BELL POTTER

9 March 2021

Nickel Mines Ltd (NIC)

Product optionality signalled

Analyst
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Authorisation
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Recommendation
Buy (unchanged)
Price
$1.345
Target (12 months)
$1.67 (unchanged)

GICS Sector

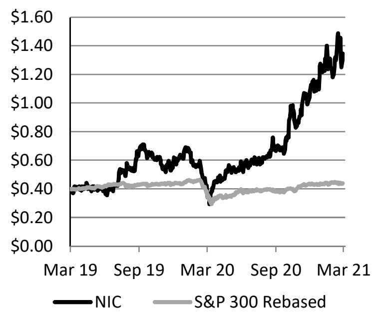
Materials

Expected Return	
Capital growth	**24.2%**
Dividend yield	**3.0%**
Total expected return	**27.2%**
Company Data & Ratios	
Enterprise value	**$2,983m**
Market cap	**$3,383m**
Issued capital	**2,515m**
Free float	**79%**
Avg. daily val. (52wk)	**$8.3m**
12 month price range	**$0.28-$1.53**

Price Performance

	(1m)	(3m)	(12m)
Price (A$)	1.31	1.03	0.47
Absolute (%)	3.1	30.7	186.0
Rel market (%)	3.9	28.0	178.5

Absolute Price



SOURCE: IRESS

Nickel matte production trials successful

NIC has announced that successful trial production of high grade (75% Ni) nickel matte at its partner Tsingshan's RKEF production lines within the Indonesia Morowali Industrial Park (IMIP) concluded at the end of 2020. While costs have not been disclosed, the process is described as "commercially viable". Tsingshan's trialling of its nickel matte process occurred on RKEF lines within the IMIP not owned by NIC. NIC's Hengjaya Nickel and Ranger Nickel RKEF lines have not undergone the modifications required to produce nickel matte. At this stage there will be no imminent change to normal operations, with NIC's NPI production continuing to be sold into Tsingshan's stainless steel operations.

Optionality to maximise margins

This is an important development in that it creates the operational flexibility to produce either Nickel Pig Iron (NPI, typically ~14% Ni) for stainless steel production or a high grade nickel matte, as a feed stock for lithium ion battery production. In our view this is a significant positive for NIC as the optionality to gain exposure to both markets could see NIC adjust its future production in order to maximise margins, depending on production costs and supply-demand dynamics in those markets. While we do not see a fundamental impact to the immediate outlook for the nickel market, this clearly adds strategic value to NIC in the medium to longer term.

Investment thesis – Buy, TP$1.67/sh (unchanged)

While we make no changes to our earnings forecasts or valuation, this development further reinforces NIC as our top pick and preferred nickel exposure. Despite the current pullback in the nickel price, NIC is well placed to deliver strong production and earnings growth. Note, in 2HCY20, when the nickel price averaged US$13,775/t (vs spot today of US$16,100/t), NIC achieved EBITDA margins of 40% and attributable earnings of US$110m on production of ~30kt Ni in NPI. NIC is targeting a doubling of production to +60ktpa in 2023, for which we are forecasting US$ earnings growth of ~330%. NIC is currently trading on a forward P/E of 10.8x. We retain our Buy recommendation.

Earnings Forecast

Year ending 31 December	2020a	2021e	2022e	2023e
Sales (US$m)	523	664	752	1,325
EBITDA (US$m)	194	349	409	725
Attributable NPAT (reported) (US$m)	111	233	268	478
Attributable NPAT (reported) (A$m)	160	313	372	655
EPS (adjusted) (A¢ps)	8.2	12.5	14.8	26.0
EPS growth (%)	62%	52%	19%	76%
PER (x) 1	16.4	10.8	9.1	5.2
FCF Yield (%) 1	-2%	-4%	16%	29%
EV/EBITDA (x) 1	11.8	6.6	5.6	3.2
Dividend (A¢ps)	3	4	4	7
Yield (%)	2%	3%	3%	5%
Franking (%)	0%	0%	0%	0%
ROE (%) 1	27%	29%	28%	41%

SOURCE: BELL POTTER SECURITIES ESTIMATES

Product optionality signalled

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**Nickel matte is an intermediate nickel product, typically smelted from nickel concentrate, for example at BHP's Kalgoorlie Nickel Smelter. This facility processes concentrate from IGO, WSA and BHP's own Nickel West operations.*

Optionality to maximise margins

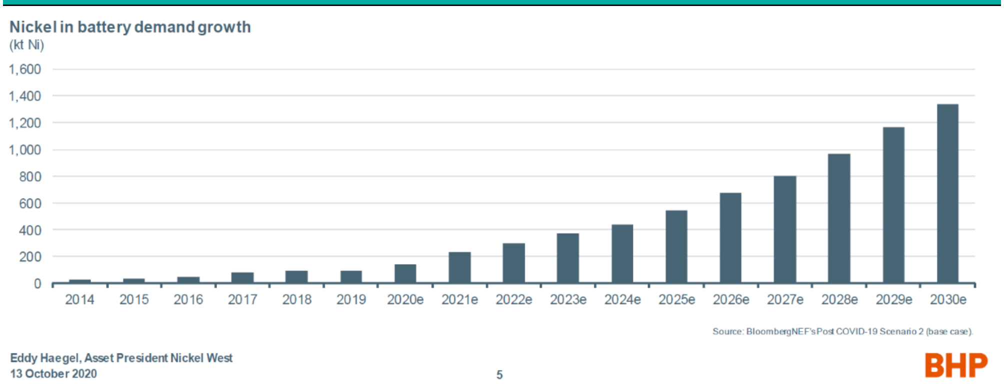
This is an important development in that it creates the operational flexibility to produce either Nickel Pig Iron (NPI, typically ~14% Ni) for stainless steel production or a high grade nickel matte, as a feed stock for lithium ion battery production. In our view this is a significant positive for NIC as the optionality to gain exposure to both markets could see NIC potentially adjust its production in order to maximise its margins depending on production costs and supply-demand drivers in those markets.

Nickel market impact

Global supply and demand for nickel was 2.4-2.5Mtpa in 2020 (Fastmarkets / Metal Bulletin), including production from Indonesia and China of 1.1Mt of Ni in NPI, sourced from laterite ores. Nickel sulphide ore sources currently account for 40%-50% of global primary nickel supply which is more than enough to cover the current demand for ~200-300ktpa into feedstock for lithium ion battery production. As such, we are yet to see nickel supply tightness emerge as a factor into this market.

Tsingshan's announcement of contracts for supply of 100,000t of nickel matte suitable for use in the lithium-ion battery supply chain from October 2021 should have little impact on near-term market balance into this sector – it is already covered multiple times by existing nickel sulphide sources. We also note that the nickel matte product is outlined as an alternative to NPI – it is not adding extra nickel units to global supply. With these factors in mind we view the recent ~12.5% corrective move in the spot nickel price as overdone and indicative of heightened speculative interest in the nickel market.

Figure 1 - Forecast nickel in battery demand



SOURCE: BHP

However, increased market penetration by electric vehicles could see demand into this sector grow from in 2021 to >1Mtpa by 2029, certainly putting pressure on market balances in the longer-term. This gives significant lead-time for NIC to add this capability to their RKEF lines and position itself to take advantage of any dislocations that may emerge in the market.

If there is new news it is Tsingshan raising the possibility of increasing its nickel equivalent output from ~600kt in 2020 to 850kt in 2021 and up to 1.1Mtpa by 2023. While this is aggressive growth we note that at least a portion of this is already factored into forecasts that we reference and included in tight market balances out to 2022.

Changes to our forecasts

We have made no changes to our production and cost forecasts or to our overall NIC valuation as a result of this update. It clearly has the potential to add operational flexibility and strategic optionality to NIC in the medium to longer term, but we have not quantified this at this stage.

Table 1 - Changes to our CY forecasts

	Previous			New			Change		
Year end 30 December	**Dec-21**	**Dec-22**	**Dec-23**	**Dec-21**	**Dec-22**	**Dec-23**	**Dec-21**	**Dec-22**	**Dec-23**
Prices & currency									
Nickel price (US$/t)	16,424	17,857	18,629	16,424	17,857	18,629	0%	0%	0%
US$/A$	0.75	0.72	0.73	0.75	0.72	0.73	0%	0%	0%
Production & costs									
Ore mined (t)	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	0%	0%	0%
Nickel in ore (t)	32,400	32,400	32,400	32,400	32,400	32,400	0%	0%	0%
RKEF NPI production (t)	304,615	324,615	579,615	304,615	324,615	579,615	0%	0%	0%
Contained nickel (t)	44,169	46,569	77,169	44,169	46,569	77,169	0%	0%	0%
Contained nickel (t, attributable)	35,335	37,255	61,735	35,335	37,255	61,735	0%	0%	0%
Cash costs (US$/t Ni)	7,429	7,672	7,881	7,429	7,672	7,881	0%	0%	0%
Earnings & valuation									
Revenue (consolidated, US$m)	664	752	1,325	664	752	1,325	0%	0%	0%
Revenue (attributable, US$m)	577	646	1,091	577	646	1,091	0%	0%	0%
EBITDA (attributable, US$m)	280	325	578	280	325	578	0%	0%	0%
NPAT (reported, attributable, US$m)	233	268	478	233	268	478	0%	0%	0%
EPS (reported) (Acps)	12.5	14.8	26.0	12.5	14.8	26.0	0%	0%	0%
PER (x)	10.8	9.1	5.2	10.8	9.1	5.2	-	-	-
EPS growth (%)	52%	19%	76%	52%	19%	76%	0%	0%	0%
DPS (Acps)	4	4	7	4	4	7	0%	0%	0%
Yield	3%	3%	5%	3%	3%	5%	0%	0%	0%
NPV (A$/sh)	1.64	1.67	2.10	1.65	1.67	2.10	0%	0%	0%
Price Target (A$/sh)		1.67			1.67			0%	

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

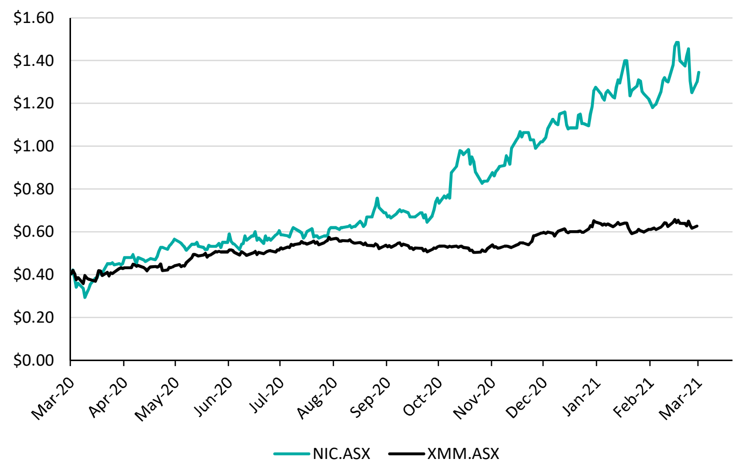
Upcoming catalysts

Upcoming catalysts for NIC include:

- Completion of debt funding arrangements and acquisition of the 80% interest in Angel Nickel, which we now anticipate will completed by 30 June 2021;
- Updates on the construction of the Angel Nickel project, comprising 4 next-generation rotary-kiln-electric-furnace (RKEF) lines being developed within the Indonesia Weda Bay Industrial Park (IWIP), for which NIC has executed a binding agreement to acquire a 80% interest for US$554m total, discounted, consideration;
- Ongoing production updates from the Hengjaya and Ranger Nickel RKEF lines. Both projects have now achieved established production levels above nameplate. Ongoing updates will reinforce the sustainability of these production levels;
- The release of NIC's March 2021 quarterly production and cost report, expected in late April 2021;
- Updates on NPI pricing and the effective Ni payability, which we believe the market will still be considering as a measure of NIC's nickel price exposure;
- Progress updates for the Hengjaya Mine, where a major production expansion is complete and the sustainability of production of +150kt ore per month and costs of ~US$20/t are targeted; 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 2 - 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 2018. Its operations are focused in Central Sulawesi, Indonesia, where it holds an 80% 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. The RKEF lines are located in an existing, fully integrated stainless steel production facility, the Indonesian Morowali Industrial Park (IMIP).

First production from the Hengjaya Lines was achieved on 31 January 2019 and the Ranger Lines commenced production during the December quarter 2019. Both projects have since achieved steady state production of ~20ktpa contained Ni in NPI, exceeding nameplate production of ~16ktpa each at lower than planned operating costs.

In November 2020 NIC executed a binding agreement to acquire a 70% interest (since increased to 80%) in the Angel Nickel Project comprising four new generation RKEF NPI production lines and a captive 380MW power station. Angel Nickel is currently under construction within the Indonesia Weda Bay Industrial Park ('IWIP') on Halmahera Island in Indonesia.

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 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, TP$1.67/sh (unchanged)

While we make no changes to our earnings forecasts or valuation, this development further reinforces NIC as our top pick and preferred nickel exposure. Despite the current pullback in the nickel price, NIC is well placed to deliver strong production and earnings growth. In 2HCY20, when the nickel price averaged US$13,775/t (vs spot today of US$16,100/t), NIC achieved EBITDA margins of 40% and attributable earnings of US$110m on production of ~30kt Ni in NPI. NIC is targeting a doubling of production to +60ktpa in 2023 for which we are forecasting US$ earnings growth of ~330%. NIC is currently trading on a forward P/E of 10.8x and we retain our Buy recommendation.

Valuation: $1.67/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.

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 risk-adjusted, NPV-based valuation for NIC's prospective 80% interest in the Angel Nickel Industry (ANI) project, a notional value for other exploration and development projects, an estimate of corporate overhead costs and NIC's last reported net cash position. Our valuation is calculated on a fully diluted basis. Following the latest update, our valuation stands at $1.67/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 9 March 2021

Recommendation	Buy
Price	$1.345
Target (12 months)	$1.67

Table 2 - Financial summary

PROFIT AND LOSS

Year ending 31 Dec. (from 2020)	Unit	2019a*	2020a	2021e	2022e	2023e
Revenue	US$m	236.1	523.5	663.7	751.6	1,324.9
Expense	US$m	(138.9)	(329.0)	(314.8)	(342.9)	(599.5)
EBITDA	**US$m**	**97.2**	**194.5**	**349.0**	**408.7**	**725.4**
Depreciation	US$m	(16.4)	(36.8)	(36.4)	(44.8)	(63.3)
EBIT	US$m	80.8	157.7	312.6	363.9	662.1
Net interest expense	US$m	(2.1)	(4.7)	(11.9)	(15.9)	8.8
Unrealised gains (Impairments)	US$m	7.4	-	-	-	-
Other	US$m	5.4	1.6	-	-	-
PBT	**US$m**	**91.5**	**154.6**	**300.7**	**348.0**	**670.8**
Tax expense	US$m	(0.2)	(0.9)	(4.3)	(7.7)	(73.5)
Consolidated profit (loss) for the year	US$m	91.3	153.7	296.4	340.2	597.3
Non-Controlling Interest	US$m	34.8	43.1	63.0	72.5	119.4
Attributable NPAT (reported)	**US$m**	**56.5**	**110.6**	**233.4**	**267.7**	**477.9**
NPAT (underlying)	US$m	49.1	110.6	233.4	267.7	477.9

CASH FLOW

Year ending 31 Dec. (from 2020)	Unit	2019a*	2020a	2021e	2022e	2023e
OPERATING CASHFLOW						
Receipts	US$m	212.7	517.6	715.1	742.8	1,267.5
Payments	US$m	(169.9)	(358.9)	(276.3)	(335.9)	(535.3)
Tax	US$m	(4.7)	(9.1)	0.9	(4.3)	(7.7)
Net interest	US$m	0.1	0.3	(11.9)	(15.9)	8.8
Other	US$m	-	-	-	-	-
Operating cash flow	**US$m**	**38.2**	**150.0**	**427.8**	**386.7**	**733.2**
INVESTING CASHFLOW						
Property, plant and equipment	US$m	(29.6)	(7.4)	(532.9)	(3.7)	(4.5)
Mine development	US$m	-	(147.0)	-	-	-
Exploration & evaluation	US$m	-	-	(0.4)	(0.4)	(0.4)
Other	US$m	5.8	(30.0)	-	-	-
Investing cash flow	**US$m**	**(23.8)**	**(184.4)**	**(533.3)**	**(4.1)**	**(4.9)**
Free Cash Flow	*US$m*	*14.4*	*(34.5)*	*(105.5)*	*382.6*	*728.3*
FINANCING CASHFLOW						
Share issues/(buy-backs)	US$m	-	430.0	-	-	-
Debt proceeds	US$m	-	-	309.0	-	-
Debt repayments	US$m	(29.9)	(25.3)	(50.3)	(21.3)	(282.3)
Distributions to non-controlling interests	US$m	17.0	(43.3)	(60.5)	(67.6)	(74.6)
Dividends	US$m	-	(15.4)	(74.9)	(72.4)	(128.5)
Other	US$m	(0.4)	(12.4)	-	-	-
Financing cash flow	**US$m**	**(13.3)**	**333.6**	**123.2**	**(161.4)**	**(485.5)**
Change in cash	*US$m*	*1.1*	*299.2*	*17.7*	*221.3*	*242.9*

BALANCE SHEET

Year ending 31 Dec. (from 2020)	Unit	2019a*	2020a	2021e	2022e	2023e
ASSETS						
Cash & short term investments	US$m	49.8	351.4	369.1	590.4	833.3
Accounts receivable	US$m	97.2	117.8	66.4	75.2	132.5
Property, plant & equipment	US$m	628.5	600.8	1,105.5	1,064.4	1,005.6
Mine development expenditure	US$m	-	-	-	-	-
Exploration & evaluation	US$m	-	-	0.4	0.8	1.2
Other	US$m	122.0	164.7	164.7	164.7	164.7
Total assets	US$m	**897.5**	**1,234.7**	**1,706.1**	**1,895.5**	**2,137.3**
LIABILITIES						
Accounts payable	US$m	52.5	40.3	78.7	85.7	149.9
Income tax payable	US$m	0.7	3.8	4.3	7.7	73.5
Borrowings	US$m	65.0	45.0	316.5	295.2	12.9
Other	US$m	57.2	59.4	59.4	59.4	59.4
Total liabilities	US$m	**175.4**	**148.4**	**458.9**	**448.1**	**295.7**
SHAREHOLDER'S EQUITY						
Share capital	US$m	315.5	732.9	732.9	732.9	732.9
Reserves	US$m	19.2	19.2	19.2	19.2	19.2
Retained earnings	US$m	92.8	187.9	346.4	541.6	891.0
Total equity to NIC holders	**US$m**	**427.5**	**940.1**	**1,098.5**	**1,293.8**	**1,643.1**
Non-controlling interest	US$m	294.7	146.2	148.7	153.7	198.4
Total equity	**US$m**	**722.1**	**1,086.2**	**1,247.2**	**1,447.4**	**1,841.6**
Weighted average shares	m	1,631.2	1,948.7	2,515.3	2,515.0	2,515.0

CAPITAL STRUCTURE

Shares on issue	m		2,515.0
Total shares on issue	**m**	(add 0.0m escrow and placement shares)	**2,515.0**
Share price	**A$/sh**		**1.345**
Market capitalisation	A$m		3,382.7
Net cash	A$m		399.9
Enterprise value (undiluted)	**A$m**		**2,982.9**
Options outstanding (m)	m		0.0
Options (in the money)	m		0.0
Issued shares (diluted for options)	m		2,515.0
Market capitalisation (diluted)	A$m		3,382.7
Net cash + options	A$m		399.9
Enterprise value (diluted)	**A$m**		**2,982.9**

MAJOR SHAREHOLDERS

Shareholder	%	m
Shanghai Decent (SDI)	15.7%	395.5
Tanito Group (PT Karunia)	15.0%	378.4
BlackRock Investment Management	5.7%	144.0
Baillie Gifford	5.2%	129.6
Shanghai Wanlu	4.8%	121.3

FINANCIAL RATIOS

Year ending 31 Dec. (from 2020)	Unit	2019a*	2020a	2021e	2022e	2023e
VALUATION						
Attributable NPAT	US$m	56.5	110.6	233.4	267.7	477.9
Attributable NPAT	A$m	82.5	160.1	313.2	371.8	654.7
Reported EPS	Ac/sh	5.1	8.2	12.5	14.8	26.0
Adjusted EPS	Ac/sh	4.4	8.2	12.5	14.8	26.0
EPS growth	%	46%	62%	52%	19%	76%
PER [1]	x	13.3x	16.4x	10.8x	9.1x	5.2x
DPS	Ac/sh	-	3.0	4.0	4.0	7.0
Franking	%	0%	0%	0%	0%	0%
Yield	%	0%	2%	3%	3%	5%
FCF/share [1]	Ac/sh	2.6	(2.6)	(5.6)	21.1	39.7
FCF yield [1]	%	2%	-2%	-4%	16%	29%
P/FCFPS [1]	x	52.0x	-52.6x	-23.9x	6.4x	3.4x
EV/EBITDA [1]	x	23.5x	11.8x	6.6x	5.6x	3.2x
EBITDA margin	%	41%	37%	53%	54%	55%
EBIT margin	%	34%	30%	47%	48%	50%
Return on assets [1]	%	26%	17%	20%	19%	30%
Return on equity [1]	%	49%	27%	29%	28%	41%
LIQUIDITY & LEVERAGE						
Net debt (cash)	$m	15	(306)	(53)	(295)	(820)
ND / E	%	4%	-33%	-5%	-23%	-50%
ND / (ND + E)	%	3%	-48%	-5%	-30%	-100%
EBITDA / Interest	x	46.1x	40.9x	29.4x	25.7x	nm

ATTRIBUTABLE DATA - NICKEL MINES LTD

Year ending 31 Dec. (from 2020)	Unit	2019a*	2020a	2021e	2022e	2023e
Revenues	US$m	95.7	391.3	577.0	645.9	1,091.1
EBITDA	US$m	35.6	139.7	279.8	325.5	578.3
NPAT	US$m	56.5	110.6	233.4	267.7	477.9
Net distributable cash flow	US$m	1.0	269.3	15.9	199.1	218.6
EV/EBITDA	x	57.3	14.8	7.9	6.6	3.8
PER	x	26.6	16.4	10.8	9.1	5.2
P/FCF	x	nm	nm	nm	12.2	11.3

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*	2020a	2021e	2022e	2023e
Nickel	US$/lb	$7.02	$6.25	$7.45	$8.10	$8.45
Nickel	US$/t	$15,483	$13,775	$16,424	$17,857	$18,629
Currency						
AUD:USD		0.68	0.69	0.75	0.72	0.73

ASSUMPTIONS - Production & costs

Year ending 31 Dec. (from 2020)	Unit	2019a*	2020a	2021e	2022e	2023e
Hengjaya Mine						
Ore mined	wmt	428,382	795,650	1,800,000	1,800,000	1,800,000
Ore grade	% Ni	1.9%	1.8%	1.8%	1.8%	1.8%
Nickel in ore	t Ni	8,178	14,479	32,400	32,400	32,400
Nickel in ore (attributable)	t Ni	6,542	11,583	25,920	25,110	17,577
RKEF (IMIP)						
NPI production	t	152,408	295,897	304,615	324,615	579,615
Contained nickel	t Ni	20,988	43,622	44,169	46,569	77,169
Contained nickel (attributable)	t Ni	11,742	30,619	35,335	37,255	61,735
Costs						
Cash costs	US$/t Ni	$7,689	$7,330	$7,429	$7,672	$7,881
All-in-Costs (AIC)	US$/t Ni	$7,804	$7,414	$7,538	$7,833	$8,014

VALUATION

Ordinary shares (m)	**2,515.0**
Options in the money (m)	-
Total shares diluted (m)	**2,515.0**

Valuation	Now		+12 months		+24 mths	
Sum-of-the-parts	**A$m**	**A$/sh**	**A$m**	**A$/sh**	**A$m**	**A$/sh**
IMIP RKEF (NPV12)	2,643.9	1.05	2,887.0	1.15	2,910.7	1.16
IWIP RKEF (NPV12)	1,087.8	0.43	1,255.2	0.50	2,041.8	0.81
Hengjaya Mine (NPV12)	41.3	0.02	46.9	0.02	71.8	0.03
Other exploration	10.0	0.00	10.0	0.00	10.0	0.00
Corporate overheads	(44.9)	(0.02)	(45.4)	(0.02)	(45.9)	(0.02)
Subtotal (EV)	3,738.0	1.49	4,153.6	1.65	4,988.3	1.98
Net cash (debt)	399.9	0.16	52.6	0.02	295.2	0.12
Total (undiluted)	**4,137.9**	**1.65**	**4,206.2**	**1.67**	**5,283.6**	**2.10**
Dilutive effect of options		-		-		-
Add cash from options	-	-	-	-	-	-
Total (diluted)	**4,137.9**	**1.65**	**4,206.2**	**1.67**	**5,283.6**	**2.10**

**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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