated in the Group.

Particulars in relation to controlled entities:

	Ordinary shares – Group interest	Ordinary shares – Group interest
	2019 %	2018 %
<i>Parent entity</i>		
Nickel Mines Limited		
<i>Controlled entities</i>		
PT Hengjaya Mineralindo (incorporated in Indonesia)	80	80
Hengjaya Holdings Private Limited (incorporated in Singapore)	60	25 ⁽¹⁾
Hengjaya Nickel Private Limited (incorporated in Singapore)	60	25 ⁽¹⁾
PT Hengjaya Nickel Industry (incorporated in Indonesia)	60	25 ⁽¹⁾

⁽¹⁾ Equity accounted in 2018 – refer note 15.

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NOTE 17 - RELATED PARTIES

Key management personnel of the Group include the following:

Robert Neale	Chairman (Non-Executive)
Norman Seckold	Deputy Chairman
Justin Werner	Managing Director
Peter Nightingale	Director and Chief Financial Officer
James Crombie	Director (Non-Executive)
Weifeng Huang	Director (Non-Executive)
Mark Lochtenberg	Director (Non-Executive)
Yuanyuan Xu	Director (Non-Executive)

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the group's key management personnel for the year ended 30 June 2019. The total remuneration paid to key management personnel of the Group during the year is as follows:

Key Management Personnel compensation - USD

	2019	2018
	\$	\$
Short term employee benefits	628,511	213,131
Share based payments	-	761,476
	<u>628,511</u>	<u>974,607</u>

Key Management Personnel transactions

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or joint control over the financial or operating policies of those entities.

A number of these entities transacted with the Group during the year. The aggregate value of transactions and outstanding balances (excluding the compensation noted above) relating to key management personnel and entities over which they have control or joint control were as follows:

Other related parties	Transaction	Expense		Balance outstanding	
		2019	2018	2019	2018
		\$	\$	\$	\$
MIS Corporate Pty Limited	Loan and interest	-	11,199	-	-
MIS Corporate Pty Limited	Administration services	288,020	219,431	6,321	37,950
		<u>288,020</u>	<u>230,630</u>	<u>6,321</u>	<u>37,950</u>

Norman Seckold and Peter Nightingale 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 2018 MIS agreed to provide these services for a fee of A\$15,000 per month. On 1 January 2019 MIS agreed to provide these services for a fee of A\$35,000 per month. This fee will be reviewed quarterly by the Company and MIS. Fees charged by MIS during the year amounted to A\$402,600 (2018: A\$279,452) which included the agreed monthly fee and the reimbursement of consultant expenses incurred by MIS on behalf of the Group. At 30 June 2019 A\$9,000 (30 June 2018: A\$51,346) remained outstanding and was included in the creditor's balance.

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

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	2019	2018
	\$	\$
NOTE 18 - STATEMENT OF CASH FLOWS		
(a) Reconciliation of cash and cash equivalents		
Cash and cash equivalents at the end of the year as shown in the Statements of Cash Flows is reconciled to the related items in the Balance Sheets as follows:		
Bank balances	49,002,977	806,574
(b) Reconciliation of net loss from ordinary activities after tax to net cash used in operating activities		
Profit/(loss) from ordinary activities after tax	71,826,428	(2,926,833)
<i>Non-cash items</i>		
Depreciation and amortisation	6,836,420	64,425
Foreign exchange gain	(728,484)	(620,213)
Interest expense and loss on extinguished liabilities	35,925	642,213
Net change in fair value of financial liabilities	-	407,782
Net change in fair value of investment in associate	(57,337,499)	-
<i>Changes in assets and liabilities</i>		
Trade receivables and other assets	(30,417,143)	(731,737)
Inventory	(3,317,957)	370,608
Provisions	(67,412)	197,546
Trade and other payables	17,297,824	(5,651,832)
Net cash from/(used in) operating activities	4,126,102	(8,248,041)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 19 - FINANCIAL INSTRUMENTS DISCLOSURE

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. These policies are reviewed regularly to reflect changes in market conditions and the Group's activities.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, currency risk and interest rate risk. The summaries below presents information about the Group's exposure to each of these risks, their objectives, policies and processes for measuring and managing risk, the management of capital and financial instruments.

Credit risk

Credit risk arises mainly from the risk of counterparties defaulting on the terms of their agreements. The carrying amounts of the following assets represent the Group's maximum exposure to credit risk in relation to financial assets:

		2019	2018
		\$	\$
Cash and cash equivalents	18	49,002,977	806,574
Trade and other receivables	6	43,666,416	387,412
Loan to equity accounted investee	7	1,709,633	-
		94,379,026	1,193,986

The Group mitigates credit risk on cash and cash equivalents by dealing with regulated banks in Australia and Indonesia. Credit risk of trade and other receivables is low as it consists predominantly of nickel ore and NPI sales. Nickel ore sales are currently all to the Company's 60% owned PT Hengjaya Nickel Industry and NPI trade receivables are from sales to one customer, PT Indonesia Tsingshan Stainless Steel, a Tsingshan group company operating within the IMIP and amounts recoverable from the Australian Taxation Authority.

Impairment losses

None of the Group's material trade and other receivables are past due.

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NOTE 19 - FINANCIAL INSTRUMENTS DISCLOSURE (Con't)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

Consolidated	Carrying amount	Contractual cash flows	Less than one year	Between one and five years	More than five years
	\$	\$	\$	\$	\$
30 June 2019					
Trade and other payables	42,552,752	42,552,752	42,552,752	-	-
Borrowings	4,180,333	4,230,000	4,180,333	-	-
	46,733,085	46,782,752	46,733,085	-	-
30 June 2018					
Trade and other payables	3,512,856	3,512,856	3,512,856	-	-
Total liabilities	3,512,856	3,512,856	3,512,856	-	-

Ultimate responsibility for liquidity management rests with the Board of Directors. The Group manages liquidity risk by maintaining adequate funding where possible and monitoring of future rolling cash flow forecasts of its operations, which reflect management's expectations of expected settlement of financial assets and liabilities.

Currency risk

The Group functional currency in 2019 was assessed as being United States dollars. The Group is exposed to foreign currency risks due to the fact that the domestic ore sales of its subsidiaries PT Hengjaya Mineralindo and PT Hengjaya Nickel Industry are in Indonesian Rupiah (although the underlying sale price is denominated in US dollars), liabilities of the Group are denominated in both Indonesian Rupiah and Australian dollars and the issues of shares during the year were denominated in Australian dollars.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 19 - FINANCIAL INSTRUMENTS DISCLOSURE (Con't)

The Group's gross financial position exposure to foreign currency risk at 30 June is as follows:

	2019		2018	
	Foreign currency	USD	Foreign currency	USD
IDR				
Cash at bank	IDR 35,870,163,502	\$2,539,031	IDR 10,220,318,341	\$709,547
Accounts receivable	IDR 615,110,927,164	\$43,539,970	IDR 5,295,797,056	\$367,662
Other current assets	IDR 69,337,705,871	\$4,907,995	IDR 4,082,905,254	\$283,456
Provisions	IDR 9,385,505,761	\$696,196	IDR 10,999,001,109	(\$763,607)
Taxes payable	(IDR 4,290,938,455)	(\$303,729)	IDR 6,095,274,009	(\$423,165)
Trade and other payables	(IDR 450,738,646,685)	(\$31,905,054)	IDR 6,013,820,947	(\$417,510)
AUD				
Cash at bank	A\$34,986,844	\$24,571,261	A\$24,969	\$18,489
Receivables	A\$180,046	\$126,446	A\$15,248	\$11,291
Prepayments	-	-	A\$652,870	\$483,451
Trade and other payables	(A\$172,965)	(\$121,473)	(A\$545,340)	(\$403,824)

The following significant exchange rates applied during the year:

USD	Average rate		Reporting date spot rate	
	2019	2018	2019	2018
IDR	14,469	13,608	14,128	14,404
AUD	1.3978	1.2913	1.4239	1.3504

The following sensitivity analysis is based on the exchange rate risk exposures at balance date.

At 30 June if the exchange rate between the United States dollar and the Indonesian Rupiah and the Australian Dollar had moved, as illustrated in the table below, with all other variables held constant, the post-tax loss and equity would have been affected as follows:

Judgement of reasonable possible movements:

	Post tax loss (Higher)/Lower 2019 \$	Total equity (Higher)/Lower 2019 \$	Post tax loss (Higher)/Lower 2018 \$	Total equity (Higher)/Lower 2018 \$
+ 10% higher USD to IDR exchange rate	2,353,381	2,353,381	128,359	128,359
- 5% lower USD to IDR exchange rate	(1,176,691)	(1,176,691)	(64,180)	(64,180)
+ 10% higher USD to AUD exchange rate	4,183,263	4,183,263	19,952	19,952
- 5% lower USD to AUD exchange rate	(2,091,632)	(2,091,632)	(9,976)	(9,976)

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NOTE 19 - FINANCIAL INSTRUMENTS DISCLOSURE (Con't)

Interest rate risk

The Group's exposure to market interest rate relates to cash assets.

At balance date, the Group had the following mix of financial assets and liabilities exposed to variable interest rate risk:

Financial assets		2019	2018
Cash and cash equivalents	18	<u>49,002,977</u>	<u>806,574</u>

Sensitivity analysis

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) loss for the period by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for the comparative period.

		2019	2018
		\$	\$
Profit for the year		<u>(249,048)</u>	<u>(5,427)</u>

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board ensures, where possible, costs are not incurred in excess of available funds and will seek to raise additional funding through issues of shares for the continuation of the Group's operation. There were no changes in the Group's approach to capital management during the year.

The Group is not subject to externally imposed capital requirements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 20 - PARENT ENTITY DISCLOSURE

As at, and throughout the financial year ended 30 June 2019 the parent entity of the Group was Nickel Mines Limited.

	Parent Entity	Parent Entity
	2019	2018
	\$	\$
Result of the parent entity		
Net profit/(loss)	55,971,407	(4,850,295)
Other comprehensive income	-	-
Total comprehensive profit/(loss)	55,971,407	(4,850,295)
Financial position of the parent entity at year end		
Current assets	48,932,604	597,847
Non-current assets	259,462,211	64,468,529
Total assets	308,394,815	65,066,376
Current liabilities	265,538	494,917
Total liabilities	266,538	494,917
Net Assets	308,129,277	64,571,459
Equity		
Share Capital	275,938,304	103,105,128
Retained profits/(Accumulated losses)	32,190,973	(38,533,669)
Total Equity	308,129,277	64,571,459

At balance sheet date the company has no capital commitments or contingencies (2018: \$nil).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 21 -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 interest bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period in that geographic region.

Operating segments

For the year ended 30 June 2019, the Group had two segments, being nickel ore mining in Indonesia and the RKEF projects in Indonesia.

	Indonesia - Nickel ore mining	Indonesia – RKEF Projects	Unallocated	Total
	\$	\$	\$	\$
30 June 2019				
External revenues	12,220,324 ⁽¹⁾	52,717,022 ⁽²⁾	-	64,937,347
Reportable segment profit before tax	274,629	78,120,349	(6,501,762)	71,893,216
Interest income	25,804	12,262	211,867	249,933
Interest expense	-	35,925	-	35,925
Depreciation and amortisation	74,809	2,443,457	1,313	2,519,579
Reportable segment assets	24,519,982	458,481,562	48,932,604	531,934,148
Reportable segment liabilities	(7,119,318)	(69,782,414)	(265,538)	(77,167,270)
30 June 2018				
External revenues	13,551,416	-	-	13,551,416
Reportable segment profit/(loss) before tax	2,579,722	-	(4,850,294)	(2,270,572)
Interest income	25,103	-	30,574	55,677
Interest expense	21,818	-	293,995	315,813
Depreciation and amortisation	64,401	-	24	64,425
Reportable segment assets	28,823,304	50,000,025	597,847	79,421,176
Reportable segment liabilities	(3,781,545)	-	(494,917)	(4,276,462)

⁽¹⁾ From 1 April 2019 sales of nickel ore are internal to the Group and so are eliminated on consolidation.

⁽²⁾ The Group's external revenue is generated under nickel pig iron supply agreements with Tsingshan group companies. Only includes sales revenue of nickel pig iron from 1 April 2019 as prior to this date Hengjaya Nickel was accounted for as an equity accounted investee.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 21 -SEGMENT INFORMATION (continued)

	As at	As at
	30 June 2019	30 June 2018
	\$	\$
Reconciliations of reportable segment revenues and profit or loss		
Profit or loss		
Total profit/(loss) for reportable segments	21,057,478	2,579,722
Unallocated amounts:		
Interest income		
Net other corporate income/(expenses)	50,835,738	(4,850,294)
Consolidated profit/(loss) before tax	71,893,216	(2,270,572)
Reconciliations of reportable assets and liabilities		
Assets		
Total assets for reportable segments	483,001,545	78,823,329
Unallocated corporate assets	48,932,604	597,847
Consolidated total assets	531,934,148	79,421,176
Liabilities		
Total liabilities for reportable segments	(76,901,732)	(494,917)
Unallocated corporate liabilities	(265,538)	(3,781,545)
Consolidated total liabilities	(77,167,270)	(4,276,462)

Revenue

All sales during the year were to customers located in Indonesia.

Major customers

All sales of nickel pig iron during the year were to PT Indonesia Tsingshan Stainless Steel ('ITSS'), an Indonesian Tsingshan group company, operating with the Indonesian Morowali Industrial Park. Sales of nickel ore from July to December 2018 were also to ITSS. In January 2019, the Group commenced supplying nickel ore to the Company's 60% owned subsidiary Hengjaya Nickel, under an offtake agreement to supply 50,000 wmt per month.

NOTE 22 – AUDITOR REMUNERATION

During the year ended 30 June 2019 KPMG, the Company's auditor, has performed other services in addition to their statutory audit duties.

Details of the amounts paid to the auditor of the Group, KPMG, and its related practices for audit and non-audit services provided during the year are set out below:

	2019	2018
	\$	\$
Auditors of the Company		
Audit and review of financial reports – KPMG Australia	123,393	47,196
Audit and review of financial reports – KPMG Indonesia	122,840	41,571
Services other than statutory audit		
- taxation services in relation to IPO	-	7,545
- Investigating Accountant's services in relation to IPO	11,536	35,884
	257,769	132,196

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 23 – SUBSEQUENT EVENTS

At an Extraordinary Meeting of Shareholders held on 26 July 2019 shareholders approved the Company's move to a 60% interest in Ranger Nickel. Subsequent to year end and shareholder approval, the Company has increased its interest in Ranger Nickel from 17% to 60% for \$121.4 million with consideration being funded by the drawdown of an \$80 million senior debt facility provided by a Shanghai Decent associated company, the issue of 139,972,705 shares in the Company for \$40 million and a cash payment of \$1.4 million.

In August 2019, subsequent to the drawdown of the \$80 million senior debt facility, the Company made a voluntary early repayment of \$10 million against the facility.

Other than the matters detailed above, there has not arisen in the interval between the end of the financial 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.

NOTE 24 – COMMITMENTS AND CONTINGENCIES

There are no contingent liabilities existing at 30 June 2019 (2018: \$nil).

NICKEL MINES LIMITED
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CORPORATE DIRECTORY

Directors:

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

Company Secretary:

Richard Edwards

Principal Place of Business and Registered Office:

Level 2, 66 Hunter Street
SYDNEY NSW 2000
Phone: 61-2 9300 3311
Fax: 61-2 9221 6333
Email: info@nickelmines.com.au
Website : www.nickelmines.com.au

Auditors:

KPMG
Level 16, Riparian Plaza
71 Eagle Street
BRISBANE QLD 4000