

NICKEL

MINES LIMITED

NICKEL MINES LIMITED and its controlled entities
ABN 44 127 510 589



ANNUAL REPORT
For the six months ended 31 December 2019

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Dear Fellow Shareholders,

I begin by noting that whilst the report before you covers the six month period to 31 December 2019, it is in the format of an Annual Report, following the decision by the Board to change the financial year end of the Company from 30 June to 31 December. This decision was taken to align the reporting schedule of the Company with its operating entities in Indonesia.

Whilst this Annual Report covers only a six-month period, a significant amount has occurred in that period. First and foremost was the outstanding performance of the RKEF projects, Hengjaya Nickel and Ranger Nickel, as they transitioned into full production over the period and consistently produced well above their design nameplate capacity. Across the two RKEF projects 152,408 tonnes of nickel pig iron was produced, with an average nickel grade of 13.8% nickel, giving a combined 20,988 tonnes of nickel metal production. For this outstanding production achievement and the resulting exceptional financial performance detailed within this report we acknowledge the industry leading operational expertise of the Company's partner, Shanghai Decent.

The Company held a 60% interest in the Hengjaya Nickel project throughout the period and in August 2019 the Company elected to exercise its contractual option to increase its interest in the Ranger Nickel project from 17% to 60% and, in doing so, materially increased the Company's attributable nickel production and its leverage to the compelling economic returns generated by these RKEF assets. The \$121.4 million purchase price to acquire this additional 43% interest in Ranger Nickel saw Shanghai Decent subscribe for \$40 million of new equity in the Company as part consideration for the transaction, further cementing the relationship between the companies.

The performance and profitability of the Company's RKEF projects can tend to overshadow operations at the Company's 80% owned Hengjaya Mine. Shareholders should not lose sight of the fact that the Hengjaya Mine contains a truly world class resource. I further note the increased production and profitability of the Hengjaya Mine operations over the six month period and the numerous transformational expansion initiatives currently being undertaken that will enable the Company to unlock the full strategic value of the mine. The Company will shortly commence mining at the Central Pit, where proximity to the jetty will significantly reduce haulage distances and lower overall production costs. Additionally, construction has commenced on the building of a haul road directly from the Hengjaya Mine to the Indonesia Morowali Industrial Park ('IMIP') which will eventually see all ore from the Hengjaya Mine delivered by truck directly to the IMIP.

Shareholders should look forward to 2020 with great anticipation, with all four RKEF lines operating at full capacity, significant expansion of activities at the Hengjaya Mine and planned increases of the Company's interests to 80% in both RKEF projects.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R. Neale', written over a light grey background.

Robert Neale
Chairman

REVIEW OF OPERATIONS

Principal Activities and Review of Operations

(All amounts in US\$ unless otherwise stated)

The operating profit of the Group for the six month period ended 31 December 2019 after income tax was \$91,280,434 (12 months to 30 June 2019: \$71,826,428).

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 has become 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 60% interest in another 2 line RKEF plant ('Ranger Nickel'). 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 six month period ended 31 December 2019 significant milestones were achieved as follows:

Highlights

- The Company's 60% owned RKEF projects produced a combined 152,408 tonnes of NPI, containing 20,988 tonnes of nickel metal equivalent. A total of 143,773 tonnes of NPI containing 19,631 tonnes of nickel equivalent were sold during the six month period at an average grade of 13.7% nickel.
- A total of 393,215 wet metric tonnes ('wmt') of nickel ore were mined at the Hengjaya Mine, with an average stripping ratio of 2.2. A total of 428,382 wmt were sold during the six month period at an average grade of 1.94% nickel.
- On 26 July 2019, the Company's shareholders approved the increase in the Company's 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. The Company completed this acquisition on 14 August 2019.
- Subsequent to the drawdown of the \$80 million senior debt facility, in August 2019 the Company made a voluntary early repayment of \$10 million and a further \$5 million in September 2019.
- In September 2019, the Company and Shanghai Decent agreed that Nickel Mines would limit its contractual option to further equity interest in the Hengjaya Nickel project to not more than 80% and that the option period during which Nickel Mines can acquire a further equity interest in the Hengjaya Nickel project was extended from 31 January 2020 to 30 November 2020.
- Working capital loan facilities provided by Nickel Mines and Shanghai Decent to Hengjaya Nickel and Ranger Nickel were fully repaid over the period to 31 December 2019, paving the way for the RKEF operating entities to commence repatriating shareholder equity from Indonesia subsequent to the end of the period.
- Significant exploration and mine expansion activities were undertaken at the Hengjaya Mine, including exploration and infill drilling totalling 447 holes for 9,231 metres, the building of a haul road from the Central Pit to the jetty, major upgrades to the jetty and camp and commencement of a haul road directly from the Central Pit to the Indonesia Morowali Industrial Park ('IMIP').



RKEF Operations

At the commencement of the six month period ended 31 December 2019, the Company held a 60% interest in Hengjaya Nickel and a 17% interest in Ranger Nickel.

During the current financial period:

- The Company increased its interest in Ranger Nickel to 60%.
- Construction and commissioning of Ranger Nickel was completed.

A summary of production from Hengjaya Nickel and Ranger Nickel for the six months to 31 December 2019 is as follows:

		Hengjaya Nickel	Ranger Nickel	Total
NPI Production	tonnes	80,481.1	71,927.3	152,408.4
NPI Grade	%	13.6	13.9	13.8
Nickel Metal Production	tonnes	10,957.2	10,030.7	20,987.9
Nickel Metal Production Attributable to Nickel Mines	tonnes	6,574.4	5,167.6	11,742.0

Hengjaya Nickel (60% interest held by Nickel Mines)

Full production achieved

During the six months to 31 December 2019, Hengjaya Nickel produced 10,957.2 tonnes of nickel metal at an average NPI grade of 13.6% at a weighted average cash cost of \$7,653/tonne of nickel metal.

Hengjaya Nickel		September 2019 Quarter	December 2019 Quarter	Total
NPI Production	tonnes	39,570.4	40,910.7	80,481.1
NPI Grade	%	13.6	13.6	13.6
Nickel Metal Production	tonnes	5,379.3	5,577.9	10,957.2
Cash Costs	US\$/t Ni	7,523	7,778	7,653

The Group's attributable nickel metal production for the period ended 31 December 2019 was 6,574.4 tonnes.

For the six months to 31 December 2019, Hengjaya Nickel recorded (on a 100% basis) sales of \$132.2 million for 10,054.7 tonnes of nickel metal sold.

Ranger Nickel (60% interest held by Nickel Mines)

Ownership interest increased to 60% and full production achieved

During the six months to 31 December 2019, Ranger Nickel produced 10,030.7 tonnes of nickel metal at an average NPI grade of 13.9% at a weighted average cash cost of \$7,732/tonne of nickel metal.

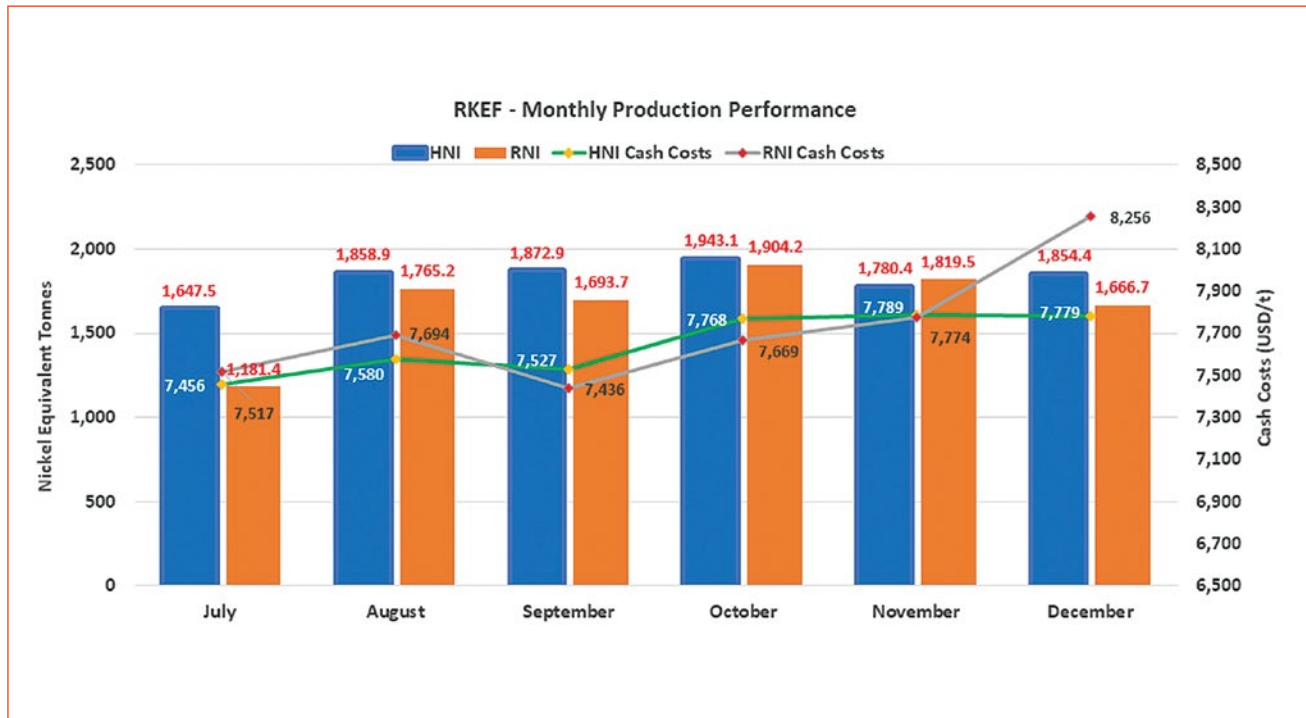
Ranger Nickel		September 2019 Quarter	December 2019 Quarter	Total
NPI Production	tonnes	32,822.6	39,104.7	71,927.3
NPI Grade	%	14.1	13.8	13.9
Nickel Metal Production	tonnes	4,640.3	5,390.4	10,030.7
Cash Costs	US\$/t Ni	7,552	7,886	7,732

REVIEW OF OPERATIONS

On 14 August 2019, the Company increased its interest in Ranger Nickel from 17% to 60%. The Group's attributable nickel metal production for the period ended 31 December 2019 was 5,167.6 tonnes.

For the six months to 31 December 2019, Ranger Nickel recorded (on a 100% basis) sales of \$124.6 million for 9,576.3 tonnes of nickel metal sold.

During the period ended 31 December 2019, the Hengjaya Nickel and Ranger Nickel projects reached full, steady state production following the completion of construction and commissioning of the RKEF plants. Throughout this process, the operations teams have trialled different operating parameters, including processing different ore mixes, in an effort to further enhance recoveries. The cost of these trials was most pronounced in December at Ranger Nickel. The January 2020 cash cost of production has reverted to \$7,331/t Ni and \$7,301/t Ni for Hengjaya Nickel and Ranger Nickel respectively.



Hengjaya Mine (80% interest held by Nickel Mines)

Overview

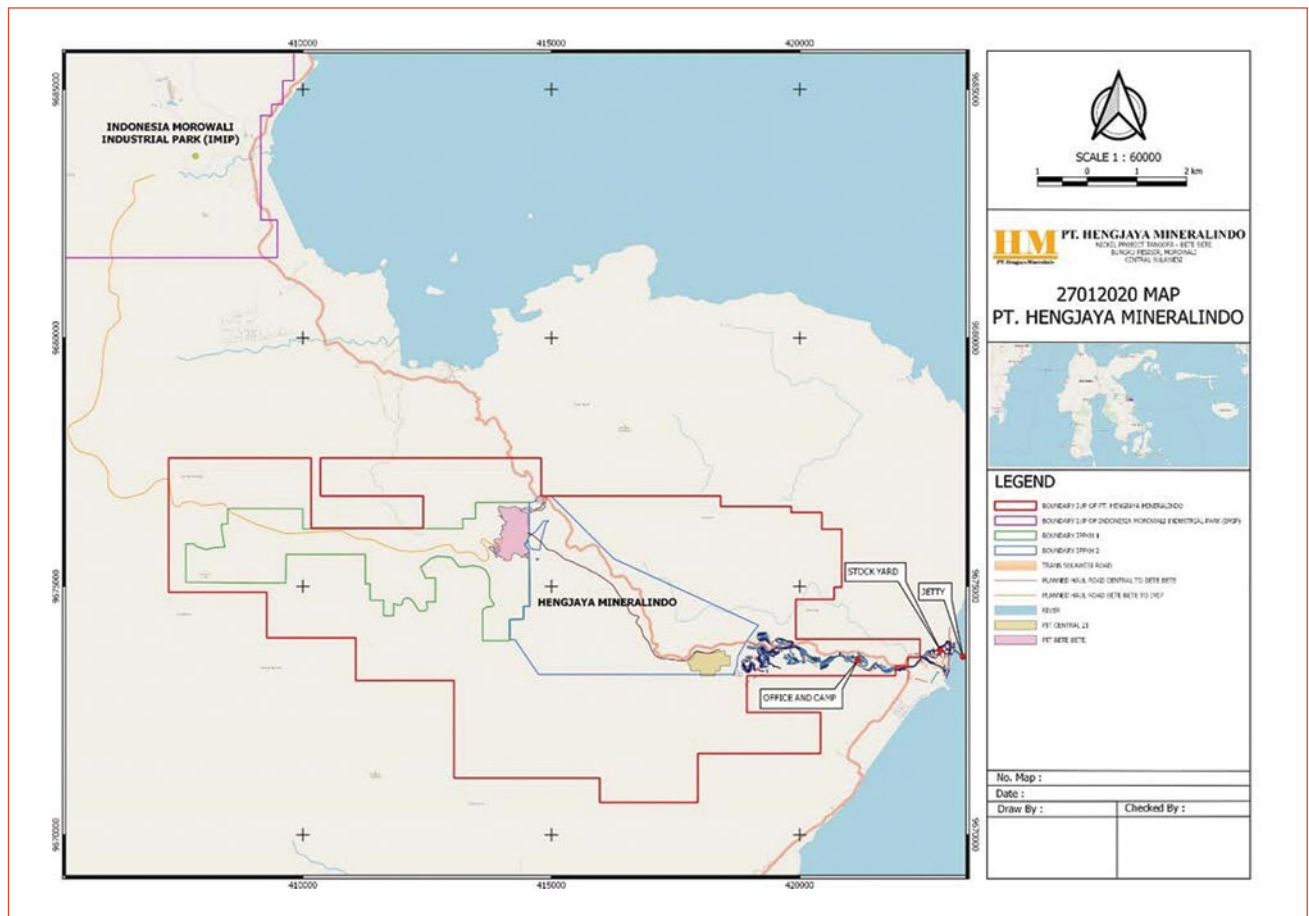
The Company holds an 80% interest in PT Hengjaya Mineralindo, the owner of 100% of the Hengjaya Mine, with the remaining 20% interest owned by the Company's Indonesian partner.

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.

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 (Millions)	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 are discussed below. A comprehensive Resource update is in the process of being finalised.



Map showing the Hengjaya Mine and proximity to the IMIP

Mining

Production totalled 393,215 wmt for the six months to 31 December 2019, a record for production at the Hengjaya Mine for a six month period, at an average stripping ratio of 2.2:1.0. Sales for the year totalled 428,382 wmt at an average grade of 1.94%.

The ore to waste strip was consistent at 2.2:1.0. Overburden included limonite ore which has been stockpiled adjacent to waste

dumps at Bete Bete in readiness for eventual supply to the IMIP's HPAL projects.

Production over the six month period was from the Bete Bete pit. Bete Bete is currently running at steady state with the focus for 2020 on the start-up of production from the IPPKH2 area with the first pit known as Central 21 within the Central Pit.

		September 2019 Quarter	December 2019 Quarter	Total
Tonnes mined	wmt	199,056	194,159	393,215
Overburden mined	BCM	432,042	428,041	860,083
Strip ratio	BCM/wmt	2.2	2.2	2.2
Tonnes sold	wmt	231,487	196,895	428,382
Average grade	%	1.90	1.99	1.94
Average price received	US\$/t Ni	27.72	37.59	32.26
Cash Costs ⁽¹⁾	CIF US\$/t Ni	23.69	25.02	24.30

⁽¹⁾ All-in costs (inclusive of depreciation) averaged \$26.25/t.

REVIEW OF OPERATIONS

Mine Expansion

Several key expansion activities and operational restructuring initiatives continued during the period in support of the Hengjaya Mine's plan to significantly increase production during 2020. Access to Central Pit areas inside IPPKH2 area has enabled haul road construction works and infill drilling to be performed ahead of the start-up of mining activities planned for the first half of 2020.

The mining contract for Central Pit (excavate and haul) was awarded to PT Sinar Terang Mandiri ('STM'). STM have extensive experience in operating a number of large-scale nickel laterite mining projects in Indonesia.

Mobilisation of additional mining equipment commenced subsequent to the end of the period and it is anticipated that the first ore from the Central Pit will be mined in April 2020.

The stage 1 portion of the haul road between the Central Pit and the jetty is now complete and clearing of the pit area is well underway. Stage 2 of the haul road will join the Central Pit to Bete Bete for ore haulage operations. As well as allowing larger 45 tonne trucks to be used for additional production, the road will take ore haul trucks off the provincial road, minimising interaction with public traffic. Clearing of the Central Pit, waste dump and stockpile areas is well advanced.

Dredging and expansion works on the jetty area have continued and this has allowed the successful operation of 6,500 tonne barges (previously 4,500 tonne). Sea wall extension works will continue until the middle of 2020.

Construction of new mine camp and infrastructure facilities was undertaken during the period and is scheduled to be completed in the June 2020 quarter. As well as technical offices and workshops, the facility includes community development, safety, training and recreational buildings.

Exploration

During the six months to 31 December 2019, exploration and infill drilling totalled 447 holes for 9,231 metres. The program included infill drilling to improve mine planning and scheduling. The drilling program will continue throughout 2020 targeting new areas of limonite and saprolite ores identified by ground penetrating radar and historical drill data. Infill drilling is included in the program to assist the detailed mine planning and scheduling for the production ramp up in both Bete Bete and the Central Pit.

Ground penetrating radar works focused on areas to the west of Bete Bete adjacent to the new main haul road and targeted areas which have historical drill holes which intersected high grade ore.

In addition to nickel ore exploration, preliminary works has commenced on identifying significant quality limestone deposits inside IPPKH1 which may be used for potential future off-take agreements.

Planning for Limonite Ore Supply

During the six months to 31 December 2019, 76,338 tonnes of suitable HPAL limonite were successfully stockpiled in Bete Bete pit areas for potential future supply to third party HPAL projects within the IMIP.

Hengjaya Mine to IMIP Haul Road

The alignment for a new Hengjaya Mine to IMIP haul road has been defined. Detailed road design, ground truthing and surveying is well advanced and construction of a first pilot road, starting near Bete Bete

pit and progressing inside the western area of IPPKH1, is in progress. The total haul road distance will be approximately 14 kilometres and is intended for future hauling of both saprolite ore and limonite ore from the Hengjaya Mine to the IMIP RKEF plants and potential future supply of limonite ore to third party HPAL plants within the IMIP.

Once completed the new haul road will enable higher tonnages to be mined and hauled (rather than barging) as well as allowing for strategic access to additional ore resources to the west of Bete Bete.

Mine Safety, Environment and Community

Unfortunately, during the December quarter there was a fatality on one of the Hengjaya Mine haul roads. The incident occurred when a sub-contractor's water truck lost control when descending on a hill. During the incident the passenger jumped from the vehicle and tragically suffered fatal injuries. The truck driver suffered minor injuries when the truck came to rest at the mine haul road safety ramp area. A full investigation was completed by the Indonesian Ministry of Energy and Mineral Resources and PT Hengjaya Mineralindo company officers and additional and revised safety procedures have been introduced to minimise the likelihood of a recurrence of a similar incident.

Training of staff and contractors in safe operating practices continues on a regular and routine basis. Since the incident there has been a heightened focus on contractor procedures and safe operating procedures.

The Group continues to work with both local and regional stakeholders, including the Tangofa, Bete Bete and Bahodopi village regions, assisting with basic health checks, health and hygiene education, first aid, education in reducing the use of plastics in day to day living.

No environmental incidents were reported during the period ended 31 December 2019, with work continuing on contouring and rehabilitating previously mined production areas. Site rehabilitation initiatives taken include cedar tree plantings and a regional rehabilitation program, with phase one being the planting of an 800,000 pine tree nursery in Central Sulawesi in 2020.

During the period, PT Hengjaya Mineralindo was awarded a certificate of excellence for its involvement in regional rehabilitation projects working with the forestry.

Corporate Governance Statement

The Board is committed to maintaining standards of Corporate Governance. Corporate Governance is about having a set of core values and behaviours that underpin the Company's activities and ensure transparency, fair dealing and protection of the interests of stakeholders. The Company has reviewed its corporate governance practises against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

The Corporate Governance Statement is dated as at 28 February 2020, reflecting the corporate governance practises throughout the six month period to 31 December 2019 and was approved by the Board of Directors of the Company on 28 February 2020. A description of the Company's current corporate governance practises is set out in the Company's Corporate Governance Statement which can be viewed at www.nickelmines.com.au/corporate-governance/.

The Directors present their report together with the financial report of Nickel Mines Group, being Nickel Mines Limited ('the Company' or 'Nickel Mines') and its controlled entities ('the Group'), for the six month period ended 31 December 2019 and the auditor's report thereon:

Directors

The names and particulars of the Directors of the Company at any time during or since the end of the period are:

Robert Charles Neale – Non-Executive Chairman

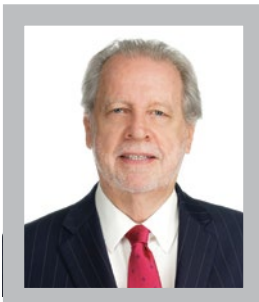


Director since 16 April 2018.

Mr Neale graduated from the University of Queensland with a First Class Honours Degree in Geology and Mineralogy with an additional major in Chemistry. Mr Neale is currently the Non-Executive Chairman of Mayur Resources Limited, an industrial minerals and energy company with assets in Papua New Guinea. Mr Neale is also a non-executive director of Amber Power Limited, an Australian, non-listed public company, developing innovative new energy technologies.

Mr Neale is the former Managing Director of New Hope Corporation Limited ('NHC') and non-executive director of Planet Gas Limited (now Sky Metals Limited) until February 2016. He joined NHC in 1996 as General Manager and was appointed as an executive officer in 2005 and to the Board of Directors in 2008 until his retirement in 2014. Mr Neale has more than 45 years' experience in the mining, oil and gas and exploration industries covering base metals, gold, coal, synthetic fuels and conventional oil and gas, bulk materials shipping, and power generation. Prior to NHC he spent 23 years with Esso Australia and EXXON Coal and Minerals Company.

Norman Alfred Seckold – Executive Deputy Chairman



Director since 12 September 2007.

Executive Chairman to 16 April 2018.

Norman Seckold graduated with a Bachelor of Economics degree from the University of Sydney and has spent more than 30 years in the full time management of natural resource companies, both in Australia and overseas.

Mr Seckold has been the Chairman of a number of publicly listed companies including Moruya Gold Mines (1983) N.L., which acquired the Golden Reward heap leach gold deposit in South Dakota, USA, Pangea Resources Limited, which acquired and developed the Pauper's Dream gold mine in Montana, USA, Timberline Minerals, Inc. which acquired and completed a feasibility study for the development of the MacArthur copper deposit in Nevada, USA, Perseverance Corporation Limited, which discovered and developed the Nagambie gold mine in Victoria, Valdora Minerals N.L., which developed the Rustler's Roost gold mine in the Northern Territory and the Ballarat East Gold Mine in Victoria, Viking Gold Corporation, which discovered a high grade gold deposit in northern Sweden, Mogul Mining N.L., which drilled out the Magistral and Ocampo gold deposits in Mexico and Bolnisi Gold N.L., which discovered and developed the Palmarejo and Guadalupe gold and silver mines in Mexico.

Mr Seckold is currently Chairman of Alpha HPA Limited, a company planning to produce high purity alumina and operating in Australia and Indonesia, Santana Minerals Ltd., a precious metals exploration company with projects in Chile, Laos and Mexico, Sky Metals Limited, exploring for gold, tin and tungsten in NSW, Australia and unlisted public company Mekong Minerals Limited.

Justin Charles Werner – Managing Director



Director since 23 August 2012.

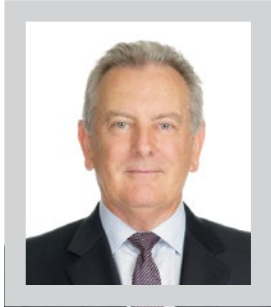
Mr Werner, holds a Bachelor of Management from the University of Sydney and has been involved in the mining industry for 20 years. He was a founding partner of PT Gemala Borneo Utama, a private Indonesian exploration and mining company, which developed a heap leach gold mine in West Kalimantan and also discovered the highly prospective Romang Island with then ASX listed Robust Resources Limited which was acquired in 2012 by Indonesian business tycoon Anthony Salim.

Prior to developing projects in Indonesia, Justin worked as a consultant, leading many successful turnaround projects for blue chip mining companies around the world including Freeport McMoran (Grasberg deposit, Indonesia where he spent 2 years), Lihir Gold (Lihir mine, Papua New Guinea), Placer Dome (Nevada, USA), BHP Billiton (Ingwe Coal, South Africa), Rio Tinto (West Angeles Iron Ore, Australia), Nickel West (Western Australia) and QNI Yabulu refinery (Queensland, Australia).

Mr Werner is currently a non-executive director of ASX Listed Alpha HPA Limited.

DIRECTORS' REPORT

Peter James Nightingale – Executive Director and Chief Financial Officer



Director since 12 September 2007.

Peter Nightingale graduated with a Bachelor of Economics degree from the University of Sydney and is a member of the Institute of Chartered Accountants Australia and New Zealand. He has worked as a chartered accountant in both Australia and the USA.

As a director or company secretary Mr Nightingale has, for more than 30 years, been responsible for the financial control, administration, secretarial and in-house legal functions of a number of private and public listed companies in Australia, the USA and Europe including Pangea Resources Limited, Timberline Minerals Inc., Perseverance Corporation Limited, Valdora Minerals N.L., Mogul Mining N.L., Bolnisi Gold N.L., Cockatoo Coal Limited and Planet Gas Limited (now Sky Metals Limited). Mr Nightingale is currently a director of ASX Listed

Alpha HPA Limited and unlisted public company Prospech Limited.

James Crombie – Non-Executive Director



Director since 23 May 2008.

Jim Crombie graduated from the Royal School of Mines, London, with a B.Sc. (Hons) in Mining Engineering, having been awarded an Anglo American Scholarship. Mr. Crombie held various positions with DeBeers Consolidated Mines and the Anglo American Corporation in South Africa and Angola between 1980 and 1986. He spent the next thirteen years as a Mining Analyst and Investment Banker with Shepards, Merrill Lynch, James Capel & Co. and finally with Yorkton Securities. Mr. Crombie was the Vice President, Corporate Development of Hope Bay Mining Corporation Inc. from February 1999 through May 2002 and President and CEO of Ariane Gold Corp. from August 2002 to November 2003. Mr. Crombie was President, CEO and a director of Palmarejo Silver and Gold Corporation until the merger with Coeur d'Alene Mines Corporation, one of the world's leading silver companies, in December 2007. He was a director of Sherwood Copper Corporation until its business combination with Capstone Mining Corp. in November 2008. Currently, Mr. Crombie is President and CEO of Odyssey Resources Corp., and a director of Arian Silver Corporation and Torex Gold Resources Inc.

Weifeng Huang – Non-Executive Director



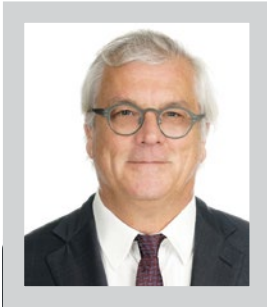
Director since 26 April 2018.

Mr Huang has graduated with a Bachelor of Engineering degree from Zhejiang University and a Masters of Business Administration from Zhejiang University.

Mr Huang began his career in several industrial enterprises and has broad management experiences from serving as the Plant Manager of Wenzhou Tractor Plant, the General Manager of Wenzhou Machinery Industrial Corporation, the Vice Mayor of Wenzhou and the Executive Chairman of China Perfect Machinery Industry Corp., Ltd. Mr Huang also served as the Deputy Director of the Management Committee of Shanghai Jinqiao Export Processing Zone, where he was appointed as a Director of Shanghai Jinqiao Export Processing Zone Development Co., Ltd, a publicly-listed company on the Shanghai Stock Exchange and the Deputy CEO of Shanghai Jinqiao Group. Mr Huang was also a former Chairman of the board of Harbin High Tech (Group) Co., Ltd, another publicly-listed company on the Shanghai Stock Exchange.

Mr Huang is currently the Chairman of Shanghai Decent Investment (Group) Co., Ltd, ('Shanghai Decent') a flagship company within the Tsingshan group and a Director of PT Indonesia Morowali Industrial Park. Under his leadership, Shanghai Decent has led in the development of the IMIP.

Mark Hamish Lochtenberg – Non-Executive Director



Director since 10 March 2017.

Mr Lochtenberg graduated with a Bachelor of Law (Hons) degree from Liverpool University, U.K. and has been actively involved in the coal industry for more than 25 years. He was the Executive Chairman and founding Managing Director of ASX-listed Cockatoo Coal Limited.

He was also formerly the co-head of Glencore International AG's worldwide coal division, where he spent 13 years overseeing a range of trading activities including the identification, due diligence, negotiation, acquisition and aggregation of the coal project portfolio that would become Xstrata Coal. Prior to this Mr Lochtenberg established a coal "swaps" market for Bain Refco, (Deutsche Bank) after having served as a senior coal trader for Hansen Neuerburg AG and as coal marketing manager for Peko Wallsend Limited.

Mr Lochtenberg is currently Chairman of ASX listed Equus Mining Limited, a minerals exploration company with operations in Chile and a Director of Australian Transport Energy Corridor Pty Ltd and Montem Resources Limited.

Yuanyuan Xu – Non-Executive Director



Director since 26 April 2018.

Ms Yuanyuan Xu graduated with a Bachelor's Degree in Fashion Business & Fashion Design from Instituto Marangoni.

Since graduation, Ms Xu has focused on marketing, public relations and procurement activities.

She is currently an Executive Director of Shanghai Wanlu Investment Co., Ltd.

Richard James Edwards – Company Secretary



Company Secretary since 28 March 2012.

Richard Edwards graduated with a Bachelor of Commerce degree from the University of New South Wales, is a Fellow of the Governance Institute of Australia, a member of CPA Australia and holds a Graduate Diploma of Applied Finance and Investment from FINSIA. Mr Edwards has worked for over fifteen years providing financial reporting and company secretarial services to a range of publicly listed companies in Australia with a focus on the mining sector. He is also Company Secretary of ASX listed Alpha HPA Limited and unlisted public company Prospech Limited.

DIRECTORS' REPORT

Directors' Meetings

The number of Directors' meetings held and number of meetings attended by each of the Directors of the Company, while they were a Director, during the six month period are:

Director	Board meetings		Audit Committee meetings		Remuneration Committee meetings	
	Held	Attended	Held	Attended	Held	Attended
Robert Neale	3	3	1	1	2	2
Norman Seckold	3	2	-	-	-	-
Justin Werner	3	3	-	-	-	-
Peter Nightingale	3	3	-	-	-	-
James Crombie	3	3	1	1	2	2
Weifeng Huang	3	3	1	1	-	-
Mark Lochtenberg	3	3	1	1	2	2
Yuanyuan Xu	3	1	-	-	-	-

The Company has also formed a Nomination Committee that has not yet met.

Directors' Interests

The beneficial interests of each Director of the Company in the issued share capital of the Company are:

Key management personnel	1 July 2019	Purchased	Sold	Date of this report
Robert Neale	500,000	-	-	500,000
Norman Seckold	123,715,661	-	-	123,715,661
Justin Werner	25,016,297	-	-	25,016,297
Peter Nightingale	22,265,654	-	-	22,265,654
James Crombie	6,580,000	-	-	6,580,000
Weifeng Huang	-	-	-	-
Mark Lochtenberg	11,693,333	-	-	11,693,333
Yuanyuan Xu	149,258,258	-	-	149,258,258

Dividends

The Directors do not recommend the payment of a dividend in respect of the period ended 31 December 2019. No dividends have been paid or declared during the year or in prior years.

Significant Changes in State of Affairs

In the opinion of the Directors, significant changes in the state of affairs of the Group that occurred during the period ended 31 December 2019 were as follows:

- On 26 July 2019, the Company's shareholders approved the increase in the Company's 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. The Company completed this acquisition on 14 August 2019.
- Subsequent to the drawdown of the \$80 million senior debt facility, in August 2019 the Company made a voluntary early repayment of \$10 million and a further \$5 million in September 2019.
- In September 2019, the Company and Shanghai Decent agreed that Nickel Mines would limit its contractual option to further equity interest in the Hengjaya Nickel project to not more than 80% and that the option period during which Nickel Mines can acquire a further equity interest in the Hengjaya Nickel project was extended from 31 January 2020 to 30 November 2020.

In the opinion of the Directors, there were no other significant changes in the state of affairs of the Group during the six month period ended 31 December 2019 other than as disclosed in this Directors' Report, or in the financial statements.

Impact of Legislation and Other External Requirements

On 12 January 2014 the Indonesian Government introduced a ban on the export of unprocessed minerals. As a consequence, the mining operations at the Hengjaya Mine ceased. Whilst the ban on the export of unprocessed minerals remains in place, mining operations were recommenced in October 2015 following the signing of a series of ore offtake agreements to supply ore to Tsingshan Group companies within the IMIP as detailed above. There were no environmental or other legislative requirements during the year that have significantly impacted the results or operations of the Group.

Environmental Regulations

The Group's operations are subject to environmental regulations in the Republic of Indonesia.

The Board of Directors regularly monitors compliance with environmental regulations. The Directors are not aware of any significant breaches of these regulations during the period covered by this report.

Likely Developments

Information as to likely developments in the operations of the Group and the expected results of those operations in subsequent years has not been included in this report because disclosure of this information would be likely to result in unreasonable prejudice to the Group.

Indemnification of Officers and Auditors

During or since the end of the year, the Company has not indemnified or made a relevant agreement to indemnify an officer or auditor of the Company against a liability incurred by such an officer or auditor. In addition, the Company has not paid or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an officer or auditor.

Non-audit Services

During the year KPMG, the Group's auditor, did not provide any services outside of audit services.

	6 months to 31 December 2019 \$	12 months to 30 June 2019 \$
Investigating Accountant's services in relation to the IPO	-	11,536

Events Subsequent to Balance Date

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.

DIRECTORS' REPORT

Remuneration Report - (Audited)

All amounts in this remuneration report are in Australian Dollars unless otherwise stated.

Principles of Compensation - (Audited)

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel comprise the Directors of the Company. No other employees have been deemed to be key management personnel. The policy of remuneration of Directors and senior executives is to ensure the remuneration package properly reflects the person's duties and responsibilities, and that remuneration is competitive in attracting, retaining and motivating people of the highest quality. Compensation levels have been, and will be, set to be in line with Australian listed entities of equivalent size and comparable operations in order to attract and retain suitably qualified and experienced key management personnel but also having regard to the prevailing financial capacity of the Company.

The Board is responsible for reviewing and evaluating its own performance. The evaluation process is intended to assess the Group's business performance, whether long term strategic objectives are being achieved and the achievement of individual performance objectives.

Remuneration generally consists of salary payments. The remuneration disclosed below represents the cost to the Group for the services provided under these arrangements.

Consultancy Agreements with key management personnel

The Company has entered into an executive consultancy agreement with a company associated with Norman Seckold. Under this executive consultancy agreement, the consultancy company of Mr Seckold agrees to make Mr Seckold available to perform the duties and responsibilities of the position of Executive Chairman up to the IPO and Executive Deputy Chairman after the IPO. In the six months to 31 December 2019, the consultancy company received a fee of A\$12,500 per month. The consultancy agreement commenced on 1 May 2018 and continues until terminated in accordance with its terms. Prior to 1 May 2018 there was no formal contract with Mr Seckold.

The Company has entered into an executive consultancy agreement with a company associated with Justin Werner. Under this executive consultancy agreement, the consultancy company of Mr Werner agrees to make Mr Werner available to perform the duties and responsibilities of the position of Managing Director. In the six months to 31 December 2019, the consultancy company received a fee of \$29,167 per month. The consultancy agreement commenced on 1 April 2018 and continues until terminated in accordance with its terms. Prior to 1 April 2018 there was no formal contract with Mr Werner.

The Company has entered into an executive consultancy agreement with a company associated with Peter Nightingale. Under this executive consultancy agreement, the consultancy company of Mr Nightingale agrees to make Mr Nightingale available to perform the duties and responsibilities of the position of Chief Financial Officer and Executive Director. In the six months to 31 December 2019, the consultancy company received a fee of A\$25,000 per month. The consultancy agreement commenced on 1 April 2018 and continues until terminated in accordance with its terms. Prior to 1 April 2018 there was no formal contract with Mr Nightingale.

Each Executive Director is entitled to be reimbursed for reasonable travel and other expenses incurred in connection with attending meetings of the Board and any committee on which he or she serves. The consultancy agreements may be terminated by the Company or the consultancy company by either party giving three months' notice. The Company may terminate the consultancy agreements without notice in certain circumstances, including but not limited to a breach of contract, criminal activity or serious misconduct by the consultancy company or the key management personnel.

Each of the Company's Non-Executive Directors have entered into Letters of Appointment with the Company to serve as Non-Executive Directors. Each of the Letters of Appointment provide that amongst other things, in consideration for their services, the Company will pay the following fees to the Non-Executive Directors, following listing on the ASX.

Name	Position	Annual fee (A\$)
Robert Neale	Non-Executive Chairman	150,000
James Crombie	Non-Executive Director	50,000
Weifeng Huang	Non-Executive Director	50,000
Mark Lochtenberg	Non-Executive Director	50,000
Yuanyuan Xu	Non-Executive Director	50,000

No Directors or senior executives received performance related remuneration during the period ended 31 December 2019. There were no remuneration consultants used by the Group during the period ended 31 December 2019, or in the prior year.

Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the Board has regard to the following indices in respect of the current six month period and the previous four financial years.

USD	6 months to 31 December				
	2019 \$	2019 \$	2018 \$	2017 \$	2016 \$
Net profit/(loss) attributable to owners of the Company	56,504,374	65,525,988	(3,311,526)	(3,831,761)	(1,377,084)
Dividends paid	-	-	-	-	-

As the Group has only recently transitioned from the development stage into production at the Company's RKEF projects the Board also considers non-financial indices in assessing the Group's performance and the shareholders wealth. This includes obtaining the permits and approvals to further develop the mining operations, identifying opportunities for potential strategic business partnerships and ventures and the success of fund raising ventures.

Details of Remuneration for the Period Ended 31 December 2019 - (Audited)

Details of Director and senior executive remuneration and the nature and amount of each major element of the remuneration of each Director of the Company, and other key management personnel of the Group are set out below. All balances included are denominated in Australian dollars.

Remuneration for six months ended 31 December 2019:

Key management personnel	Short term Salary and fees A\$	Post-employment Superannuation A\$	Share based payments Shares A\$	Total A\$	Proportion of remuneration performance related %	Value of options as a proportion of remuneration %
Executive Directors						
Norman Seckold	75,000	-	-	75,000	-	-
Justin Werner	255,675	-	-	255,675	-	-
Peter Nightingale	150,000	-	-	150,000	-	-
Non-Executive Directors						
Robert Neale	68,493	6,507	-	75,000	-	-
James Crombie	25,000	-	-	25,000	-	-
Weifeng Huang	25,000	-	-	25,000	-	-
Mark Lochtenberg	25,000	-	-	25,000	-	-
Yuanyuan Xu	25,000	-	-	25,000	-	-
Total	A\$649,168	A\$6,507	-	A\$655,675	-	-

DIRECTORS' REPORT

Remuneration for the year ended 30 June 2019:

Key management personnel	Short term Salary and fees A\$	Post-employment Superannuation A\$	Share based payments Shares A\$	Total A\$	Proportion of remuneration performance related %	Value of options as a proportion of remuneration %
<i>Executive Directors</i>						
Norman Seckold	100,269	-	-	100,269	-	-
Justin Werner	288,495	-	-	288,495	-	-
Peter Nightingale	186,828	-	-	186,828	-	-
<i>Non-Executive Directors</i>						
Robert Neale ⁽¹⁾	118,569	11,264	-	129,833	-	-
James Crombie	43,280	-	-	43,280	-	-
Weifeng Huang ⁽²⁾	43,280	-	-	43,280	-	-
Mark Lochtenberg	43,280	-	-	43,280	-	-
Yuanyuan Xu ⁽²⁾	43,280	-	-	43,280	-	-
Total	A\$867,281	A\$11,264	-	A\$878,545	-	-

⁽¹⁾ Appointed as a Director on 16 April 2018.

⁽²⁾ Appointed as a Director on 26 April 2018.

The total remuneration expense for the period ended 31 December 2019 of A\$655,675 (30 June 2019: A\$878,545) has been recognised in the Statement of Profit or Loss at the US\$ equivalent of \$448,785 (30 June 2019: \$628,511).

Movement in shares - (Audited)

The movement during the reporting period in the number of ordinary shares in the Company held directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	1 July 2019	Purchased	Sold	31 December 2019
Robert Neale	500,000	-	-	500,000
Norman Seckold	123,715,661	-	-	123,715,661
Justin Werner	25,016,297	-	-	25,016,297
Peter Nightingale	22,265,654	-	-	22,265,654
James Crombie	6,580,000	-	-	6,580,000
Weifeng Huang	-	-	-	-
Mark Lochtenberg	11,693,333	-	-	11,693,333
Yuanyuan Xu	149,258,258	-	-	149,258,258

	1 July 2018	Purchased	Sold	30 June 2019
Robert Neale	500,000	-	-	500,000
Norman Seckold	123,715,661	-	-	123,715,661
Justin Werner	25,016,297	-	-	25,016,297
Peter Nightingale	22,265,654	-	-	22,265,654
James Crombie	6,580,000	-	-	6,580,000
Weifeng Huang	-	-	-	-
Mark Lochtenberg	11,693,333	-	-	11,693,333
Yuanyuan Xu	149,258,258	-	-	149,258,258

Transactions with Key Management Personnel - (Audited)

Norman Seckold and Peter Nightingale hold a controlling interest in an entity, MIS Corporate Pty Limited, which provided full administrative services, including administrative, accounting, company secretarial and investor relations staff both within Australia and Indonesia, rental accommodation, services and supplies to the Group. Fees charged by MIS Corporate Pty Limited during the six month period to 31 December 2019 amounted to A\$290,250 (30 June 2019: A\$402,600) which included a fee of A\$35,000 per month and reimbursement of consultant expenses incurred on behalf of the Group. At 31 December 2019 A\$15,000 (30 June 2019: A\$9,000) remained outstanding.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 16 and forms part of the Directors' Report for the period ended 31 December 2019.

Signed at Sydney this 28th day of February 2020 in accordance with a resolution of the Board of Directors:



Robert Neale
Chairman



Norman Seckold
Deputy Chairman

LEAD AUDITOR'S INDEPENDENCE DECLARATION



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Nickel Mines Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Nickel Mines Limited for the six month period ended 31 December 2019 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in blue ink that reads 'KPMG'.

KPMG

A handwritten signature in blue ink that reads 'Stephen Board'.

Stephen Board
Partner

Brisbane
28 February 2020

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Liability limited by a scheme approved under Professional Standards Legislation.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2019

USD	Notes	6 months to 31 December 2019 \$	12 months to 30 June 2019 \$
Sales revenue	21	236,059,160	64,937,347
Cost of sales		(136,207,419)	(40,905,545)
Depreciation and amortisation expense		(16,419,372)	(9,277,390)
Gross profit		<u>83,432,369</u>	<u>14,754,412</u>
Directors' fees and consultants' expenses		(2,893,410)	(2,641,601)
Share of profit of equity accounted investees	15	1,239,032	2,623,212
Other expenses	4	(1,023,527)	(1,122,798)
Results from operating activities		<u>80,754,464</u>	<u>13,613,225</u>
Financial income	5	13,035,913	58,315,916
Financial expense	5	(2,336,467)	(35,925)
Net financial income		<u>10,699,446</u>	<u>58,279,991</u>
Profit before income tax		<u>91,453,910</u>	<u>71,893,216</u>
Income tax expense	8	(173,476)	(66,788)
Profit for the period/year		<u>91,280,434</u>	<u>71,826,428</u>
Other comprehensive income			
Items that may be classified subsequently to profit or loss		(22,393)	-
Total comprehensive profit for the period/year		<u>91,258,041</u>	<u>71,826,428</u>
Profit attributable to:			
Owners of the Company		56,504,374	65,525,988
Non-controlling interest		34,776,060	6,300,440
Profit for the period/year		<u>91,280,434</u>	<u>71,826,428</u>
Total comprehensive profit attributable to:			
Owners of the Company		56,486,460	65,525,988
Non-controlling interest		34,771,581	6,300,440
Total comprehensive profit for the period/year		<u>91,258,041</u>	<u>71,826,428</u>
Earnings per share			
Basic and diluted profit per share (cents) for the period/year	9	3.46	4.95

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

USD	Notes	31 December 2019 \$	30 June 2019 \$
Current assets			
Cash and cash equivalents	18	49,820,013	49,002,977
Trade and other receivables	6	97,208,882	46,935,830
Inventory	10	56,238,558	8,917,474
Other current assets	7	1,293,301	3,348,216
Total current assets		204,560,754	108,204,497
Non-current assets			
Other non-current asset	7	9,014,394	4,459,072
Investment in equity accounted investees	15	-	49,960,736
Property, plant and equipment	11	628,516,578	340,090,494
Goodwill	16	55,404,895	29,219,349
Total non-current assets		692,935,867	423,729,651
Total assets		897,496,621	531,934,148
Current liabilities			
Trade and other payables	12	52,489,262	42,249,023
Current tax payable		652,704	303,729
Provision – employee's benefit obligation		662,427	497,886
Borrowings	13	4,333,333	4,180,333
Total current liabilities		58,137,726	47,230,971
Non-current liabilities			
Provision – rehabilitation		149,919	198,309
Deferred income tax liability	8	55,404,895	29,391,174
Other non-current liability		1,018,309	346,816
Borrowings	13	60,666,667	-
Total non-current liabilities		117,239,790	29,936,299
Total liabilities		175,377,516	77,167,270
Net assets		722,119,105	454,766,878
Equity			
Share capital	14	315,501,048	275,938,304
Reserves		19,206,524	(639,437)
Retained profits		92,757,906	36,253,532
Total equity attributable to equity holders of the Company		427,465,478	311,552,399
Non-controlling interest		294,653,627	143,214,479
Total equity		722,119,105	454,766,878

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2019

USD	Notes	Share capital \$	Retained profits/ (accumulated losses) \$	Reserves \$	Total \$	Non-controlling interest \$	Total equity \$
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 income 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		(12,877,463)	-	-	(12,877,463)	-	(12,877,463)
Non-controlling interest arising on acquisition		-	-	(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
Balance at 1 July 2019		275,938,304	36,253,532	(639,437)	311,552,399	143,214,479	454,766,878
Total comprehensive income for the period							
Profit for the period		-	56,504,374	-	56,504,374	34,776,060	91,280,434
Remeasurement of defined benefit obligation		-	-	(17,914)	(17,914)	(4,479)	(22,393)
Total comprehensive income for the period		-	56,504,374	(17,914)	56,486,460	34,771,581	91,258,041
Transactions with owners, recorded directly in equity							
Issue of shares	14	40,000,000	-	-	40,000,000	-	40,000,000
Costs of issue	14	(437,256)	-	-	(437,256)	-	(437,256)
Non-controlling interest arising on acquisition		-	-	-	-	136,531,442	136,531,442
Transaction with non-controlling interest without a change of control		-	-	19,863,875	19,863,875	(19,863,875)	-
Balance at 31 December 2019		315,501,048	92,757,906	19,206,524	427,465,478	294,653,627	722,119,105

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2019

USD	Notes	6 months to 31 December 2019 \$	12 months to 30 June 2019 \$
Cash flows from operating activities			
Cash receipts from customers		212,696,681	33,443,269
Cash payments to employees and suppliers		(169,899,088)	(28,382,928)
Interest received		89,507	228,042
Taxes and fees paid		(4,677,776)	(1,154,626)
Net cash from operating activities	18	<u>38,209,324</u>	<u>4,133,757</u>
Cash flows from investing activities			
Payments for investments in equity accounted investees	15	-	(120,000,000)
Payments for property, plant and equipment		(29,617,317)	(19,501,434)
Payments for acquisition of controlled entity	16	(1,400,000)	-
Cash on acquisition of controlled entity	16	7,244,743	9,576,857
Loans to equity accounted investees		-	(10,700,000)
Net cash used in investing activities		<u>(23,772,574)</u>	<u>(140,624,577)</u>
Cash flows from financing activities			
Proceeds from issue of shares	14	-	183,633,648
Costs of issue		(444,893)	(10,800,472)
Contribution by non-controlling interest		16,986,235	15,000,000
Repayment of borrowings and interest changes	13	(29,886,953)	(2,000,000)
Net cash from/(used in) financing activities		<u>(13,345,611)</u>	<u>185,833,176</u>
Net increase in cash and cash equivalents		1,091,139	49,342,357
Effect of exchange rate adjustments on cash held		(274,103)	(1,145,953)
Cash and cash equivalents at the beginning of the period/year		<u>49,002,977</u>	<u>806,574</u>
Cash and cash equivalents at the end of the period/year		<u>49,820,013</u>	<u>49,002,977</u>
Non-cash financing and investing activities			
The acquisition of a controlled entity disclosed in Note 16 included a non-cash transaction of \$120,000,000 which was funded through the issue of \$40,000,000 in shares and \$80,000,000 in debt.			
Non-cash investing activities			
Payments for acquisition of controlled entity	16	(120,000,000)	-
Total non-cash investing activities		<u>(120,000,000)</u>	<u>-</u>
Non-cash financing activities			
Proceeds from issue of shares	14	40,000,000	-
Proceeds from borrowings	13	80,000,000	-
Total non-cash financing activities		<u>120,000,000</u>	<u>-</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

NOTE 1 - REPORTING ENTITY

Nickel Mines Limited (the 'Company') is a company domiciled in Australia. The consolidated financial report for the six month period ended 31 December 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').

The financial report was authorised for issue by the Directors on 28 February 2020.

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.

Change of financial year end

The financial year of the Company has changed from 30 June to 31 December to align the year end date of the Company with that of its subsidiary companies in both Indonesia and Singapore to improve the efficiency of the Company's financial reporting and planning cycles. Accordingly, the financial period reported in these financial statements covers the six month period from 1 July 2019 to 31 December 2019. Comparative figures for these financial statements cover the twelve month period from 1 July 2018 to 30 June 2019. The results for the current period are therefore not directly comparable with the results for the prior period.

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 16 – Controlled entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 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.

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 based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over goods or a service to a customer.

Invoices for nickel ore sales are generated twice a month upon receipt of assay results and are usually payable within 10 working days. Invoices for nickel pig iron sales are generated on a monthly basis and are based on the underlying nickel content delivered. They are usually payable within 60 days. No discounts are provided for nickel ore and nickel pig iron products, but adjustments are made to the final sale price for items including final nickel grade, moisture content and nickel content.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 31 December 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 and impairment losses.

Depreciation and amortisation

Mining properties' amortisation rate is applied on a straight-line basis over the remaining term of the mining licence. 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%.
- 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%.
- Motor vehicles are depreciated at 25%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment

Financial assets

The Group recognises expected credit losses ('ECLs'), where material, on financial assets measured at amortised cost.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12 month ECLs:

- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are measured at an amount equal to lifetime ECLs. At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at fair value through profit or loss are credit impaired.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Finance income and finance costs

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- dividend income;
- the foreign currency gain or loss on financial assets and financial liabilities; and
- the gain on the remeasurement to fair value of any pre-existing interest in an acquiree in a business combination.

Interest income or interest expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and interest expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

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:

- the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments

Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

On initial recognition, a financial asset is classified as measured at:

- amortised cost;
- fair value through other comprehensive income ('FVOCI') – equity investment; or
- fair value through profit or loss ('FVTPL').

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as fair value through profit or loss if:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value through other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Subsequent measurement and gains and losses – Policy applicable from 1 July 2018

Financial assets at amortised cost These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Equity instruments at FVOCI These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss.

Financial assets at FVTPL These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Changes in significant accounting policies

AASB 16 Leases

AASB 16 replaces existing leases guidance, including AASB 117 Leases. The standard is effective for annual periods beginning on or after 1 January 2019.

AASB 16 introduced 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 completed an assessment of the impact of applying AASB 16 on the financial statements and no material leases were identified.

New standards and interpretations not yet adopted

A number of 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. None of these are expected to have a significant effect on the financial statements of the Group.

	6 months to 31 December 2019 \$	12 months to 30 June 2019 \$
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NOTE 4 - OTHER EXPENSES

Audit fees – KPMG audit of financial reports	232,490	246,234
IPO related fees – KPMG	-	11,536
Travel	191,119	252,467
Legal fees	167,804	523,706
Other	432,114	88,855
	<u>1,023,527</u>	<u>1,122,798</u>

NOTE 5 - FINANCIAL INCOME AND FINANCE EXPENSE

Interest income	228,603	249,933
Interest expense	(2,336,467)	(35,925)
Net change in fair value of investment in associate	7,400,232 ⁽¹⁾	57,337,499 ⁽¹⁾
Foreign exchange gain	5,407,078	728,484
	<u>10,699,446</u>	<u>58,279,991</u>

⁽¹⁾ See Note 15 for further details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

	31 December 2019	30 June 2019
	\$	\$

NOTE 6 - TRADE AND OTHER RECEIVABLES

Sales taxes receivable	12,539,843	3,328,026
Trade receivables	84,669,039	43,607,804
	<u>97,208,882</u>	<u>46,935,830</u>

NOTE 7 - OTHER ASSETS

Current

Prepayments	1,293,301	1,647,583
Loan to equity accounted investee	-	1,709,633
	<u>1,293,301</u>	<u>3,348,216</u>

During the six month period to 31 December 2019, PT Ranger Nickel Industry, a subsidiary of Ranger Investment Private Limited, that had been classified as an equity accounted investee prior to the Company increasing its interest to 60%, fully repaid a \$1.7 million working capital loan and associated interest charges.

Non-current

Prepayments	8,629,570	4,059,223
Other	384,824	399,849
	<u>9,014,394</u>	<u>4,459,072</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

	6 months to 31 December 2019 \$	12 months to 30 June 2019 \$
NOTE 8 - INCOME TAX EXPENSE		
Profit before tax – continuing operations	91,453,910	71,893,216
Prima facie income tax expense/(benefit) at the Australian tax rate of 30% (30 June 2019: 30%)	27,436,173	21,567,965
Increase in income tax expense/(benefit) due to:		
- Effect of tax rates in foreign jurisdictions	291,099	(38,043)
- Non-deductible/non-assessable income	(27,003,403)	(20,709,711)
- Effect of deferred tax assets for tax losses not brought to account	123,125	64,764
- Effect of net deferred tax assets not brought to account	(570,391)	(889,085)
- Effect of foreign currency conversion	(103,127)	70,898
Income tax expense – current and deferred	<u>173,476</u>	<u>66,788</u>
Deferred tax liabilities have been recognised in respect of the following items:		
Net deductible temporary differences – property, plant and equipment	55,404,895	29,391,174
	<u>55,404,895</u>	<u>29,391,174</u>
Deferred tax assets have not been recognised in respect of the following items:		
Net deductible temporary differences	1,826,485	2,229,539
Tax losses	872,118	719,898
	<u>2,698,603</u>	<u>2,949,437</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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

6 months to 31 December 2019 \$	12 months to 30 June 2019 \$
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NOTE 9 - PROFIT PER SHARE

Basic and diluted profit per share have been calculated using:

Net profit for the year attributable to equity holders of the Company	56,504,374	65,525,988
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Weighted average number of ordinary shares (basic and diluted)

	N° of shares	N° of shares
Issued ordinary shares at the beginning of the year	1,525,495,624	808,482,230
- Effect of shares issued on 14 August 2018	-	509,462,325
- Effect of shares issued on 13 June 2019	-	6,421,703
- Effect of shares issued on 14 August 2019	105,740,250	-
Weighted average number of shares at the end of the year	1,631,235,874	1,324,366,258

31 December 2019 \$	30 June 2019 \$
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NOTE 10 - INVENTORY

Inventory – nickel ore stockpiles	237,071	714,190
Inventory – nickel pig iron production raw materials	43,306,276	8,203,284
Inventory – nickel pig iron	12,695,211	-
	56,238,558	8,917,474

During the period ended 31 December 2019, the Company's 80% subsidiary PT Hengjaya Mineralindo continued to supply nickel ore to the Company's 60% owned subsidiary PT Hengjaya Nickel Industry under an offtake agreement to supply 50,000 wmt per month. In December 2019, PT Hengjaya Mineralindo signed contracts with both PT Hengjaya Nickel Industry and the Company's 60% owned subsidiary PT Ranger Nickel Industry to supply 100,000 wmt to each entity for the period January to March 2020.

Nickel pig iron production raw materials includes nickel ore acquired by PT Hengjaya Nickel Industry and PT Ranger Nickel Industry from PT Hengjaya Mineralindo. This continues to be valued at the PT Hengjaya Mineralindo cost of production.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

	31 December 2019 \$	30 June 2019 \$
NOTE 11 - PROPERTY, PLANT AND EQUIPMENT		
Furniture and fittings		
Furniture and fittings – cost	173,726	69,911
Accumulated depreciation	(58,398)	(46,127)
Net book value	<u>115,328</u>	<u>23,784</u>
Mine infrastructure assets		
Mine infrastructure assets – cost	5,900,493	3,526,044
Accumulated depreciation	(1,187,941)	(1,166,887)
Net book value	<u>4,712,552</u>	<u>2,359,157</u>
Buildings and land		
Buildings – cost	63,285,275	30,657,609
Accumulated depreciation	(2,200,715)	(602,563)
Net book value	<u>61,084,560</u>	<u>30,055,046</u>
Mining properties		
Mining properties – cost	27,991,023	27,836,972
Accumulated amortisation	(2,540,425)	(1,572,159)
Net book value	<u>25,450,598</u>	<u>26,264,813</u>
Office equipment		
Office equipment – cost	749,743	619,248
Accumulated depreciation	(316,015)	(269,485)
Net book value	<u>433,728</u>	<u>349,763</u>
Plant and machinery		
Plant and machinery – cost	556,552,301	286,026,881
Accumulated depreciation	(20,097,968)	(5,313,393)
Net book value	<u>536,454,333</u>	<u>280,713,488</u>
Motor vehicles		
Motor vehicles – cost	459,293	348,838
Accumulated depreciation	(193,814)	(24,395)
Net book value	<u>265,479</u>	<u>324,443</u>
Total property, plant and equipment	<u>628,516,578</u>	<u>340,090,494</u>

Impairment

After consideration of both internal and external factors, the Directors believe that no indicators of impairment existed at 31 December 2019 and have therefore not completed an impairment assessment over the carrying value of the Group's property, plant and equipment assets at 31 December 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Cont'd)

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

	6 months to 31 December 2019 \$	12 months to 30 June 2019 \$
Furniture and fittings		
Carrying amount at beginning of year	23,784	2,716
Additions	103,815	32,370
Depreciation	(12,271)	(11,302)
Net book value	115,328	23,784
Mine infrastructure assets		
Carrying amount at beginning of year	2,359,157	1,698,835
Additions	2,374,449	1,122,014
Depreciation	(21,054)	(461,692)
Net book value	4,712,552	2,359,157
Buildings and land		
Carrying amount at beginning of year	30,055,046	186,059
Additions	32,627,666	30,406,927
Depreciation	(1,598,152)	(537,940)
Net book value	61,084,560	30,055,046
Mining properties		
Carrying amount at beginning of year	26,264,813	24,442,312
Additions	154,052	2,840,804
Amortisation	(968,267)	(1,018,303)
Net book value	25,450,598	26,264,813
Office equipment		
Carrying amount at beginning of year	349,763	119,759
Additions	130,496	330,762
Depreciation	(46,531)	(100,758)
Net book value	433,728	349,763
Plant and machinery		
Carrying amount at beginning of year	280,713,488	32,219
Additions	270,525,421	285,364,932
Depreciation	(14,784,576)	(4,683,663)
Net book value	536,454,333	280,713,488
Motor vehicles		
Carrying amount at beginning of year	324,443	145,734
Additions	110,455	201,471
Depreciation	(169,419)	(22,762)
Net book value	265,479	324,443

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

31 December 2019 \$	30 June 2019 \$
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NOTE 12 - TRADE AND OTHER PAYABLES

Current

Creditors	50,156,272	39,228,037
Accruals	2,150,921	3,020,986
Other	182,069	-
	<u>52,489,262</u>	<u>42,249,023</u>

NOTE 13 - BORROWINGS

Current

Working capital loans	-	4,000,000
Interest on working capital loans	-	180,333
Ranger debt facility	4,333,333	-
	<u>4,333,333</u>	<u>4,180,333</u>

Non-current

Ranger debt facility	60,666,667	-
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Ranger debt facility

In August 2019, as part of the financing package to increase the Company's interest in the Ranger Nickel project from 17% to 60% the Company secured a senior debt facility agreement with a Shanghai Decent associated company. Key terms of the Ranger debt facility agreement are as follows:

- Facility amount of \$80,000,000.
- Interest rate of 6% plus the greater of (i) 3-month US\$ LIBOR or (ii) 2.5% per annum.
- Interest is payable on the last day of each interest period of one month.
- Principal to be repaid in quarterly instalments by repaying on the last business day of November, February, May and August (beginning on 30 November 2020) an amount equal to 1/15th of the amount borrowed under the debt facility.
- Nickel Mines granted security over its 60% equity interest in Ranger Investment Private Limited the Singaporean entity which holds a 100% indirect interest in the Ranger Nickel project, and its 60% equity interest in Hengjaya Holdings Private Limited, the Singaporean entity which holds a 100% indirect interest in the Hengjaya Nickel project.

Prior to 31 December 2019, the Company has made voluntary prepayments against the Ranger debt facility totalling \$15,000,000. Prepayments are applied on a pro rata basis against all repayment dates following the prepayment.

Hengjaya Nickel project working capital loans

During the six month period to 31 December 2019, PT Hengjaya Nickel Industry fully repaid working capital loans and associated interest charges provided by its indirect shareholders, Nickel Mines and Decent Investment International Private Limited ('Decent Investment') an associate of Shanghai Decent. These loans were proportionate to the shareholders interest in the Hengjaya Nickel project, i.e. Nickel Mines provided 60% of the total amount and Decent Investment provided 40%. Interest was charged at a rate of 6% p.a. During the period ended 31 December 2019, Hengjaya Holdings Private Limited repaid \$6 million to Nickel Mines, as well as interest totalling \$315,500 less withholding tax charges of \$31,550, and repaid \$4 million to Decent Investment, as well as interest totalling \$236,000 less withholding tax charges of \$23,600.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

NOTE 13 - BORROWINGS (Cont'd)

Ranger Nickel project working capital loans

At the time of the Company's acquisition of an additional 43% interest in the Ranger Nickel project, the shareholders had made working capital contributions totalling \$10 million, in proportion to their equity interests, i.e. \$1.7 million by Nickel Mines and \$8.3 million by Decent Investment and related entities. Following the acquisition, Nickel Mines commenced consolidating Ranger Investment Private Limited and contributed \$4.3 million of working capital funding, with Decent Investment withdrawing the equivalent amount. Consequentially, Nickel Mines' working capital loan contributions of \$6 million out of loans totalling \$10 million was equivalent to its increased ownership interest of 60% of the Ranger Nickel project.

Interest was charged at a rate of 6% p.a. Subsequent to the acquisition of the additional 43% interest in August 2019 and prior to 31 December 2019 Ranger Investment Private Limited repaid \$6 million to Nickel Mines, as well as interest totalling \$109,667 less withholding tax charges of \$10,967 and repaid \$4 million to Decent Investment and its related entities, as well as interest totalling \$154,767 less withholding tax charges of \$15,477.

NOTE 14 - ISSUED CAPITAL

	Number of shares	\$
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 - share based payments	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
Issue of shares - cash	139,972,705	40,000,000
Costs of issue	-	(437,256)
Ordinary shares on issue at 31 December 2019 - fully paid	1,665,468,329	315,501,048

Period ended 31 December 2019

In August 2019, the Group issued 139,972,705 shares for cash totalling A\$57,388,809 (equivalent to \$40,000,000). There were no amounts unpaid on the shares issued and share issue costs amounted to \$437,256.

Year ended 30 June 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 \$145,524,148). There were no amounts unpaid on the shares issued and share issue costs amounted to \$11,310,673. An additional 8,084,822 shares were issued as part of the costs of issue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

NOTE 14 - ISSUED CAPITAL (Cont'd)

Options

There were no options granted, exercised or lapsed unexercised during the period ended 31 December 2019 or the year ended 30 June 2019.

Dividends

There were no dividends paid or declared during the period ended 31 December 2019 or the year ended 30 June 2019.

Ordinary shares

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. The holders of ordinary shares are entitled to receive dividends as declared from time to time.

NOTE 15 - INVESTMENT IN EQUITY ACCOUNTED INVESTEE

	6 months to 31 December 2019 \$	12 months to 30 June 2019 \$
Investment in Hengjaya Holdings Private Limited		
Current		
Opening balance	-	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)
	-	-
Investment in Ranger Investment Private Limited		
Current		
Opening balance	49,960,736	-
Acquisition of a 17% interest in equity accounted investee	-	50,000,000
Acquisition of an additional 43% interest	121,400,000	
Share of profit/(loss) of equity accounted investee	1,239,032	(39,264)
Fair value movement in the carrying value of investment	7,400,232	-
Consideration for business combination	(180,000,000)	-
	-	49,960,736

At 30 June 2019, the Company held a 17% interest in the issued share capital of Ranger Investment Private Limited, a Singaporean holding company which holds 100% of the shares (directly and indirectly) of PT Ranger Nickel Industry, an Indonesian PMA company which owns and operates the Ranger Nickel project. On 14 August 2019, the Company acquired an additional 43% interest in Ranger Investment Private Limited, taking its total interest to 60% and equity accounting of the investment in Ranger Investment Private Limited was ceased at 14 August 2019.

The Company's equity accounting share of Ranger Nickel project profit from 1 July 2019 to 14 August 2019 was \$1,239,032.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

NOTE 16 - CONTROLLED ENTITIES

Acquisition of controlled entities

On 14 August 2019, the Company acquired a further 43% of the issued and paid-up share capital of Ranger Investment Private Limited which indirectly owns 100% of the Ranger Nickel project, for \$121.4 million. This took the Company's interest in Ranger Investment Private Limited to 60% and equity accounting of the investment in Ranger Investment Private Limited was ceased at 14 August 2019.

The acquisition and control of Ranger Investment Private Limited had the following effect on the Group's assets and liabilities on acquisition date, determined on a provisional basis:

	Pre-acquisition carrying amounts \$	Fair value adjustments \$	Recognised values on acquisition \$
Fair value of net assets of entity acquired:			
Cash and cash equivalents	7,244,743	-	7,244,743
Other current assets	3,366,663	-	3,366,663
Trade receivables	12,768,544	-	12,768,544
Inventory	21,369,174	-	21,369,174
Property, plant and equipment	117,795,494	176,075,010	293,870,504
Other non-current assets	5,589,087	-	5,589,087
Trade and other payables	(34,078,865)	-	(34,078,865)
Borrowings	(10,129,850)	-	(10,129,850)
Goodwill	-	26,185,546	26,185,546
Deferred income tax liability	-	(26,185,546)	(26,185,546)
Net assets and liabilities	<u>123,924,990</u>	<u>176,075,010</u>	<u>300,000,000</u>
Consideration transferred:			
Fair value of equity accounted investment	180,000,000		
Non-controlling interest	120,000,000		
	<u>300,000,000</u>		
Cash consideration paid	(1,400,000)		
Cash acquired	7,244,743		
Net cash inflow	<u>5,844,743</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 Ranger Investment Private Limited. Management also considered the findings of an Independent Experts' Report prepared by Lonergan Edwards & Associates Limited who prepared a valuation on a recent comparable transaction basis. This is considered to be a level 3 fair value assessment.

At the date of acquisition, the gross contractual amount of the Ranger Nickel project's trade receivables was \$12,768,544. The fair value of the trade receivables as at 14 August 2019 and the amount Ranger Investment Private Limited expects to receive are the same as the contractual amounts. Subsequent to acquisition the trade receivables were collected in full.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

NOTE 16 - CONTROLLED ENTITIES (Cont'd)

In September 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 which indirectly owns 100% of the Hengjaya Nickel project, for \$70 million. This took the Company's interest in Hengjaya Holdings Private Limited to 60%. In March 2019, the terms of the Collaboration and Subscription Agreement were amended whereby it was agreed that Nickel Mines could constitute the Board of Hengjaya Holdings Private Limited at its discretion and it was then deemed that Nickel Mines controlled Hengjaya Holdings Private Limited and equity accounting of the investment in Hengjaya Holdings Private Limited was ceased at 31 March 2019.

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

	Pre-acquisition carrying amounts	Fair value adjustments	Recognised values on acquisition
	\$	\$	\$
Fair value of net assets of entity acquired:			
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	-	29,219,349	29,219,349
Deferred income tax liability	-	(29,219,349)	(29,219,349)
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	120,000,000		
	<u>300,000,000</u>		
Cash consideration paid	-		
Cash acquired	9,576,857		
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 Holdings Private Limited. Management also considered the findings of an Independent Experts' Report prepared by Lonergan Edwards & Associates Limited who prepared a valuation on a recent comparable transaction basis. This is considered to be a level 3 fair value assessment.

At the date of acquisition, the gross contractual amount of the Hengjaya Nickel project's trade receivables was \$13,715,613. The fair value of the trade receivables as at 31 March 2019 and the amount Hengjaya Holdings Private Limited expects to receive are the same as the contractual amounts. Subsequent to acquisition the trade receivables were collected in full.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

NOTE 16 - CONTROLLED ENTITIES (Cont'd)

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.

	Hengjaya Holdings Private Limited and its controlled entities		PT Hengjaya Mineralindo		Ranger Investment Private Limited and its controlled entities	
	31 December 2019 \$	30 June 2019 \$	31 December 2019 \$	30 June 2019 \$	31 December 2019 \$	30 June 2019 \$
Non-controlling interest percentage	40%	40%	20%	20%	40%	-
Current assets	101,475,279	62,894,012	5,887,486	2,796,988	76,216,530	-
Non-current assets	336,509,990	343,917,180	31,198,951	28,042,814	322,589,337	-
Current liabilities	(21,764,708)	(46,982,173)	(7,547,875)	(6,402,369)	(26,352,730)	-
Non-current liabilities	(29,219,349)	(29,219,349)	(23,560,781)	(19,309,503)	(26,185,546)	-
Net assets	387,828,960	330,609,670	5,977,782	5,127,929	346,267,591	-
Carrying amount of non-controlling interest ⁽³⁾	155,131,584	141,265,371	1,015,006	1,949,108	138,507,036	-
Revenue	132,292,676	52,717,022 ⁽¹⁾	12,829,854 ⁽²⁾	14,184,410 ⁽¹⁾	103,766,484	-
Profit	48,294,053	15,647,180	1,368,492	207,940	38,661,314	-
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	48,294,053	15,647,180	1,368,492	207,940	38,661,314	-
Profit/(loss) allocated to non-controlling interest ⁽³⁾	19,317,621	6,258,872	(6,087)	41,568	15,464,526	-
Other comprehensive income allocated to non-controlling interest	-	-	-	-	-	-

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

⁽²⁾ Includes nickel ore sales from the Company's controlled entity PT Hengjaya Mineralindo to the Company's controlled entity PT Hengjaya Nickel Industry.

⁽³⁾ After intra-group eliminations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

NOTE 16 - CONTROLLED ENTITIES (Cont'd)

Particulars in relation to controlled entities:

	Ordinary shares – Group interest 31 December 2019 %	Ordinary shares – Group interest 30 June 2019 %
<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	60
Hengjaya Nickel Private Limited (incorporated in Singapore)	60	60
PT Hengjaya Nickel Industry (incorporated in Indonesia)	60	60
Ranger Investment Private Limited (incorporated in Singapore)	60	17 ⁽¹⁾
Ranger Nickel Private Limited (incorporated in Singapore)	60	17 ⁽¹⁾
PT Ranger Nickel Industry (incorporated in Indonesia)	60	17 ⁽¹⁾
	60	17 ⁽¹⁾
⁽¹⁾ Equity accounted – refer Note 15.		
	6 months to 31 December 2019 \$	12 months to 30 June 2019 \$
Goodwill		
Opening balance	29,219,349	-
Goodwill arising on acquisition of Hengjaya Holdings Private Limited	-	29,219,349
Goodwill arising on acquisition of Ranger Investment Private Limited	26,185,546	-
	55,404,895	29,219,349

The goodwill balance has arisen on the two business combinations referred to above. The goodwill has been determined on a provisional basis and the measurement period has not yet concluded. Accordingly, the goodwill balance has not yet been finalised and allocated to a cash generating unit for impairment testing. At 31 December 2019, the Directors consider there are no indicators of impairment. The goodwill balances will be finalised and impairment testing completed no later than 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

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 period ended 31 December 2019. The total remuneration paid to key management personnel of the Group during the year is as follows:

Key Management Personnel compensation

	6 months to 31 December 2019 \$	12 months to 30 June 2019 \$
Short term employee benefits	448,785	628,511

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:

Norman Seckold and Peter Nightingale hold an interest in an entity, MIS Corporate Pty Limited ('MIS'), which provided full administrative services, including administrative, accounting, company secretarial and investor relations staff both within Australia and Indonesia, rental accommodation, services and supplies, to the Group. 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 period amounted to A\$290,250 (12 months to 30 June 2019: A\$402,600) which included the agreed monthly fee and the reimbursement of consultant expenses incurred by MIS on behalf of the Group. At 31 December 2019 A\$15,000 (30 June 2019: A\$9,000) 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.

PT Ranger Nickel Industry

As detailed in Note 7, in May 2019, the Company provided a \$1.7 million working capital loan to PT Ranger Nickel Industry, a subsidiary of an associate Ranger Investment Private Limited, during the commissioning phase. An additional \$4.3 million working capital loan was provided to PT Ranger Nickel Industry in August 2019. Interest is charged at a rate of 6% p.a. Total interest payable by to Nickel Mines on the working capital loan on 14 August 2019, the date at which Nickel Mines acquired an additional 43% indirect interest in Ranger Investment Private Limited was \$12,467 (30 June 2019: \$9,633). Following this acquisition, Ranger Investment Private Limited and its controlled entities formed part of the Nickel Mines Group and the working capital loans were fully repaid to the Company prior to 31 December 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

NOTE 18 - STATEMENT OF CASH FLOWS

	6 months to 31 December 2019 \$	12 months to 30 June 2019 \$
(a) Reconciliation of cash and cash equivalents		
Cash and cash equivalents as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:		
Bank balances	49,820,013	49,002,977
(b) Reconciliation of net loss from ordinary activities after tax to net cash used in operating activities		
Profit from ordinary activities after tax	91,280,434	71,826,428
<i>Non-cash items</i>		
Depreciation and amortisation	16,419,372	9,277,390
Foreign exchange gain	(5,407,078)	(728,484)
Interest expense	2,336,467	35,925
Net change in fair value of investment in associate	(7,400,232)	(57,337,499)
<i>Changes in assets and liabilities</i>		
Trade receivables and other assets	(53,212,581)	(30,417,143)
Inventory	(47,321,083)	(3,317,957)
Provisions	116,150	(67,412)
Trade and other payables	41,397,875	14,864,509
Net cash from operating activities	38,209,324	4,133,757

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

NOTE 18 - STATEMENT OF CASH FLOWS (Cont'd)

(c) Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liabilities Loans and borrowings \$	Equity Share capital \$	Total \$
Opening balance at 1 July 2019	4,180,333	275,938,304	-
<i>Changes from financing activities</i>			
Proceeds from issue of shares	-	40,000,000	40,000,000
Costs of issue	-	(437,256)	(437,256)
Borrowings arising on acquisition	8,300,000	-	8,300,000
Borrowings	80,000,000	-	80,000,000
Repayment of borrowings	(27,300,000)	-	(27,300,000)
Repayment of interest	(2,516,800)	-	(2,516,800)
Total changes from financing cash flows	58,483,200	39,562,744	98,045,944
<i>Other changes</i>			
Finance expenses	2,336,467	-	
Total other changes	2,336,467	-	
Closing balance at 31 December 2019	65,000,000	315,501,048	

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 present 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:

		31 December 2019 \$	30 June 2019 \$
Cash and cash equivalents	18	49,820,013	49,002,977
Trade and other receivables	6	97,208,882	46,935,830
Loan to equity accounted investee	7	-	1,709,633
		147,028,895	97,648,440

Cash and cash equivalents

The Group mitigates credit risk on cash and cash equivalents by dealing with regulated banks in Australia, China, Indonesia and Singapore.

Trade and other receivables

Credit risk of trade and other receivables is low as it consists predominantly of nickel ore and nickel pig iron sales. Nickel ore sales are currently all to the Company's 60% owned PT Hengjaya Nickel Industry and nickel pig iron trade receivables are from sales to two customers, PT Indonesia Tsingshan Stainless Steel, a Tsingshan group company operating within the IMIP and export sales to Shanghai Decent and amounts recoverable from the Australian Taxation Authority. None of the Group's material trade and other receivables are past due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

NOTE 19 - FINANCIAL INSTRUMENTS DISCLOSURE (Cont'd)

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:

	Carrying amount \$	Contractual cash flows \$	Less than one year \$	Between one and five years \$	More than five years \$
Consolidated					
31 December 2019					
Trade and other payables (including tax)	53,141,965	53,141,965	53,141,965	-	-
Borrowings	65,000,000	73,410,278	14,252,033	59,158,245	-
	118,141,965	126,552,243	67,393,998	59,158,245	-
30 June 2019					
Trade and other payables	42,552,752	42,552,752	42,552,752	-	-
Borrowings	4,180,333	4,230,000	4,230,000	-	-
Total liabilities	46,733,085	46,782,752	46,782,752	-	-

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, PT Hengjaya Nickel Industry and Ranger 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

NOTE 19 - FINANCIAL INSTRUMENTS DISCLOSURE (Cont'd)

The Group's gross financial position exposure to foreign currency risk at 31 December is as follows:

	31 December 2019		30 June 2019	
	Foreign currency	USD	Foreign currency	USD
IDR				
Cash at bank	IDR 46,974,621,253	\$3,383,729	IDR 35,870,163,502	\$2,539,031
Accounts receivable	IDR 89,013,638,068	\$6,411,931	IDR 615,110,927,164	\$43,539,970
Other current assets	-	-	IDR 69,337,705,871	\$4,907,995
Provisions	IDR 11,277,393,345	\$812,346	IDR 9,385,505,761	\$696,196
Taxes payable	IDR 8,366,066,505	\$602,634	IDR 4,290,938,455	\$303,729
Trade and other payables	IDR 607,578,601,916	\$43,765,792	IDR 450,738,646,685	\$31,905,054
AUD				
Cash at bank	A\$25,390,739	\$17,829,377	A\$34,986,844	\$24,571,261
Receivables	A\$ 32,131	\$22,562	A\$180,046	\$126,446
Trade and other payables	A\$ 362,602	\$254,619	A\$172,965	\$121,473

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	31 December 2019	30 June 2019	31 December 2019	30 June 2019
USD				
IDR	14,090	14,469	13,883	14,128
AUD	1.4610	1.3978	1.4242	1.4239

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

At balance date, 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	Total equity	Post tax loss	Total equity
	(Higher)/Lower	(Higher)/Lower	(Higher)/Lower	(Higher)/Lower
	31 December	31 December	30 June	30 June
	2019	2019	2019	2019
	\$	\$	\$	\$
+ 10% higher USD to IDR exchange rate	(3,538,511)	(3,538,511)	2,353,381	2,353,381
- 5% lower USD to IDR exchange rate	1,769,256	1,769,256	(1,176,691)	(1,176,691)
+ 10% higher USD to AUD exchange rate	1,759,732	1,759,732	4,183,263	4,183,263
- 5% lower USD to AUD exchange rate	(879,866)	(879,866)	(2,091,632)	(2,091,632)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

NOTE 19 - FINANCIAL INSTRUMENTS DISCLOSURE (Cont'd)

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:

		31 December 2019 \$	30 June 2019 \$
Financial assets			
Cash and cash equivalents	18	49,820,013	49,002,977
Financial liabilities			
Borrowings	13	65,000,000	-

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.

	6 months to 31 December 2019 \$	12 months to 30 June 2019 \$
Profit for the year	(84,557)	(249,048)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

NOTE 20 - PARENT ENTITY DISCLOSURES

As at, and throughout the financial period ended 31 December 2019, the parent entity of the Group was Nickel Mines Limited.

	Parent Entity 6 months to 31 December 2019 \$	Parent Entity 12 months to 30 June 2019 \$
Result of the parent entity		
Net profit	4,355,503	55,971,407
Other comprehensive income	-	-
Total comprehensive profit	<u>4,355,503</u>	<u>55,971,407</u>
	31 December 2019 \$	30 June 2019 \$
Financial position of the parent entity at year end		
Current assets	24,143,940	48,932,604
Non-current assets	378,549,158	244,708,976
Total assets	<u>402,693,098</u>	<u>293,641,580</u>
Current liabilities	4,732,142	265,538
Non-current liabilities	60,666,667	-
Total liabilities	<u>65,398,809</u>	<u>266,538</u>
Net Assets	<u>337,294,289</u>	<u>293,376,042</u>
Equity		
Share capital	315,501,048	275,938,304
Retained profits	21,793,241	17,437,738
Total Equity	<u>337,294,289</u>	<u>293,376,042</u>

At balance date, the Company has no capital commitments or contingencies (30 June 2019: \$nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 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 period ended 31 December 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 \$
6 months to 31 December 2019				
External revenues	-	236,059,160	-	236,059,160
Reportable segment profit/(loss) before tax	1,042,957	96,385,556	(5,974,603)	91,453,910
Interest income	9,882	(8,098)	104,338	106,122
Interest expense	-	127,648	2,208,819	2,336,467
Depreciation and amortisation	496,175	15,922,402	795	16,419,372
Reportable segment assets	35,733,798	837,616,884	24,143,940	897,496,621
Reportable segment liabilities	(8,716,103)	(101,262,603)	(65,398,810)	(175,377,516)
12 months to 30 June 2019				
External revenues	12,220,325 ⁽¹⁾	52,717,022 ⁽²⁾	-	64,937,347
Reportable segment profit/(loss) 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	1,814,896	7,461,181	1,313	9,277,390
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)

⁽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 supply agreements with Tsingshan group companies. Only includes sales revenue of nickel pig iron from 1 April 2019 as prior to this date PT Hengjaya Nickel Industry was accounted for as an equity accounted investee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

NOTE 21 - SEGMENT INFORMATION (Cont'd)

	31 December 2019 \$	30 June 2019 \$
Reconciliations of reportable segment revenues and profit or loss		
Profit or loss		
Total profit for reportable segments	97,428,513	78,394,978
Unallocated amounts:		
Net other corporate income/(expenses)	(5,974,603)	(6,501,762)
Consolidated profit before tax	91,453,910	71,893,216

Reconciliations of reportable assets and liabilities

Assets

Total assets for reportable segments	873,352,681	483,001,545
Unallocated corporate assets	24,143,940	48,932,604
Consolidated total assets	897,496,621	531,934,148

Liabilities

Total liabilities for reportable segments	(109,978,706)	(76,901,732)
Unallocated corporate liabilities	(65,398,810)	(265,538)
Consolidated total liabilities	(175,377,516)	(77,167,270)

Geography of reportable segment assets

	Indonesia \$	Singapore \$	Total \$
31 December 2019			
Reportable segment assets	873,150,906	201,776	873,352,682
30 June 2019			
Reportable segment assets	482,991,778	9,767	483,001,545

Revenue

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

Major customers

All sales of nickel pig iron during the six month period to 31 December 2019 were either exported sales to Shanghai Decent or to PT Indonesia Tsingshan Stainless Steel, an Indonesian Tsingshan group company, operating with the Indonesian Morowali Industrial Park.

All sales of nickel ore during the six month period to 31 December 2019 were to the Company's 60% owned subsidiary PT Hengjaya Nickel Industry, under an offtake agreement to supply 50,000 wmt per month.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

NOTE 22 - REVENUE

Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by major production and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments.

	Nickel pig iron		Nickel ore	
	6 months to 31 December 2019 \$	12 months to 30 June 2019 \$	6 months to 31 December 2019 \$	12 months to 30 June 2019 \$
Major products	236,059,160	52,717,022	12,829,854 ⁽¹⁾	12,220,325 ⁽¹⁾
<i>Timing of revenue recognition</i>				
Products transferred at a point in time	236,059,160	52,717,022	12,829,854	12,220,325
Revenue from contracts with customers	236,059,160	52,717,022	12,829,854	12,220,325
External revenue as reported in Note 21	236,059,160	52,717,022	12,829,854	12,220,325

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

The extent to which an entity's revenue is disaggregated for the purposes of this disclosure depends on the facts and circumstances of the entity's contracts with customers.

NOTE 23 - AUDITOR REMUNERATION

During the period ended 31 December 2019 KPMG, the Company's auditor, has not performed any 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 period and prior year are set out below:

	31 December 2019 \$	30 June 2019 \$
<i>Auditors of the Company</i>		
Audit and review of financial reports – KPMG Australia	170,453	123,393
Audit and review of financial reports – KPMG Indonesia	62,037	122,840
<i>Services other than statutory audit</i>		
Investigating Accountant's services in relation to IPO	-	11,536
	232,490	257,769

NOTE 24 - SUBSEQUENT EVENTS

There has not arisen in the interval between the end of the financial year and the date of this report any 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 25 - COMMITMENTS AND CONTINGENCIES

There are no contingent liabilities existing at 31 December 2019 (30 June 2019: \$nil).

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Nickel Mines Limited ('the Company'):
 - (a) the consolidated financial statements and notes set out on pages 17 to 51 and the Remuneration report on pages 12 to 15 in the Directors' report, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the period ended on that date; and
 - (ii) complying with Australian Accounting Standards, (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.
 - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial period ended 31 December 2019.

Signed at Sydney this 28th day of February 2020

in accordance with a resolution of the Board of Directors:



Robert Neale
Chairman



Norman Seckold
Deputy Chairman



Independent Auditor's Report

To the shareholders of Nickel Mines Limited

Report on the audit of the Financial Report

Opinion

We have audited the **Financial Report** of Nickel Mines Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2019 and of its financial performance for the six month period ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 31 December 2019;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the six month period then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the period-end or from time to time during the six month period.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

INDEPENDENT AUDITOR'S REPORT



Key Audit Matters

The **Key Audit Matters** we identified was the consolidation of Ranger Investment Private Limited.

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Consolidation of Ranger Investment Private Limited (\$300m)	
Refer to Note 16 Controlled Entities	
The key audit matter	How the matter was addressed in our audit
<p>The Group's investment in Ranger Investment Private Limited (Ranger Investment) increased from 17% to 60% during the financial period. This investment was previously equity accounted, and was consolidated effective 15 August 2019.</p> <p>This was as key audit matter due to the following:</p> <ul style="list-style-type: none"> • Size of the transaction: The fair value of the net assets of Ranger Investment was assessed at \$300m at the date of acquisition; and • Complexity: The terms and conditions of the acquisition agreements were complex and had pervasive impacts on the financial report. <p>We focused on significant judgements made by the Group in relation to:</p> <ul style="list-style-type: none"> - the date of gaining control of Ranger Investment; - the fair value of the consideration transferred, including non-controlling interests; and - the provisional fair values assigned to the identifiable assets and liabilities acquired. <p>These conditions required significant audit effort and greater involvement by senior team</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Reading the acquisition agreements to understand the key terms and conditions of the agreements and the obligations of each party to the agreements; • Working with our valuation specialists, we assessed and challenged the key assumptions used in the purchase price allocation to identify assets and liabilities acquired, including a consideration of the existence of intangible assets in the form of rights specified in the acquisition agreements; • Working with our valuation specialists, we assessed and challenged the Group's fair value assessments, including: <ul style="list-style-type: none"> ○ The fair value of the consideration transferred by assessing the value of \$300m assigned by the Group by reference to an option held to acquire the remaining 40% of Ranger Investment as well as an independent experts report obtained as part of the acquisition of the additional 43%. This included assessing the competence, experience and skills of the independent expert; and ○ The provisional fair values assigned to identifiable assets and liabilities, including identifiable intangible assets; • Testing of the acquisition date balance sheet



<p>members and KPMG valuation specialists.</p>	<p>of Ranger Investment to the underlying accounting records of that company and assessing the compliance of those accounting records with accounting standards,</p> <ul style="list-style-type: none"> • Testing of the post-acquisition financial performance and position of Ranger Investment, compliance with the accounting policies of the Group and the accuracy of the consolidation of Ranger Investment in the Financial Report in accordance with the requirements of accounting standards; • Evaluating the Group's disclosures in the Financial Report against the requirements of accounting standards.
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Other Information

Other Information is financial and non-financial information in Nickel Mines Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT



Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Nickel Mines Limited for the six month period ended 31 December 2019, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 15 to 18 of the Directors' report for the six month period ended 31 December 2019.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Stephen Board
Partner

Brisbane
28 February 2020

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 31 January 2020.

Distribution of Equity Securities

ORDINARY SHARES		
Range	Number of Holders	Number of Shares
1 to 1,000	148	98,744
1,001 to 5,000	480	1,396,022
5,001 to 10,000	357	2,969,631
10,001 to 100,000	966	38,023,040
Above 100,001	350	1,622,980,892
	2,301	1,665,468,329

The number of shareholders holding less than a marketable parcel is 66.

Twenty Largest Shareholders

The names of the twenty largest holders of quoted shares are:

ORDINARY SHARES			TOTAL
N°	SHAREHOLDER	N° OF SHARES	%
1	HSBC Custody Nominees (Australia) Limited	249,534,395	14.98
2	Shanghai Decent Investment (Group) Co Ltd	161,696,446	9.71
3	Shanghai Wanlu Investment Co Ltd	149,258,258	8.96
4	Decent Investment International Private Limited	139,972,705	8.40
5	J P Morgan Nominees Australia Pty Limited	114,971,319	6.90
6	Citicorp Nominees Pty Limited	102,047,588	6.13
7	UBS Nominees Pty Ltd	82,247,939	4.94
8	CS Third Nominees Pty Limited <HSBC Cust Nom Au Ltd 13 A/C>	62,323,208	3.74
9	Altinova Nominees Pty Limited	60,104,526	3.61
10	Permgold Pty Ltd <The Seckold Super Fund A/C>	57,611,135	3.46
11	Brispot Nominees Pty Ltd <House Head Nominee A/C>	21,786,061	1.31
12	Bellambi Enterprises Limited	20,949,929	1.26
13	Peng Lim Oon	19,027,143	1.14
14	National Nominees Limited	18,247,645	1.10
15	Bell Potter Nominees Ltd <BB Nominees A/C>	18,036,930	1.08
16	Warbont Nominees Pty Ltd <Unpaid Entrepot A/C>	16,783,113	1.01
17	CS Fourth Nominees Pty Limited <HSBC Cust Nom Au Ltd 11 A/C>	15,647,015	0.94
18	Rosignol Pty Ltd <Nightingale Family A/C>	14,950,132	0.90
19	CO2 Capital Private Limited	10,302,679	0.62
20	Susan Maree Valmadre	10,017,934	0.60
Total in Top 20		1,345,516,100	80.79

ADDITIONAL ASX INFORMATION

Substantial Shareholders

Substantial shareholders and the number of equity securities in which it has an interest, as shown in the Company's Register of Substantial Shareholders is:

Shareholder	N° of Shares Held	% of Issued Shares
Shanghai Decent Investment (Group) Co Ltd	301,669,151	18.11%
Shanghai Wanlu Investment Co Ltd	149,258,258	8.96%
BlackRock Group	138,641,579	8.32%
Norman Alfred Seckold	123,715,661	7.43%
Regal Funds Management Pty Ltd	118,048,965	7.09%

Class of Shares and Voting Rights

The voting rights attached to ordinary shares, as set out in the Company's Constitution, are that every member in person or by proxy, attorney or representative, shall have one vote when a poll is called, otherwise each member present at a meeting has one vote on a show of hands.

Tenement Schedule

Project	Tenement number	Interest %
Hengjaya Project	540-3/SK.001/DESDM/VI/2011	80%

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

Share Registrar:

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
SYDNEY NSW 2000
Phone: 1300 787 272
Overseas Callers: 61-3 9415 4000
Fax: 61-3 9473 2500

