

Board of Directors

Non-Executive Chairman
Rob Neale

Executive Deputy Chairman
Norman Seckold

Managing Director
Justin Werner

Non-Executive Director
James Crombie

Non-Executive Director
Weifeng Huang

Non-Executive Director
Mark Lochtenberg

Non-Executive Director
Dasa Sutantio

Non-Executive Director
YuanYuan Xu

Substantial Shareholders

Shanghai Decent	18.7%
PT. KBP	13.4%
BlackRock Group	7.8%

Further enquiries

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MARGIN EXPANSION DRIVES RECORD \$81.7M EBITDA FROM OPERATIONS

- RKEF quarterly production of **11,166** tonnes of nickel metal (100% basis)
(December quarter: 10,087 tonnes)
Production includes 1,077 tonnes of production from the Angel Nickel project
NIC attributable nickel production was 8,933 tonnes of nickel metal
- 10,089 nickel metal tonnes sold (100% basis)
(December quarter: 10,087 tonnes)
- RKEF quarterly sales of **US\$195.4M** (100% basis)
(December quarter: US\$187.1M)
- Record RKEF quarterly EBITDA of **US\$72.8M** (100% basis)
(December quarter: US\$60.8M)
- RKEF quarterly EBITDA margin of **US\$7,386/t** Ni sold
(December quarter: US\$6,028/t)
- Underlying cash generation from operations of **US\$81.3M** (100% basis)
(December quarter: US\$67.8M)
- RKEF March quarter cash costs:
 - Hengjaya Nickel: US\$12,023/tonne Ni (December quarter: US\$12,418)
 - Ranger Nickel: US\$11,916/tonne Ni (December quarter: US\$12,277)
- Hengjaya Mine nickel ore production of **1,073,525 wmt**
(December quarter: 1,121,260 wmt)
- Record Hengjaya Mine EBITDA of **US\$8.9M**
(December quarter: US\$8.0M)
- Cash + receivables + inventory at quarter end of **US\$431.8M**
(December quarter: US\$333.4M)
- Completion of the acquisition of a 10% interest in the Oracle Nickel Project
- Three Angel Nickel RKEF lines commissioned during the quarter
- Material corporate tax concessions confirmed for Angel Nickel and Oracle Nickel
- Payment of a **A\$0.02** per share final dividend



The Directors are pleased to present the March 2022 Quarterly Activities Report for Nickel Mines Limited ('Nickel Mines' or 'the Company') and its controlled entities ('the Group').

The Group's principal operations, located in Central Sulawesi, Indonesia, are the Hengjaya Nickel and Ranger Nickel rotary kiln electric furnace ('RKEF') projects located within the Indonesia Morowali Industrial Park ('IMIP'), and the Hengjaya Nickel Mine. For the quarter under review the Company held an 80% interest in the Hengjaya Nickel ('HNI'), Ranger Nickel ('RNI') and Angel Nickel RKEF projects, as well as an 80% interest in the Hengjaya Mine. The Angel Nickel RKEF project ('Angel Nickel' or 'ANI') is currently commissioning within the Indonesia Weda Bay Industrial Park ('IWIP') on Halmahera Island. Additionally, during the March quarter the Company acquired a 10% interest in the Oracle Nickel RKEF project ('Oracle Nickel' or 'ONI'), which is currently under construction at IMIP.

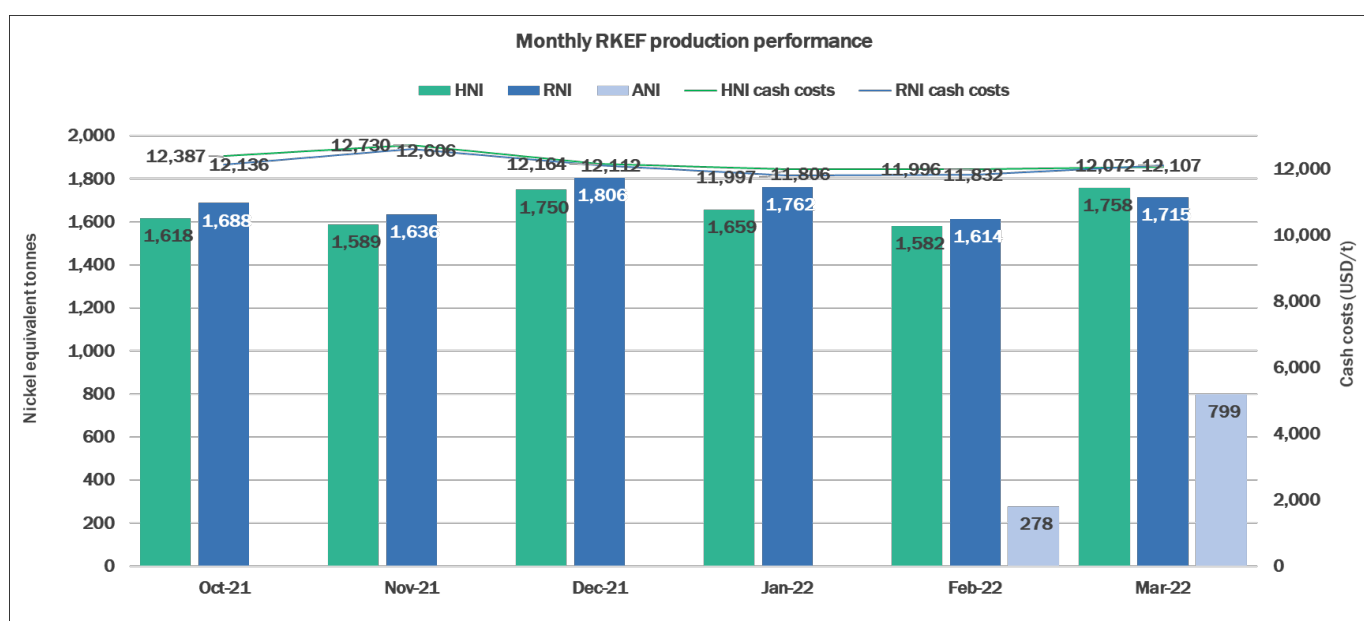
RKEF operations

Production

During the March quarter, the Company's RKEF operations produced 11,166 tonnes of nickel metal, at an average NPI grade of 13.7% and a production-weighted average cash cost of US\$11,969/tonne. This included 1,077 tonnes of nickel metal produced by Angel Nickel, which commissioned three of its four RKEF lines during the March quarter and continues to progressively ramp up production. Nickel Mines' attributable nickel production was 8,933 tonnes of nickel metal, an increase of 10.7% on the December quarter production.

Individual project metrics can be found in the appendices to this report.

RKEF OPERATIONS		January	February	March	March quarter	December quarter
NPI production	tonnes	25,034	25,655	30,910	81,599	78,772
NPI grade	%	13.7	13.0	13.8	13.7	12.8
Nickel metal production	tonnes	3,420	3,474	4,272	11,166	10,087
Weighted-av. cash cost	USD/t Ni	11,899	11,913	12,089	11,969	12,347



Production and cost performance from the Company's three RKEF projects (no cost data available for ANI)



Hengjaya Nickel operations

RKEF operations – key reporting metrics

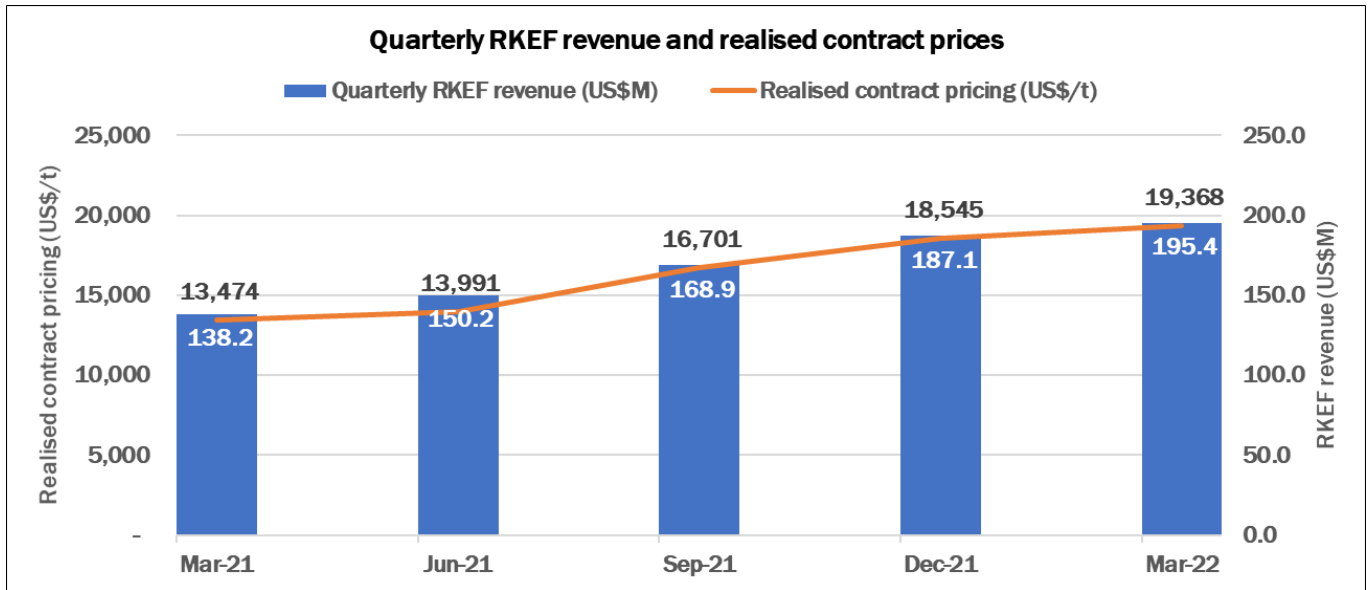
KEY RKEF METRICS		March quarter	December quarter	% movement
Nickel production	tonnes	11,166	10,087	10.7%
Nickel sales	tonnes	10,089	10,087	0.0%
Realised price	US\$/t Ni	19,368	18,545	4.4%
Sales revenue	US\$M	195.4	187.1	4.4%
RKEF EBITDA	US\$M	72.8*	60.8	19.7%
RKEF EBITDA/tonne sold	US\$ Ni	7,386	6,028	22.5%

* Combined HNI and RNI EBITDA was US\$74.5M, representing a 22.5% increase on the US\$60.8M reported in the December quarter. Reported EBITDA includes a US\$1.7M EBITDA level loss from ANI which has yet to generate any sales revenues.

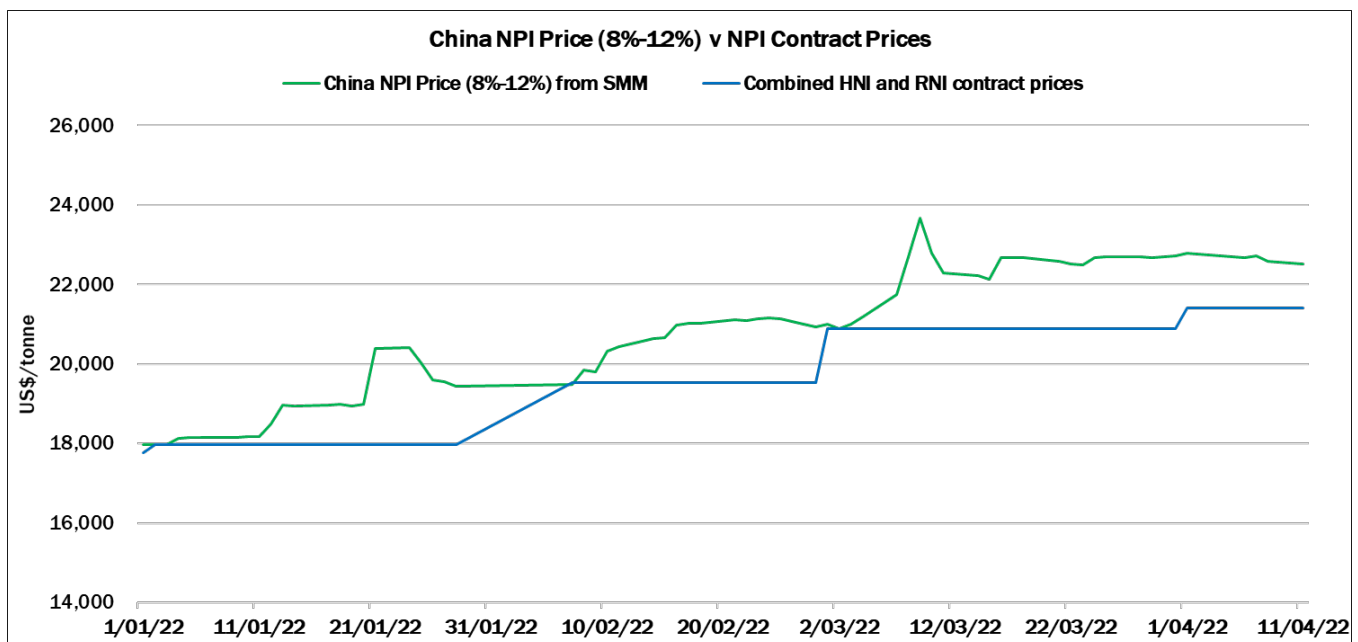
Commentary on RKEF operations

Revenue and contract pricing

During the March quarter, the combined Hengjaya Nickel and Ranger Nickel projects recorded sales (on a 100% basis) of US\$195.4M, up 4.5% from US\$187.1M in the December quarter. This record RKEF revenue was generated on the sale of 10,089 tonnes of nickel metal, up marginally from the 10,087 tonnes of nickel metal sold in the December quarter and did not include any contribution from Angel Nickel, from which sales are expected to commence during the June quarter once the project receives its IUI (commercial sales licence).



With nickel tonnes sold relatively flat quarter-on-quarter, increased revenue was driven almost solely by a US\$823/t increase in realised price per tonne of nickel sold. As can be seen in the chart below, the China NPI price (8%-12%) rose steadily across the March quarter, with Hengjaya Nickel and Ranger Nickel signing their highest ever NPI contracts in March and then again in April. NPI prices were driven higher over the quarter due to continued strong demand from the global stainless-steel market and rising nickel ore costs. Ore costs in both China and Indonesia moved higher in March as a result of elevated LME nickel prices reacting to supply concerns stemming from the Russia-Ukraine conflict and the global nickel market “short squeeze” disruption – higher cost producers require the higher NPI prices for ongoing profitability.



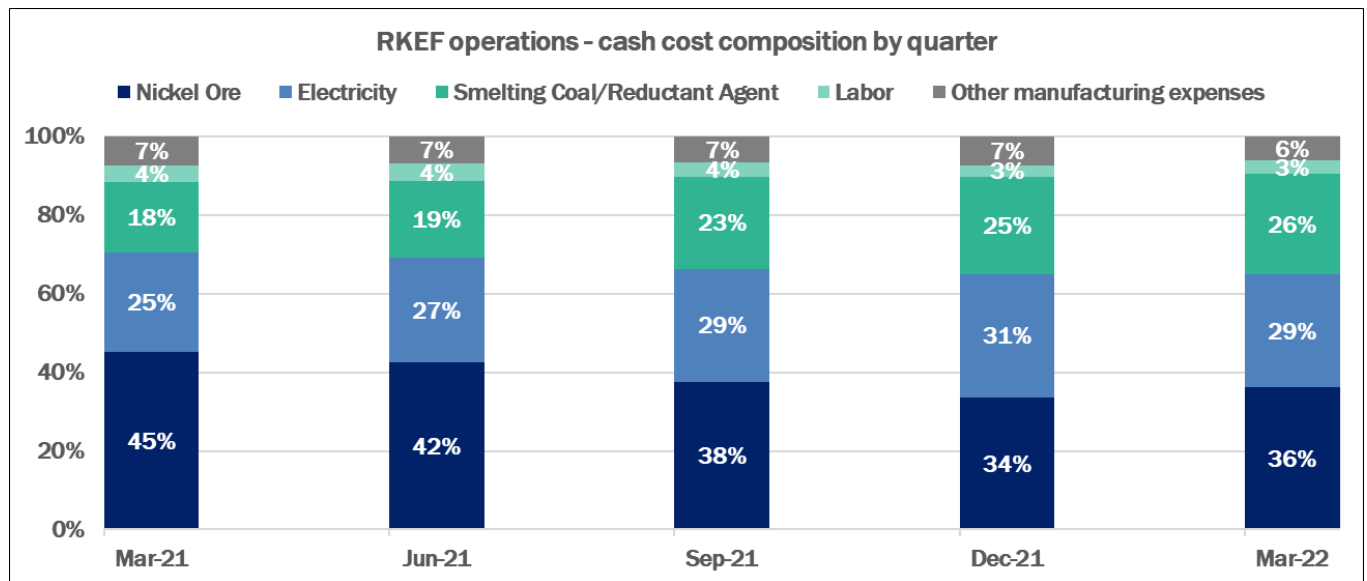
Operating costs and margins

Operating cash costs for the March quarter at Hengjaya Nickel (US\$12,023/t Ni) and Ranger Nickel (US\$11,916/t Ni) decreased by US\$395/t Ni (-3.2%) and US\$362/t Ni (-2.9%) respectively compared to the December quarter, reversing a trend of five consecutive quarters of cost increases.

Despite the Indonesian benchmark nickel ore reference price rising from US\$19,289/t in December 2021 to US\$23,537/t in March 2022 (reflecting an increasing LME price over this period), IMIP nickel ore prices (on a wmt basis) remained relatively stable from the December quarter rising ~US\$1-2/wmt to approximately US\$42/wmt. Each US\$2/wmt increase in nickel ore costs results in an approximate increase of US\$200-\$250 in nickel ore cash costs per tonne of nickel produced.

The price of thermal coal utilised within the IMIP across the March quarter was modestly lower than in the December quarter resulting in electricity costs (c/kwh basis) falling from ~10c/kwh to ~8.8c/kwh. Smelting coal and reductant agent costs per tonne of nickel produced were relatively flat quarter-on-quarter.

The flat to slightly lower cash operating costs for Hengjaya Nickel and Ranger Nickel (against the backdrop of elevated global energy prices) can be attributed to the IMIP’s centralised procurement and inventory management. This centralised procurement operating model provides significant economies of scale with regards to purchasing power, and with material stockpiles of key commodity inputs on hand, enables the IMIP (and the IWIP) to navigate short-term periods of elevated commodity prices.



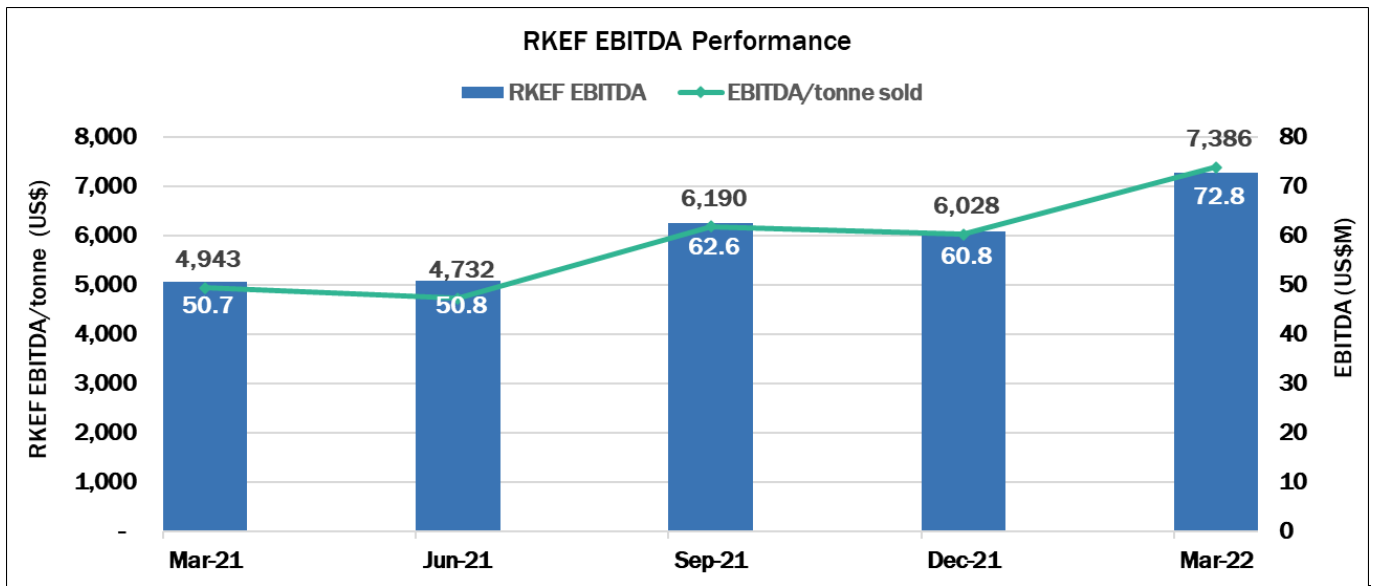
During the March quarter marginal increases in nickel ore costs were offset by falling energy costs

EBITDA and underlying cash generation

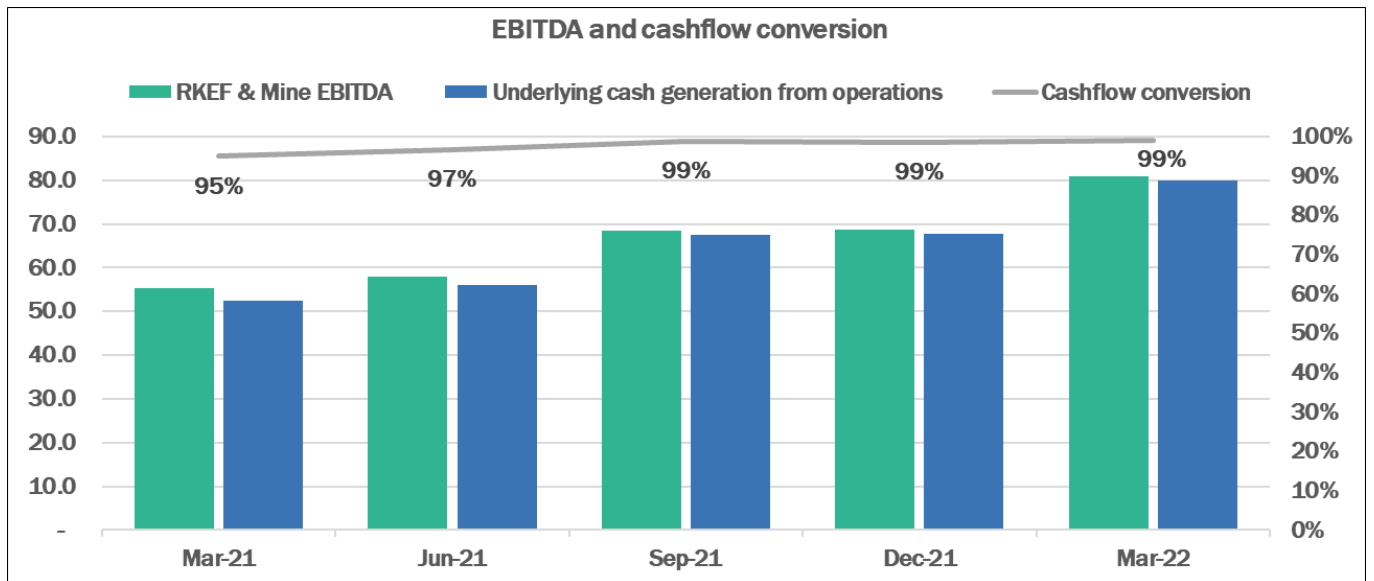
The increase in NPI contract prices and relatively flat cash operating costs resulted in a record financial performance from the Company’s RKEF operations. For the first time EBITDA/tonne sold surpassed US\$7,000/t, with a US\$7,386/t margin delivering a record underlying RKEF EBITDA of US\$72.8M. This included a US\$1.7M EBITDA level loss from ANI which has not yet generated any revenues and is running at commissioning level operating costs.

The combined EBITDA of HNI and RNI was US\$74.5M, a 22.5% increase on the US\$60.8M from the December quarter.

With the addition of a record quarterly Hengjaya Mine EBITDA of US\$8.9M (up 11.3% from the December quarter), EBITDA from operations was US\$81.7M, with underlying cash generation from operations of US\$81.3M, both quarterly records.



EBITDA/tonne sold increased to US\$7,386/t in the March quarter to deliver a record RKEF EBITDA of US\$72.8M (Margin based on HNI and RNI EBITDA of US\$74.5M)



Continued strong EBITDA to cashflow conversion

Hengjaya Mine operations

Hengjaya Mine (80% interest held by Nickel Mines)

Hengjaya Mine saprolite ore production for the March quarter of 810,324 wet metric tonnes ('wmt') was down slightly (-4.3%) on the previous record of 847,260 wmt in the December quarter. Operational momentum remains strong with more than 1.65 million wmt mined over the last 6 months with the Mine well positioned to achieve its target of 3 million wmt of saprolite ore production for 2022. Both operational pit areas of Bete Bete and Central continue to successfully work in parallel to meet Hengjaya Mine's grade and production targets.

Limonite production for the quarter was 263,201 tonnes, down marginally from the 274,000 tonnes mined in the December quarter. Due to an upgrade of the Huayou Nickel Cobalt ('HNC') HPAL project ore stockpile areas there were no limonite sales recorded during the March quarter. Limonite ore sales have now recommenced with Hengjaya Mine scheduled to deliver 80k wmt per month across the June quarter.

Mining production results continue to reconcile well against the geological model, providing confidence in the continued delivery of quality saprolite ore to the RKEF plants while also enabling the ongoing separation of limonite ore for current supply to the HNC HPAL plant and additional stockpiling for future supply. Ongoing infill drilling is enabling accurate, detailed mine planning, scheduling to optimise resource recovery of both types of ore from current and future pits whilst maintaining a cost effective ore to overburden strip ratio.

		January	February	March	March quarter	December quarter
Saprolite mined	wmt	283,494	213,090	313,740	810,324	847,260
Limonite mined	wmt	122,530	88,857	51,814	263,201	274,000
Nickel ore mined	wmt	406,024	301,947	365,554	1,073,525	1,121,260
Overburden mined	BCM ¹	335,804	271,594	329,251	936,648	1,183,367
Strip ratio ²	BCM/wmt	0.83	0.90	0.90	0.87	1.06
Saprolite tonnes sold	wmt	21,986	375,199	312,951	710,136	634,486
Average saprolite grade	%	1.71	1.71	1.74	1.72	1.75
Average saprolite price received	USD/wmt	37.19	37.52	43.26	40.04	37.55
Average saprolite cost ³	CIF USD/wmt	49.29 ⁴	24.44	25.00	25.33	24.98

¹ BCM represents 'bank cubic metres'.

² With limonite now being supplied to IMIP strip ratio is overburden mined divided by total nickel ore mined.

³ Monthly costs are a six-month average of mining costs plus port/selling costs for the actual month. Reported costs also include US\$733,042 of drilling costs incurred during the March quarter.

⁴ Due to only 21,986 tonnes of ore being sold in January, fixed port costs (on a per tonne basis) were higher at US\$31.30/t



Bete Bete East pit extension



Central pit operations



Central Pit rehabilitation has commenced

Hengjaya Mine expansion

The mine pit operations, technical support services, haul road and jetty systems are now operating at an annualised capacity of 3 million wmt of saprolite per year. The final 6km section of the haul road to IMIP is in the final stages of approval with various survey works, environmental impact analysis ('AMDAL') and technical studies completed. Upon approval of the AMDAL and issuance of the necessary permits road construction of this remaining section of road will commence.

Additionally, 50t haul trucks are currently being trialled on the current mine haul roads and being assessed for further production increases as limonite ore production continues to ramp up moving into 2023.

Resource infill and exploration drilling continued throughout the quarter with 974 holes completed for a total of 20,270 metres.

Ground penetrating radar ('GPR') conducted in the IPPK3 area of the Hengjaya Mine IUP identified the first target of 300 hectares for drilling, from a total area of 985 hectares, initially targeting ore near the current Central pit operations. Initial results from the IPPKH3 area have been very promising, with results returning interpreted limonite thicknesses ranging between 8 to 12 metres and saprolite thickness of 10 to 16 metres.

Drilling is advancing well at the "Central East" area of the 300 hectares within IPPK3, which is being drilled on both 50m x 50m and 100m x 100m drill patterns depending on the terrain and geology. Stage 1 drilling is reporting some excellent thick, high-grade results. Once Stage 1 is completed the resource model will be updated with drilling continuing onto stage 2 at "Central West" through the remainder of the year.

An updated JORC mineral resource estimate for Hengjaya Mine is currently scheduled for the 2022 September quarter.

Safety, Environment and Community

Safety

During the March quarter there were no lost time injuries with over 1.3 million work hours registered since the last reported LTI in November 2021. This gives the Hengjaya Mine operations an LTIFR of 0.76 and a TRIFR of 1.52 for each million work hours. Development and revision of safe work practices and good health and fitness workshops were some of staff training focuses during the quarter.



Safety training across the Hengjaya Mine operations

Community

Nickel Mines is strongly committed to contributing to both human and infrastructure development around the Hengjaya Mine and local communities and as such is actively involved in numerous Community Development and Empowerment ('PPM') and Community Social Responsibility initiatives. Other programs the Company is involved in relate to health, education and sustainability.



Community involvement initiatives include improving education facilities

Environment and Sustainability

During the March quarter the Company signed a memorandum of understanding with PT Sumber Energi Surya Nusantara ('SESNA') to implement (subject to certain economic parameters being met) 200MWp solar capacity into the IMIP to replace a portion of the existing power source. The MoU provides for SESNA to undertake the role of 'Project Initiator' for developing, financing, constructing, commissioning, owning and operating a 200MWp solar farm project to significantly scale up the supply of renewable energy to the Company's Hengjaya Nickel and Ranger Nickel operations within the IMIP.

Under the proposed agreement Nickel Mines will be the long-term offtake partner for SESNA and will not be required to contribute any capital funding. The indicative tariff for electricity (expressed as US cents per kWh), which is expected to remain constant over the life of the project and is considered competitive with other similar scale solar projects. It is estimated this solar project could supply up to 20% of HNI and RNI's current electricity requirements and in doing so account for a material reduction in annual CO₂ emissions. This milestone marks an important first step in the Company's 'Future Energy' collaboration with its partner Shanghai Decent and represents a joint commitment to a more sustainable future for Indonesia's nickel industry.

Also during the quarter, Hengjaya Mine's 450kWp solar project became fully functional with generator power shut down during the day and the camp powered by the new solar power and battery storage system which is estimated to save around 31 million litres of diesel over the next 20 years of operations.

The Company continued its normal adherence to regular air and water management and monitoring.



Frequent air/water management and monitoring



450kWp solar system fully commissioned

Finance⁵

Balance sheet

At 31 March 2022, the Group held:

- Cash and cash equivalents: US\$129.7M (31 December 2021 - US\$137.9M);
- Trade receivables: US\$159.8M (31 December 2021 - US\$86.0M); and
- Inventories: US\$142.3M (31 December 2021 - US\$109.5M).

Cash and cash equivalents of US\$129.7M were held by Group companies as follows:

- US\$90.0M held by Nickel Mines;
- US\$15.7M held by Hengjaya Nickel and its related entities, in which Nickel Mines holds an 80% interest;
- US\$18.9M held by Ranger Nickel and its related entities, in which Nickel Mines holds an 80% interest;
- US\$2.2M held by Angel Nickel and its related entities, in which Nickel Mines holds an 80% interest; and
- US\$2.9M held by Hengjaya Mine, in which Nickel Mines holds an 80% interest.

Trade receivables of US\$159.8M were held by Group companies as follows:

- US\$78.2M held by Hengjaya Nickel;
- US\$62.4M held by Ranger Nickel; and
- US\$19.2M held by Hengjaya Mine⁶.

Trade receivables of US\$86.0M reported at the end of the December quarter have been received in full. Subsequent to quarter end US\$70.3M of receivables have been received.

Inventories (valued at the lower of cost or net realisable value) of US\$142.3M were held by Group companies as follows:

- US\$43.2M held by Hengjaya Nickel, being raw materials;
- US\$48.5M held by Ranger Nickel, being raw materials; and
- US\$45.3M held by Angel Nickel, US\$10.5M being NPI and US\$34.8M being raw materials; and
- US\$5.3M of nickel ore held by Hengjaya Mine.

Hengjaya Nickel and Ranger Nickel had no NPI inventory on hand at the end of the March quarter, as all NPI produced by the two projects was sold during the quarter. All NPI produced by Angel Nickel during the quarter has been stockpiled as the Project awaits its IUI (commercial sales licence) which is expected to be received in May.

Following the declaration of dividends by the Indonesian RKEF operating entities for the December quarter, these dividends were distributed during the March quarter to Nickel Mines and Shanghai Decent and its associates, in proportion to their ownership interests (80% to Nickel Mines and 20% to Shanghai Decent and its associates) as follows:

- from Hengjaya Nickel: Nickel Mines received US\$11.5M, Shanghai Decent received US\$2.9M; and
- from Ranger Nickel: Nickel Mines received US\$11.5M, Shanghai Decent received US\$2.9M.

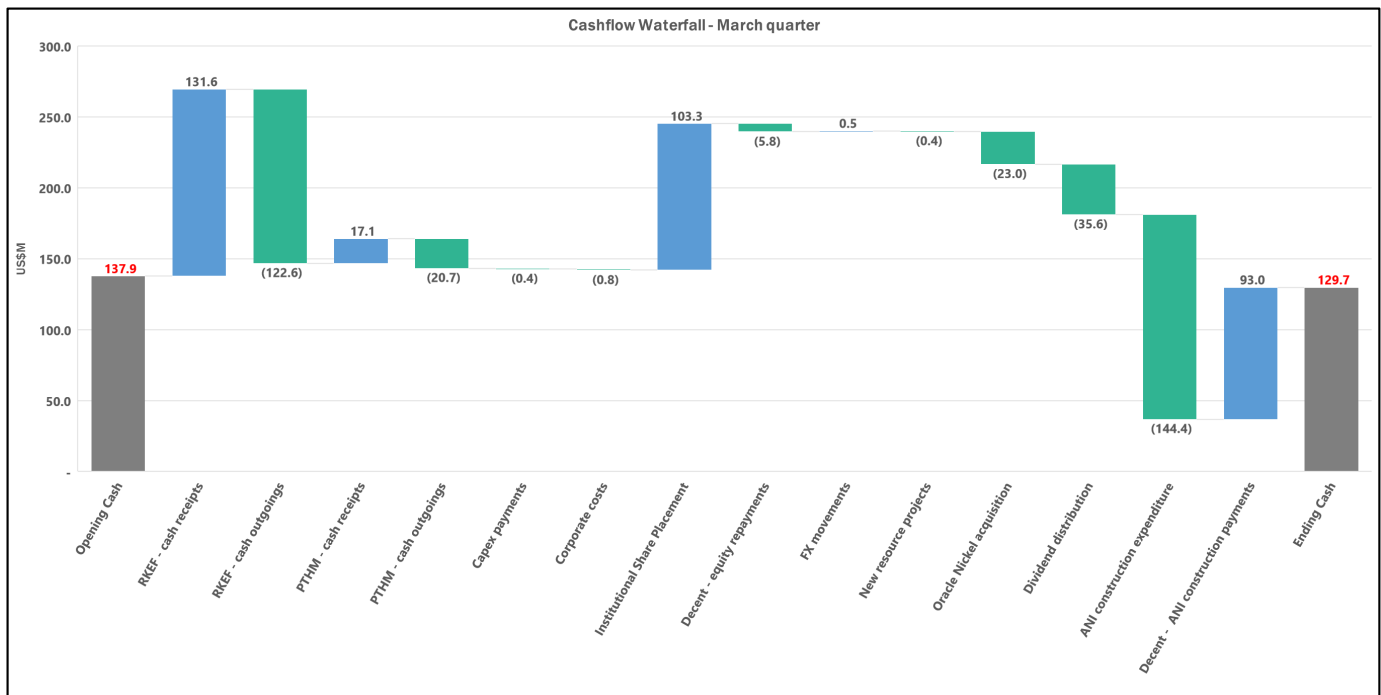
Due to a COVID-19 related shutdown of Shanghai in late March, the March monthly combined distribution of a further US\$11.5M to Nickel Mines and US\$2.9M to Shanghai Decent was delayed until subsequent to the end of the quarter. Nickel Mines received the US\$11.5M in April. Additionally in April, Nickel Mines received a further US\$25.7M in dividend distributions relating to the March quarter.

⁵ Unaudited numbers from monthly operating entity financial reporting.

⁶ Sales by Hengjaya Mine to Hengjaya Nickel and Ranger Nickel are intra-group transactions and are eliminated on consolidation.

Cashflow

The following cashflow waterfall provides a reconciliation of cash movements for the Group during the March 2022 quarter.



Underlying cash generation from operations (defined as EBITDA from operations less capex) was US\$81.3M.

Following the Company's increase to an 80% ownership interest in the Angel Nickel project on 30 September 2021, Angel Nickel has been included in the Group. Ongoing construction costs of the Angel Nickel project will be funded by the Company's operating partner, Shanghai Decent, via the Company's 80%-owned Indonesian operating entity PT Angel Nickel Industry ('ANI') and will appear in the Group's cashflow movements.

Expenditures

Expenditure on mine production and development activities at the Hengjaya Mine during the quarter totalled US\$20.8M, of which US\$0.4M was capex.

Exploration activities during the quarter included infill drilling of US\$0.7M, which have been expensed as part of the Hengjaya Mine production costs.

Additional exploration expenditure across new project opportunities totalled US\$0.4M.

Related party expenditures

During the March quarter, the aggregate amount of payment to related parties and their associates totalled US\$212,108, comprising US\$155,572 of payments to Directors or Director-related entities for Directors' consulting fees and US\$56,536 in fees were paid to MIS Corporate Pty Limited ('MIS'), an entity in which Director Norman Seckold has a controlling interest. MIS provides full administrative services, including administrative, accounting, company secretarial and investor relations staff both within Australia and Indonesia, office premises, services and supplies to the Group.

Corporate

Equity capital raising

Upon receiving shareholder approval at an Extraordinary General Meeting ('EGM') on 25 January 2022 for the Company to acquire a 70% equity interest in the Oracle Nickel Project on 9 February 2022, the Company announced a US\$225M equity capital raising to fund the acquisition of its initial 30% interest in the Project.

The announced capital raising comprised:

- (i) a US\$106 million (~A\$148 million) fully underwritten Institutional Placement;
- (ii) a US\$106 million (~A\$148 million) non-underwritten Conditional Placement to Shanghai Decent (or its nominee); and
- (iii) a non-underwritten share purchase plan ('SPP') to eligible shareholders in Australia and New Zealand, with the SPP targeting to raise up to US\$13 million (~A\$18 million).

The Institutional Placement raised approximately A\$148 million (~US\$106 million) from the issue of 108.1 million new ordinary shares at A\$1.37 per share and was strongly supported by both new and existing institutional shareholders.

The Conditional Placement to Shanghai Decent is subject to shareholder approval (with an EGM scheduled to be held on 3 May 2022) and Foreign Investment Review Board ('FIRB') approval, which was received on 27 April 2022.

As announced by the Company on 11 March 2022, the decision was made to withdraw the SPP due to the heightened level of market and share price volatility witnessed in March. The purpose of the SPP had been to allow shareholders to participate in the capital raising announced on the same terms (\$1.37 per share) as participants in the Institutional Placement and the Conditional Placement to Shanghai Decent. While applications were received for A\$57M, well in excess of the targeted amount of A\$18M, the Company's Board of Directors agreed that it was in the best interests of shareholders to cancel the SPP and return all applications in full.

Completion of the acquisition of 10% interest in Oracle Nickel

During the March quarter the Company completed the acquisition of its initial 10% interest in Oracle Nickel, which is currently under construction within the IMIP in Central Sulawesi, Indonesia.

The Company secured its initial interest in Oracle Nickel following the payment of US\$23 million to its collaboration partner Shanghai Decent, which in addition to previously paid deposit amounts totalling US\$30 million, satisfied the required US\$53 million for the Company to secure a 10% interest.

Subject to receiving shareholder approval at its upcoming EGM (scheduled for 3 May 2022) the Company intends to promptly issue Shanghai Decent US\$106 million worth of Nickel Mines shares (at an issue price of A\$1.37 per share) and increase its equity interest in Oracle Nickel to 30%.

Angel Nickel and Oracle Nickel secure material tax concessions

In January 2022 the Company was advised that Angel Nickel's Indonesian operating entity, PT Angel Nickel Industry, had been granted material corporate tax relief for its RKEF project. In March 2022 the Company was advised that Oracle Nickel's Indonesian operating entity, PT Oracle Nickel Industry, had been granted the identical tax concessions.

Notice of the tax relief was communicated to the Company by official decrees from the Minister of Finance of the Republic of Indonesia after the Ministry of Investment/Investment Coordination Committee conducted studies to assess whether Angel Nickel and Oracle Nickel "comply with the standards and requirements for tax relief set out in Article 3 of Minister of Finance Decree No. 130/PMK.010/2020 on Granting of Corporate Income Tax Relief Facilities".

Having satisfied these requirements, the following tax concessions were granted:

- a Corporate Income Tax Reduction of **100%** for a period of **ten (10) tax years**, starting from the tax year in which commercial production is achieved; and
- a Corporate Income Tax Reduction of **50%** of payable income tax for a period of **two (2) tax years**, starting from the end of the initial ten-year period; and
- exemption from withholding and tax collection by third parties on sales proceeds that would normally be remitted to the Indonesian Revenue Department for a period of **ten (10) tax years**, also commencing from the tax year in which commercial production is achieved.

The Company's existing Hengjaya Nickel and Ranger Nickel projects are currently benefitting from 7-year, 100% corporate tax relief. The increased tenor of the tax-free period (to 10 years) applicable to Angel Nickel and Oracle Nickel is attributed to its materially larger scale and "planned investment value". These concessions may be revoked, amended or adjusted, if any of six conditions are not met, the most important condition being the satisfaction of a minimum investment realisation of not less than Rp100 billion – the expected investments for Angel Nickel and Oracle Nickel comfortably exceed this threshold.

Commencement of commissioning at Angel Nickel Project

In late January 2022, the Company announced that Angel Nickel had commenced commissioning, well ahead of the October 2022 contractual delivery date of the project.

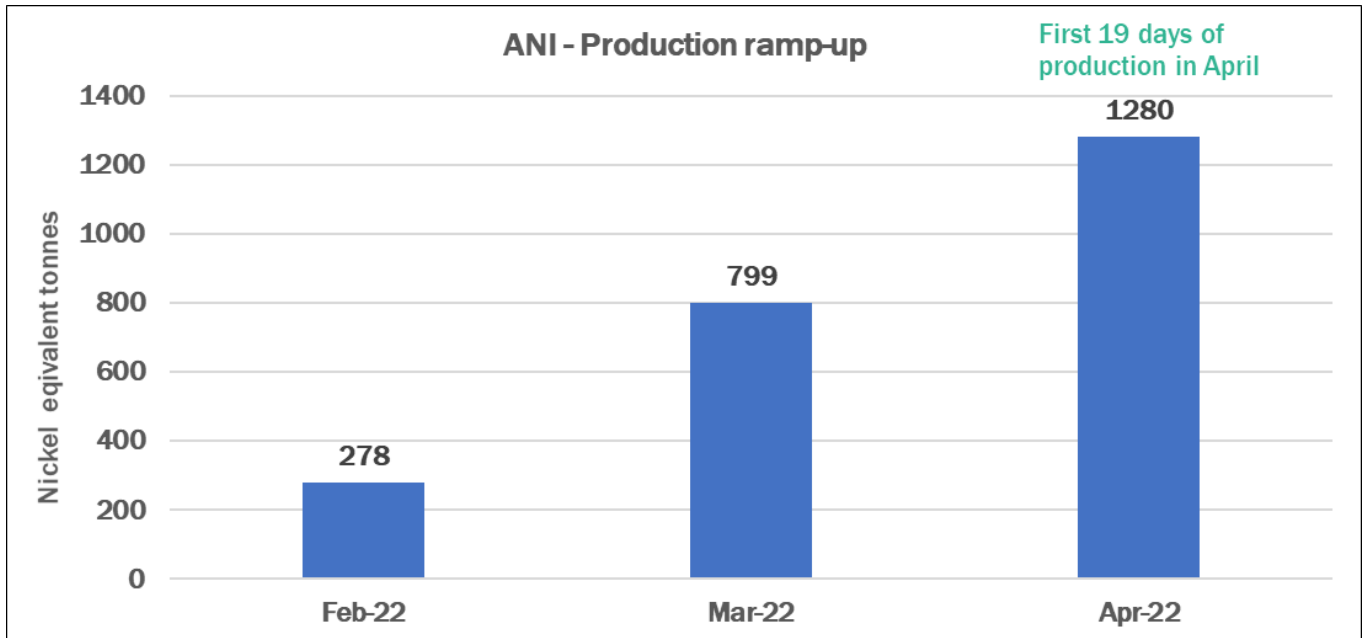
Following a maiden ‘NPI tap’ from the first RKEF line in late January, ANI’s second RKEF line commenced commissioning in late February, with the third line commencing commissioning on Friday 25 March. ANI’s fourth RKEF line is expected to have commenced its commissioning phase by mid-May.

Each of ANI’s RKEF lines has a nameplate capacity of 9,000 tonnes of nickel metal per annum, equating to 750 tonnes of nickel metal per month.

The Company advises that production levels across the first three RKEF lines are ramping up and operating well, with line 1 currently operating at a rate in excess of nameplate capacity.

As previously advised, during the commissioning phase, NPI production from ANI’s RKEF lines may run at less than 100% of the 36,000 tonnes of nickel metal production nameplate capacity per annum depending on power availability. Pleasingly, additional energy supply from IWIP’s existing power grid is presently being arranged to support increased production levels from ANI’s lines. ANI’s designated power plant remains on track to commence commissioning in August 2022, after which time the Company expects production levels across all four RKEF lines to rapidly ramp-up to above the nameplate capacity – historically the Company’s RKEF lines have operated in excess of 30% nameplate capacity.

The table below shows the 1,077 tonnes of production from ANI through to the end of March and the continued ramp-up in production through the first 19 days of April.



As with the Company’s HNI and RNI projects, ANI will require the issuance of an IUI (commercial sales licence) to commence sales of NPI, with this license presently expected in May 2022. Existing NPI production from ANI is presently being stockpiled.

The successful commissioning of ANI will be transformative to the Company's existing operations, more than doubling annual attributable nickel metal nameplate capacity from 24,000 tonnes to 52,800 tonnes. The introduction of Oracle Nickel, contractually agreed with Shanghai Decent by February 2023, would further increase attributable nickel metal nameplate capacity to 78,000 tonnes per annum.



NPI production at Angel Nickel

Oracle Nickel construction update

The Company is pleased to provide an update on progress of its Oracle Nickel project, which is currently under construction within the IMIP. Excellent progress is being made across the project workstreams, with all earthworks and plant footings complete, and erection of the first rotary dryers having commenced.

Cumulative completion of the RKEF lines is estimated at:

- construction works – 60%
- installation – 20%

Cumulative completion of the 380MW power plant is estimated at:

- construction works – 30%
- installation – 10%

Oracle Nickel remains on track to tap first NPI on or before the end of February 2023.



An aerial image of ONI construction progress within the IMIP

Nickel Matte update

Eight RKEF lines operating within the IMIP (not owned by Nickel Mines) have successfully transitioned to producing nickel matte suitable for use in the EV battery market. At the time of this report, the Company's two Hengjaya Nickel RKEF lines are undergoing the minor capital modifications required to produce a nickel matte with one line already having its sulphuric acid device fitted with the second targeted to be completed by the end of April. The decision to switch from NPI to matte production will be determined by prevailing relativities between NPI and matte pricing and demand requirements for each product. With NPI currently enjoying record margins and the LME market still returning to normal functional trading the Company has delayed plans to switch to the production of nickel matte, but will have the capability to do so if market pricing dynamics change.

Dividend declaration and payment

During the March quarter the Company declared and paid a A\$0.02 per share final dividend relating to its full-year 2021 financial result.

QUARTERLY PROGRESS

Commenting on the March quarter's activities, Managing Director Justin Werner said:

"The March quarter was a milestone quarter for both the Company's RKEF and mining operations with numerous production and financial records set.

It was highly pleasing to see ANI enter early commissioning and already demonstrating a strong and steady ramp-up profile. The small levels of commissioning production from ANI in addition to another quarter of consistent production from HNI and RNI saw production levels of more than 11,000 tonnes of nickel metal for only the second time ever, which alongside record operating margins of more than US\$7,3000/t saw our RKEF business deliver a record underlying EBITDA of US\$72.8M. In an environment where rising energy prices have severely impacted numerous operations globally, the stability of our production and the resilience of our margins highlight the enormous advantages of being a bottom-quartile cost producer and operating out of two world-class industrial parks. With ANI's production set to increase materially into Q2 and beyond, and with ONI's construction progressing well, the Company is highly confident of delivering a tremendous level of volume-driven growth over the next 12 months at strong margins that can be sustained throughout the commodity price cycle.

Equally pleasing has been the continued excellent performance of the Company's mining operations, with the Hengjaya Mine delivering another quarter of more than 800k wmt of saprolite ore production and a record quarterly EBITDA contribution of US\$8.9M. Our mining operations have enjoyed strong momentum over the last 12 months and are now well positioned to achieve our targeted 3Mt of saprolite production in 2022. With limonite sales also set to ramp-up this year the full strategic value of Hengjaya Mine to the IMIP is becoming evident and we thank all our mine and contractor staff for their efforts in transforming the mine into the first-class operation it is today.

With increasing production from both our RKEF and mining operations, underpinned by strong and stable operating margins, we are well positioned to deliver an exceptionally strong financial performance for our shareholders over the next 12 months."

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Hengjaya Nickel Project (80% interest held by Nickel Mines)

During the March quarter, Hengjaya Nickel produced 4,998 tonnes of nickel metal, at an average NPI grade of 13.6% and a production-weighted average cash cost of US\$12,023/t.

Nickel Mines' attributable nickel production was 3,999 tonnes of nickel metal, an increase of 0.8% from the December quarter.

The Hengjaya Nickel operating results for the March quarter were:

HENGJAYA NICKEL		January	February	March	March quarter	December quarter
NPI production	tonnes	12,222	11,853	12,783	36,858	39,132
NPI grade	%	13.6	13.3	12.5	13.6	12.7
Nickel metal production	tonnes	1,659	1,582	1,758	4,999	4,957
Cash costs	USD/t Ni	11,997	11,996	12,072	12,023	12,418

For the March quarter, Hengjaya Nickel recorded (on a 100% basis) sales of US\$97.2M for 4,999 tonnes of nickel metal sold, underlying EBITDA of US\$37.1M¹ and an underlying net profit of US\$35.2M⁷.

Ranger Nickel Project (80% interest held by Nickel Mines)

During the March quarter, Ranger Nickel produced 5,091 tonnes of nickel metal, at an average NPI grade of 13.7% and a production-weighted average cash cost of US\$11,916/tonne.

Nickel Mines' attributable nickel production was 4,073 tonnes of nickel metal, a decrease of 0.8% on the December quarter production.

The Ranger Nickel operating results for the March quarter were:

RANGER NICKEL		January	February	March	March quarter	December quarter
NPI production	tonnes	12,812	11,863	12,556	37,231	39,641
NPI grade	%	13.7	13.6	13.7	13.7	12.9
Nickel metal production	tonnes	1,762	1,614	1,715	5,091	5,130
Cash costs	USD/t Ni	11,806	11,832	12,107	11,916	12,277

For the March quarter, Ranger Nickel recorded (on a 100% basis) sales of US\$98.2M for 5,091 tonnes of nickel metal sold, underlying EBITDA of US\$37.4M¹ and an underlying net profit of US\$35.5M⁸.

⁷ Unaudited numbers from monthly operating entity financial reporting. The weighted average contract price for contracts delivered in the March quarter was US\$19,455/t of nickel for Hengjaya Nickel and US\$19,343/t of nickel for Ranger Nickel.

Angel Nickel Project (80% interest held by Nickel Mines)

During the March quarter, Angel Nickel produced 1,077 tonnes of nickel metal, at an average NPI grade of 14.3%.

ANGEL NICKEL		January	February	March	March quarter	December quarter
NPI production	tonnes	n/a	1,939	5,571	7,510	n/a
NPI grade	%	n/a	14.3	14.3	14.3	n/a
Nickel metal production	tonnes	n/a	278	799	1,077	n/a
Cash costs	USD/t Ni	n/a	n/a	n/a	n/a	n/a