BELL POTTER

3 June 2020

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Nickel Mines Ltd (NIC)

Becoming the ASX's largest nickel play

Recommendation
Buy (unchanged)
Price
$0.555
Target (12 months)
$1.08 (previously $1.10)

GICS Sector

Materials

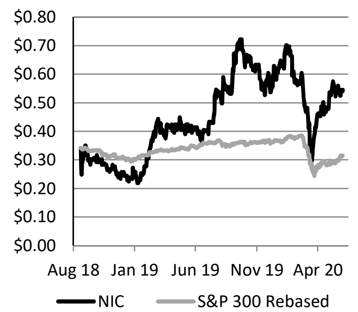
Expected Return	
Capital growth	**94.6%**
Dividend yield	**0.0%**
Total expected return	**94.6%**

Company Data & Ratios	
Enterprise value	**$1,170m**
Market cap	**$1,181m**
Issued capital	**2,128.1m**
Free float	**55%**
Avg. daily val. (52wk)	**$3.4m**
12 month price range	**$0.288-$0.731**

Price Performance

	(1m)	(3m)	(12m)
Price (A$)	0.54	0.50	0.41
Absolute (%)	3.5	11.6	33.9
Rel market (%)	-4.3	22.2	40.8

Absolute Price



SOURCE: IRESS

NIC lifting ownership to 80%

NIC has exercised its option to acquire an additional 20% interest in the Hengjaya and Ranger RKEF Nickel Projects, lifting its ownership levels of both from 60% to 80%. The acquisition is being funded by a non-renounceable 1 for 3.6 Entitlement Offer priced at A$0.50/sh, to raise A$231m (~US$150m) from the issue of 462.6m shares. The use of proceeds is consideration for the acquisition of US$120m (US$60m each) for the additional 20% ownership of the Hengjaya and Ranger RKEF projects, plus US$30m for Shanghai Decent's (SDI's) share of undistributed retained earnings. The offer is fully underwritten and being conducted in two tranches: an accelerated institutional offer (completed) and a retail offer (closing 9 June 2020). Shareholders approved the deal on 29 May, keeping it on schedule for completion on 30 June 2020.

Value accretive transaction

We view this as a strongly value accretive transaction and a major positive milestone for NIC. For the outlay of US$120m (A$185m), we estimate an increase in NPV (14% nominal discount rate) of A$420m. On our current price deck, the 32% increase in attributable EBITDA equates to US$66m per year and a payback of <2yrs, for an asset with a +20yr life. The 28% dilution of the placement offsets this on a per share basis and EPS increases only incrementally on our current assumptions. However, higher attributable cash flows will enable more rapid repayment of the remaining US$65m debt facility and potentially free up cash for dividend payments earlier. Attributable production lifts from ~24ktpa Ni in NPI to ~32ktpa Ni in NPI on our current forecasts. On NIC's current production run-rate this is higher, at ~35ktpa Ni in NPI, making NIC the largest pure-play nickel exposure on the ASX.

Investment thesis: Buy retained, TP $1.08/sh (from $1.10/sh)

With the overhang of the acquisition removed and funded entirely with equity, NIC is a transparent proposition for shareholders and our top pick in the sector. Our earnings forecasts increase 1-2% over FY20-22. Our NPV based valuation is lowered 2% to $1.08/sh. We retain our Buy recommendation.

Earnings Forecast

Year ending 31 December	**2019a***	**2020e**	**2021e**	**2022e**
Sales (US$m)	236	559	694	662
EBITDA (US$m)	97	232	347	344
Attributable NPAT (reported) (US$m)	57	136	256	266
Attributable NPAT (reported) (A$m)	83	210	371	369
EPS (adjusted) (A¢ps)	4.4	11.9	17.4	17.3
EPS growth (%)	46%	72%	46%	-1%
PER (x) 1	5.5	4.7	3.2	3.2
FCF Yield (%) 1	5%	26%	41%	40%
EV/EBITDA (x) 1	8.4	3.5	2.3	2.4
Dividend (A¢ps)	-	-	-	-
Yield (%)	0%	0%	0%	0%
Franking (%)	0%	0%	0%	0%
ROE (%) 1	49%	40%	38%	30%

SOURCE: BELL POTTER SECURITIES ESTIMATES *Transitional 6 month period to Dec-19. Change of Financial Year end from June to December
1: Metrics annualised for 6 month period to Dec-19

Value adding acquisition

80% ownership a major positive milestone for NIC

NIC has exercised its option to acquire an additional 20% interest in the Hengjaya and Ranger RKEF Nickel Projects, lifting its ownership levels of both from 60% to 80%. The acquisition is being funded by a non-renounceable 1 for 3.6 Entitlement Offer priced at A$0.50/sh to raise A$231m (~US$150m).

We view this as a strongly value accretive transaction and a major positive milestone for NIC. We note some of the key benefits as follows:

- For the outlay of US$120m (A$185m), we estimate an increase in NPV (14% nominal discount rate) of A$420m.
- On our current price deck, the 32% increase in attributable EBITDA equates to US$66m per year and a payback of <2yrs, for an asset with a +20yr life.
- Higher attributable cash flows will enable more rapid repayment of the remaining US$65m debt facility.
- We estimate that net cash distributed to NIC (after non-controlling interests) will increase ~US$70m pa to ~US$250m pa, equivalent to ~A17cps, a portion of which could be available for dividend distributions and potentially supporting a healthy yield.
- Attributable production lifts from ~24ktpa Ni in NPI to ~32ktpa Ni in NPI on our current forecasts.
- The exercise and funding of the option removes a perceived overhang from NIC's share price.

While we had not expected the acquisition to be fully funded by equity, we view this as a strong vote of confidence in both the company and the upside from the current share price. The Entitlement Offer drew strong support from key shareholders, with SDI (18.6%) more than following its money and new substantial shareholder, Tanito Group lifting its holding to 12.1% (in conjunction with on-market purchases).

New Indonesian partner

The Tanito Group is a vehicle of the Barki family, an Indonesian family with extensive interests in the coal sector. After coming onto the register in early 2020, they have now emerged as NIC's second-largest shareholder. Their presence on the register is viewed as positive and supportive by NIC.

NIC has taken the opportunity to invite a representative of the Tanito Group to the Board and Mr Stephanus (Dasa) Sutantio was appointed as a Non-Executive Director on 1 June.

In our view it is highly beneficial to have a supportive local partner in a foreign jurisdiction and the Tanito Group appears a good fit for this role. Their presence also complements the interests of NIC's Indonesian partner at its 80%-owned Hengjaya laterite nickel ore mine.

Changes to our forecasts

Our underlying production assumptions for NIC remain unchanged on the exercise of the acquisition option. We have updated our NIC model to reflect the increased ownership as follows:

- Included the US$120m purchase cost in our growth capital assumptions;
- Included the 462.63m new shares in our updated capital structure for NIC;
- Increased NIC's ownership level of the Hengjaya and Ranger RKEF lines from 60% to 80% from 1 July 2020; and
- Updated for the latest changes in Substantial shareholdings.

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

Table 1 - Changes to our CY forecasts

	Previous			New			Change		
Year end 30 December	**Dec-20**	**Dec-21**	**Dec-22**	**Dec-20**	**Dec-21**	**Dec-22**	**Dec-20**	**Dec-21**	**Dec-22**
Prices & currency									
Nickel price (US$/t)	13,878	16,424	17,527	13,878	16,424	17,527	0%	0%	0%
US$/A$	0.65	0.69	0.72	0.65	0.69	0.72	0%	0%	0%
Production & costs									
Ore mined (t)	1,235,599	1,560,000	1,560,000	1,235,599	1,560,000	1,560,000	0%	0%	0%
Nickel in ore (t)	22,287	28,080	28,080	22,287	28,080	28,080	0%	0%	0%
RKEF NPI production (t)	307,859	304,615	304,615	307,859	304,615	304,615	0%	0%	0%
Contained nickel (t)	42,514	40,362	36,554	42,514	40,362	36,554	0%	0%	0%
Contained nickel (t, attributable)	25,509	24,217	21,932	29,621	32,289	29,243	16%	33%	33%
Cash costs (US$/t Ni)	7,695	7,872	8,066	7,695	7,872	8,066	0%	0%	0%
Earnings & valuation									
Revenue (consolidated, US$m)	559	694	662	559	694	662	0%	0%	0%
Revenue (attributable, US$m)	362	417	401	421	547	526	16%	31%	31%
EBITDA (attributable, US$m)	140	208	207	167	274	274	19%	32%	32%
NPAT (reported, attributable, US$m)	123	196	203	136	256	266	11%	31%	31%
EPS (reported) (Acps)	12	17	17	12	17	17	1%	2%	2%
PER (x)	4.7	3.3	3.3	4.7	3.2	3.2	(0.1)	(0.1)	(0.1)
EPS growth (%)	70%	45%	-1%	72%	46%	-1%	2%	1%	0%
DPS (Acps)	-	-	-	-	-	-	na	na	na
Yield	0%	0%	0%	0%	0%	0%	0%	0%	0%
NPV (A$/sh)	1.10	1.25	1.36	1.08	1.29	1.40	-2%	3%	3%
Price Target (A$/sh)	1.10			1.08			-2%		

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

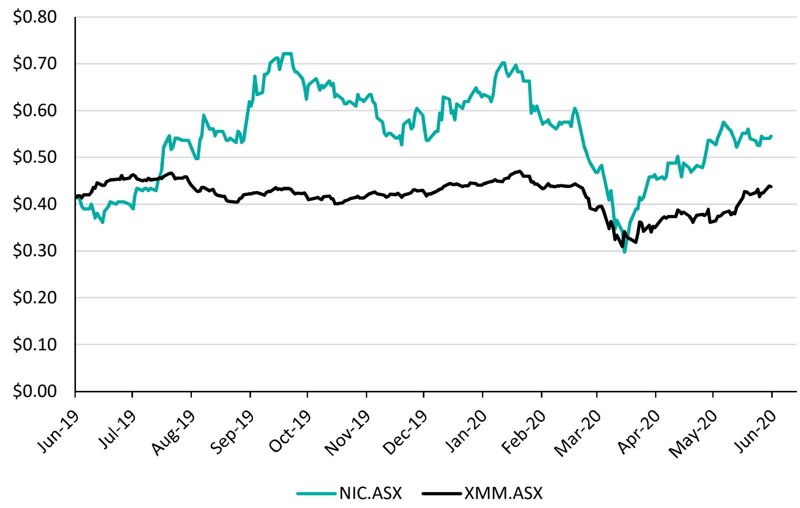
Upcoming catalysts

Upcoming catalysts for NIC include:

- Ongoing production updates from the Hengjaya and Ranger Nickel RKEF lines. Both projects have now achieved steady state production above nameplate. Ongoing updates will reinforce the sustainability of these production levels;
- Updates on Ni in NPI pricing and payabilities, which improved to 90% of the LME price in the March 2020 quarter, and which we forecast to improve to 95%. Early indications include reports that these have since lifted to ~100%;
- The release of NIC's June 2020 quarterly production and cost report, expected in late July 2020;
- The release of NIC's interim financial results, in August 2020, which will further confirm aspects of NIC's financial performance;
- Resource and Reserve updates at the Hengjaya Mine, the progress of its expansion and its delivery of lower operating costs over the course of CY20; and
- Updates on the ownership levels of the 80%-owned Hengjaya Mine, which is subject to Indonesia's compulsory divestment laws.

NIC vs the ASX Metals and Mining Index

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



SOURCE: IRESS

Nickel Mines Limited (NIC)

Company description: fully integrated NPI producer

Nickel Mines Limited ('Nickel Mines' or 'NIC') was formed in 2007 and listed on the ASX in August 2018. Its operations are focused in Central Sulawesi, Indonesia, where it currently holds a 60% interest four Rotary Kiln Electric Furnace (RKEF) NPI production lines (the two Hengjaya lines and the two Ranger lines) with Shanghai Decent Investments (SDI) a subsidiary of Tsingshan Group, the world's largest stainless steel producer. NIC is in the process of exercising its option to increase its ownership of both Hengjaya and Ranger to 80% for US$120m, targeting completion for 30 June 2020.

The RKEF lines are located in an existing, fully integrated stainless steel production facility, the Indonesian Morowali Industrial Park (IMIP), in Central Sulawesi, Indonesia. First production from the Hengjaya Lines was achieved on 31 January 2019 and exceeded their nameplate production run-rate of 16ktpa nickel in NPI (100% basis) during the September quarter 2019. The Ranger Lines commenced production during the September quarter 2019 and exceeded nameplate in the December quarter 2019.

NIC also holds an 80% interest in Hengjaya Mine ('HM'), a high-grade, long-life nickel laterite deposit, also in Central Sulawesi in close proximity to the IMIP. The balance of the asset is owned by NIC's local Indonesian partner. The HM produces Direct Shipping Ore (DSO), the bulk of which is sold into the IMIP facility for the production of Nickel Pig Iron (NPI), a key input into stainless steel production.

Investment thesis: Buy retained, TP $1.08/sh (from $1.10/sh)

With the overhang of the acquisition removed and funded entirely with equity, NIC is a transparent proposition for shareholders and our top pick in the sector. Our earnings forecasts increase 1-2% over FY20-22. Our NPV based valuation is lowered 2% to $1.08/sh. We retain our Buy recommendation.

Valuation: $1.08/sh

Our 12-month forward NIC valuation incorporates DCF models of its attributable interests in the Hengjaya laterite nickel ore mine (HM), an 80% interest in the two Hengjaya Nickel RKEF lines and an 80% interest in the two Ranger Nickel RKEF lines (from July 2020).

We have constructed a discounted cash flow (DCF) model for NIC's attributable interest in these RKEF lines that are in production at Tsingshan's IMIP facility and a DCF calculation for NIC's current 80% interest (declining to 49% by FY2023) in the Hengjaya laterite nickel ore mine.

We also include a notional value for exploration and development projects, an estimate of corporate overhead costs and NIC's last reported net debt position. Our valuation is calculated on a fully diluted basis. Following the latest update, our valuation stands at $1.08/sh.

Risks

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

- **Funding and capital management risks:** Funding and capital management risks can include access to debt and equity finance, maintaining covenants on debt finance, managing dividend payments and managing debt repayments. Exploration and development companies with no sales revenues are reliant on access to equity markets and debt financing to fund the advancement and development of their projects.
- **Operating and development risks:** Mining companies' assets are subject to risks associated with their operation and development. Risks for each company can be heightened depending on method of operation (e.g. underground versus open pit mining) or whether it is a single mine company. Development of mining assets may be subject to receiving permits, approvals timelines or weather events, causing delays to commissioning and commercial production.
- **COVID-19 risks:** Mining companies' rely on freedom of movement of workforces, functioning transport routes, reliable logistics services including road, rail, aviation and ports in order to maintain operations and get their products to market. They also rely on liquid, functioning markets to sell their products. Measures being put in place to combat the COVID-19 pandemic are posing risks to these conditions.
- **Operating and capital cost fluctuations:** The cost and availability of exploration, development and mining inputs can fluctuate widely and cause significant differences between planned and actual operating and capital costs. Key operating costs are linked to energy and labour costs as well as access to, and availability of, technical skills, operating equipment and consumables.
- **Commodity price and exchange rate fluctuations:** The future earnings and valuations of exploration, development and producing Resources companies are subject to fluctuations in underlying commodity prices and foreign currency exchange rates.
- **Resource growth and mine life extensions:** The viability of future operations and the earnings forecasts and valuations reliant upon them may depend upon resource and reserve growth to extend mine lives, which is in turn dependent upon exploration success, of which there are no guarantees.
- **Regulatory changes risks:** Changes to the regulation of infrastructure and taxation (among other things) can impact the earnings and valuation of mining companies. NIC's assets are located in Sulawesi, Indonesia, which has in the past implemented regulatory changes related to mining project ownership, fiscal terms and mineral export requirements.
- **Sovereign risks:** Mining companies' assets are subject to the sovereign risks of the jurisdiction within which they are operating. NIC's assets are in Indonesia, a G20 country with one of the largest economies in SE Asia. Its sovereign debt is rated investment grade by the major ratings agencies.
- **Corporate/M&A risks:** Risks associated with M&A activity including differences between the entity's and the market's perception of value associated with completed transactions. NIC is the junior partner co-investing in production assets with a large, privately owned Chinese company. The strength and cohesiveness of this relationship over the long term has the potential to both add and reduce value to the partnership. One of the key mitigating factors in this respect has been the investment of a combined US$50m by SDI and Wanlu Investments (US$26m and US$24m respectively) into NIC equity.

Nickel Mines Ltd
as at 3 June 2020

Recommendation	Buy
Price	$0.555
Target (12 months)	$1.08

Table 2 - Financial summary

PROFIT AND LOSS

Year ending 31 Dec. (from 2020)	Unit	2019a	2019a*	2020e	2021e	2022e
Revenue	US$m	64.9	236.1	559.4	694.2	661.7
Expense	US$m	(44.5)	(138.9)	(327.8)	(347.4)	(317.9)
EBITDA	**US$m**	**20.4**	**97.2**	**231.6**	**346.8**	**343.8**
Depreciation	US$m	(6.8)	(16.4)	(25.8)	(24.8)	(22.0)
EBIT	US$m	13.6	80.8	205.8	322.1	321.8
Net interest expense	US$m	0.2	(2.1)	(3.9)	3.3	11.5
Unrealised gains (Impairments)	US$m	57.3	7.4	-	-	-
Other	US$m	0.7	5.4	(7.4)	-	-
PBT	**US$m**	**71.9**	**91.5**	**194.5**	**325.4**	**333.3**
Tax expense	US$m	(0.1)	(0.2)	(1.4)	(3.5)	(2.7)
Consolidated profit (loss) for the year	US$m	71.8	91.3	193.1	321.9	330.6
Non-Controlling Interest	US$m	6.3	34.8	57.0	66.0	64.9
Attributable NPAT (reported)	**US$m**	**65.5**	**56.5**	**136.1**	**255.9**	**265.6**
NPAT (underlying)	US$m	8.2	49.1	136.1	255.9	265.6

CASH FLOW

Year ending 31 Dec. (from 2020)	Unit	2019a	2019a*	2020e	2021e	2022e
OPERATING CASHFLOW						
Receipts	US$m	33.4	212.7	600.7	680.8	665.0
Payments	US$m	(28.4)	(169.9)	(298.3)	(342.5)	(325.3)
Tax	US$m	(1.2)	(4.7)	0.1	(1.4)	(3.5)
Net interest	US$m	0.2	0.1	(3.9)	3.3	11.5
Other	US$m	-	-	-	-	-
Operating cash flow	**US$m**	**4.1**	**38.2**	**298.6**	**340.2**	**347.7**
INVESTING CASHFLOW						
Property, plant and equipment	US$m	(19.5)	(29.6)	(130.3)	(2.9)	(2.9)
Mine development	US$m	-	-	-	-	-
Exploration & evaluation	US$m	-	-	(0.4)	(0.4)	(0.4)
Other	US$m	(121.1)	5.8	-	-	-
Investing cash flow	**US$m**	**(140.6)**	**(23.8)**	**(130.7)**	**(3.3)**	**(3.3)**
Free Cash Flow	*US$m*	*(136.5)*	*14.4*	*167.8*	*336.9*	*344.4*
FINANCING CASHFLOW						
Share issues/(buy-backs)	US$m	183.6	-	148.0	-	-
Debt proceeds	US$m	-	-	-	-	-
Debt repayments	US$m	(2.0)	(29.9)	(10.0)	(21.3)	(21.3)
Distributions to non-controlling interests	US$m	15.0	17.0	(56.2)	(62.0)	(62.6)
Dividends	US$m	-	-	-	-	-
Other	US$m	(10.8)	(0.4)	(7.4)	-	-
Financing cash flow	**US$m**	**185.8**	**(13.3)**	**74.5**	**(83.3)**	**(83.9)**
Change in cash	*US$m*	*49.3*	*1.1*	*242.3*	*253.5*	*260.5*

BALANCE SHEET

Year ending 31 Dec. (from 2020)	Unit	2019a	2019a*	2020e	2021e	2022e
ASSETS						
Cash & short term investments	US$m	49.0	49.8	292.1	545.7	806.1
Accounts receivable	US$m	43.7	97.2	55.9	69.4	66.2
Property, plant & equipment	US$m	340.1	628.5	733.0	711.1	692.0
Mine development expenditure	US$m	-	-	-	-	-
Exploration & evaluation	US$m	-	-	0.4	0.8	1.2
Other	US$m	99.2	122.0	122.0	122.0	122.0
Total assets	**US$m**	**531.9**	**897.5**	**1,203.4**	**1,449.0**	**1,687.5**
LIABILITIES						
Accounts payable	US$m	42.2	52.5	81.9	86.9	79.5
Income tax payable	US$m	0.3	0.7	1.4	3.5	2.7
Borrowings	US$m	4.2	65.0	55.0	33.7	12.3
Other	US$m	30.4	57.2	58.0	58.0	58.0
Total liabilities	US$m	**77.2**	**175.4**	**196.3**	**182.0**	**152.5**
SHAREHOLDER'S EQUITY						
Share capital	US$m	275.9	315.5	463.5	463.5	463.5
Reserves	US$m	(0.6)	19.2	19.2	19.2	19.2
Retained earnings	US$m	36.3	92.8	228.9	484.8	750.4
Total equity to NIC holders	**US$m**	**311.6**	**427.5**	**711.6**	**967.5**	**1,233.1**
Non-controlling interest	US$m	143.2	294.7	295.5	299.5	301.9
Total equity	**US$m**	**454.8**	**722.1**	**1,007.1**	**1,267.0**	**1,535.1**
Weighted average shares	m	1,324.4	1,631.2	1,761.6	2,128.1	2,128.1

CAPITAL STRUCTURE

Shares on issue	m		1,743.3
Total shares on issue	**m**	(add 384.8m escrow and placement shares)	**2,128.1**
Share price	**A$/sh**		**0.555**
Market capitalisation	A$m		1,181.1
Net cash	A$m		11.4
Enterprise value (undiluted)	**A$m**		**1,169.7**
Options outstanding (m)	m		0.0
Options (in the money)	m		0.0
Issued shares (diluted for options)	m		2,128.1
Market capitalisation (diluted)	A$m		1,181.1
Net cash + options	A$m		11.4
Enterprise value (diluted)	**A$m**		**1,169.7**

MAJOR SHAREHOLDERS

Shareholder	%	m
Shanghai Decent (SDI)	18.6%	395.5
Tanito Group (PT Karunia)	12.1%	257.6
BlackRock Investment Management	6.5%	138.6
Shanghai Wanlu	5.7%	121.3
Regal FM	4.5%	96.5

FINANCIAL RATIOS

Year ending 31 Dec. (from 2020)	Unit	2019a	2019a*	2020e	2021e	2022e
VALUATION						
Attributable NPAT	US$m	65.5	56.5	136.1	255.9	265.6
Attributable NPAT	A$m	91.6	82.5	209.6	370.8	368.9
Reported EPS	Ac/sh	6.9	5.1	11.9	17.4	17.3
Adjusted EPS	Ac/sh	0.9	4.4	11.9	17.4	17.3
EPS growth	%	nm	46%	72%	46%	-1%
PER [1]	x	8.0x	5.5x	4.7x	3.2x	3.2x
DPS	Ac/sh	-	-	-	-	-
Franking	%	0%	0%	0%	0%	0%
Yield	%	0%	0%	0%	0%	0%
FCF/share [1]	Ac/sh	(14.4)	2.6	14.7	22.9	22.5
FCF yield [1]	%	-26%	5%	26%	41%	40%
P/FCFPS [1]	x	-3.9x	21.5x	3.8x	2.4x	2.5x
EV/EBITDA [1]	x	39.7x	8.4x	3.5x	2.3x	2.4x
EBITDA margin	%	31%	41%	41%	50%	52%
EBIT margin	%	21%	34%	37%	46%	49%
Return on assets [1]	%	23%	26%	22%	24%	21%
Return on equity [1]	%	37%	49%	40%	38%	30%
LIQUIDITY & LEVERAGE						
Net debt (cash)	$m	(45)	15	(237)	(512)	(794)
ND / E	%	-14%	4%	-33%	-53%	-64%
ND / (ND + E)	%	-17%	3%	-50%	-112%	-181%
EBITDA / Interest	x	nm	46.1x	59.8x	nm	nm

ATTRIBUTABLE DATA - NICKEL MINES LTD

Year ending 31 Dec. (from 2020)	Unit	2019a	2019a*	2020e	2021e	2022e
Revenues	US$m	52.0	156.1	420.8	547.0	526.2
EBITDA	US$m	13.5	57.1	166.7	274.0	273.5
NPAT	US$m	65.5	56.5	136.1	255.9	265.6
Net distributable cash flow	US$m	44.4	1.0	218.1	228.2	234.4
EV/EBITDA	x	62.0	14.0	4.6	2.9	3.1
PER	x	8.0	11.0	4.7	3.2	3.2
P/FCF	x	nm	nm	nm	3.6	3.6

ORE RESERVE AND MINERAL RESOURCE

Hengjaya Nickel Mine (HM)	Mdmt	% Ni	t Ni
Mineral Resources			
Measured	0.700	1.80%	12,600
Indicated	15.000	1.90%	285,000
Inferred	22.000	1.80%	396,000
Total	**38.000**	**1.80%**	**678,000**

ASSUMPTIONS - Prices

Year ending 31 Dec. (from 2020) avg	Unit	2019a	2019a*	2020e	2021e	2022e
Nickel	US$/lb	$5.60	$7.02	$6.29	$7.45	$7.95
Nickel	US$/t	$12,343	$15,483	$13,878	$16,424	$17,527
Currency						
AUD:USD		0.72	0.68	0.65	0.69	0.72

ASSUMPTIONS - Production & costs

Year ending 31 Dec. (from 2020)	Unit	2019a	2019a*	2020e	2021e	2022e
Hengjaya Mine						
Ore mined	wmt	484,268	428,382	1,235,599	1,560,000	1,560,000
Ore grade	% Ni	2.0%	1.9%	1.8%	1.8%	1.8%
Nickel in ore	t Ni	5,977	8,178	22,287	28,080	28,080
Nickel in ore (attributable)	t Ni	4,782	6,542	17,830	17,199	14,742
RKEF (IMIP)						
NPI production	t	42,106	152,408	307,859	304,615	304,615
Contained nickel	t Ni	5,788	20,988	42,514	40,362	36,554
Contained nickel (attributable)	t Ni	3,339	11,742	29,621	32,289	29,243
Costs						
Cash costs	US$/t Ni	$7,710	$7,689	$7,695	$7,872	$8,066
All-in-Costs (AIC)	US$/t Ni	$8,125	$7,804	$7,807	$7,995	$8,205

VALUATION

Ordinary shares (m)	*includes underwritten retail entitlement*					**2,128.1**
Options in the money (m)						-
Total shares diluted (m)						**2,128.1**
Valuation	**Now**		**+12 months**		**+24 mths**	
Sum-of-the-parts	**A$m**	**A$/sh**	**A$m**	**A$/sh**	**A$m**	**A$/sh**
RKEF (NPV12)	1,732.8	0.81	2,001.1	0.94	2,167.3	1.02
Hengjaya Mine (NPV12)	45.2	0.02	52.1	0.02	62.4	0.03
Other exploration	25.0	0.01	25.0	0.01	25.0	0.01
Corporate overheads	(17.6)	(0.01)	(18.6)	(0.01)	(18.8)	(0.01)
Subtotal (EV)	1,785.3	0.84	2,059.6	0.97	2,236.0	1.05
Net cash (debt)	11.4	0.01	237.1	0.11	512.0	0.24
Total (undiluted)	**1,796.7**	**0.84**	**2,296.7**	**1.08**	**2,748.0**	**1.29**
Dilutive effect of options		-		-		-
Add cash from options	-	-	-	-	-	-
Total (diluted)	**1,796.7**	**0.84**	**2,296.7**	**1.08**	**2,748.0**	**1.29**

**Transitional 6 month period to Dec-19. Change of Financial Year end from June to December*

[1] Metrics annualised for 6 month period to Dec-19

SOURCE: BELL POTTER SECURITIES ESTIMATES

Recommendation structure

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

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

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

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

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

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