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Nickel Mines Ltd (NIC)

Record quarter supports outlook

Recommendation
Buy (unchanged)
Price
$1.395
Target (12 months)
$1.67 (previously $1.49)

GICS Sector

Materials

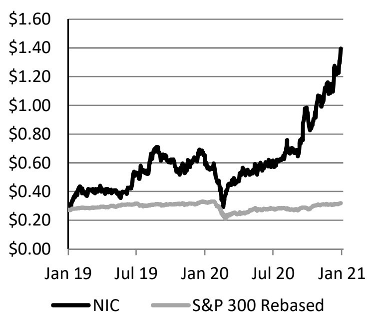
Expected Return	
Capital growth	19.7%
Dividend yield	1.4%
Total expected return	21.1%

Company Data & Ratios	
Enterprise value	$3,113m
Market cap	$3,509m
Issued capital	2,515m
Free float	79%
Avg. daily val. (52wk)	$6.2m
12 month price range	$0.283-$1.42

Price Performance

	(1m)	(3m)	(12m)
Price (A$)	1.10	0.94	0.67
Absolute (%)	26.8	48.4	107.6
Rel market (%)	23.2	37.9	110.5

Absolute Price



SOURCE: IRESS

December 2020 quarter report

NIC has released its December 2020 quarter report, delivering a record production performance from its Rotary Kiln Electric Furnace (RKEF) lines at the Hengjaya and Ranger Nickel Projects at the IMIP in Indonesia. During the December quarter they produced 77,067t of NPI grading 15.0% Ni for 11,527t contained Ni, with 9,222t attributable to NIC (vs BPe 76,154t of NPI grading 14.0% Ni for 10,662t contained Ni, 8,529t attributable). Cash costs were US$7,526/t (vs BPe US$7,335/t). Ni in NPI production was up 10% qoq and beat our forecast on higher tonnage and Ni in NPI grades. Costs were up 4.5% qoq on higher pricing of nickel ore feedstock and seasonal one-off costs, but a downward trend from CY19 and strong operating margins were maintained. Cash on hand increased from US$93.8m to US$351.4m after NIC raised A$364m (US$275m) and paid US$30m of the US$560m consideration for acquisition of an 80% interest in the new Angel Nickel Project. Post quarter end NIC paid down US$22.5m of the US$45m remaining balance of the Ranger Debt Facility and stated its intention to pay the remaining balance in February 2021.

Growing production, growing margins

The fresh production record and increased NPI pricing resulted in record EBITDA of US$71.6m for the RKEF projects (100% basis), generating EBITDA margins of 45%. We forecast slightly lower costs, higher production and a rising nickel price for CY21 to drive a further improved operating and financial performance for NIC. As such, NIC remains our preferred nickel exposure and top pick in the sector.

Investment thesis – Buy, TP$1.67/sh (from Buy, $1.49/sh)

Our updated assumptions result in a 4% increase to our forecast CY20 earnings, driven primarily by record December quarter production and higher Ni in NPI pricing. Higher NPI grades and a higher nickel price result in our CY21 and CY22 earnings increasing 1% and 5% respectively. Our NPV-based, sum-of-the-parts valuation lifts by 12%, to $1.67/sh as a result of the strong operating performance, the increased Angel ownership and an increase to our long-term nickel price. We retain our Buy recommendation.

Earnings Forecast

Year ending 31 December	2019a*	2020e	2021e	2022e
Sales (US$m)	236	522	664	752
EBITDA (US$m)	97	193	351	409
Attributable NPAT (reported) (US$m)	57	84	237	268
Attributable NPAT (reported) (A$m)	83	122	319	372
EPS (adjusted) (A¢ps)	4.4	6.5	12.7	14.8
EPS growth (%)	46%	28%	96%	17%
PER (x) 1	13.8	21.6	11.0	9.4
FCF Yield (%) 1	2%	5%	-8%	15%
EV/EBITDA (x) 1	24.8	12.5	6.9	5.9
Dividend (A¢ps)	-	2	2	2
Yield (%)	0%	1%	1%	1%
Franking (%)	0%	0%	0%	0%
ROE (%) 1	49%	24%	30%	28%

SOURCE: BELL POTTER SECURITIES ESTIMATES

Record quarter supports outlook

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EBITDA of US$71.6m from NPI production was reported for the December quarter (100%-basis, vs September quarter US$49.2m) and was in-line with our internal estimate.

Cash on hand increased from US$93.8m to US$351.4m. During the quarter NIC raised A$364m (US$275m) via a fully underwritten 2 for 11 entitlement offer and paid US$30m of the US$560m consideration for acquisition of an 80% interest in the new Angel Nickel Project. NIC's cash remained relatively steady net of these movements, but during the quarter saw working capital items of trade receivable and inventories increase by ~US$55m. Post quarter end NIC paid down US$22.5m of the US$45m remaining balance of the Ranger Debt Facility and announced its intention to pay down the balance in February 2021.

Production and sales from the Hengjaya Mine (NIC 80%) also improved to record levels as the completion of the mine expansion saw NIC achieve the key milestone of +150kt per month laterite nickel ore production during the quarter.

The IMIP operations remain undisrupted by COVID-19 restrictions.

Key production metrics are summarised below:

Table 1 - NIC quarterly production summary

	Dec-19 Actual	Mar-20 Actual	Jun-20 Actual	Sep-20 Actual	Dec-20 Actual	Dec-20 BP est.	Variance qoq %	Variance vs BPe %
Hengjaya Mine								
Ore sales (t)	196,895	155,599	54,029	129,264	456,758	390,000	253%	17%
grade (% Ni)	1.99%	1.83%	1.80%	1.85%	1.81%	1.80%	-2.2%	0.6%
Contained nickel (t Ni)	3,918	2,847	973	2,391	8,267	7,020	246%	18%
Mine OPEX (US$/t)	$26.27	$29.70	$44.73	$40.68	$25.30	$23.39	-38%	8%
Avg price received (US$/t)	$37.59	$24.32	$23.79	$31.39	$32.58	$27.70	4%	18%
RKEF NPI production								
NPI production (t)	80,015	79,398	69,602	69,830	77,067	76,154	10%	1%
NPI grade (% Ni)	13.7%	14.2%	14.5%	15.3%	15.0%	14.0%	-2%	7%
Contained nickel (t)	10,968	11,291	10,104	10,700	11,527	10,662	8%	8%
Contained nickel (t, attributable)	6,582	6,775	6,062	8,560	9,222	8,529	8%	8%
Costs								
Cash costs (US$/t Ni)	$7,831	$7,247	$7,367	$7,201	$7,526	$7,335	5%	3%

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Other key takeaways from the result include:

- Post quarter-end NIC received 100% approval from shareholders for the acquisition of a 70% interest in the Angel Nickel RKEF project at EGM held last week;
- NIC also announced the option to increase this interest to 80% (from 70%). The option increases the second stage acquisition percentage from 40% to 50% of Angel

Nickel, to be finalised by no later than 31 December 2021. The purchase price for the additional 10% interest is US$70m (i.e. a 100% valuation basis of US$700m, the same basis as the existing agreement). If the second stage payment is made by 30 June 2021, the acquisition consideration will be reduced to US$344m, a discount of US$6m for early payment;

- The total consideration for the Angel acquisition increases from US$490m to US$560m, subject to the early payment discount and noting US$30m has already been paid from cash reserves; and
- NIC reported a weighted average contract price for the quarter of US$14,262/t Ni (up 23% from US$11,560/t Ni in the September quarter). While pricing is moving towards an NPI based index in China, we note the price received represents ~89% of the average LME nickel price for the December quarter of US$15,960/t. As expected, this was an improvement from the September quarter and reflective of the lagging nature of NPI pricing.

Changes to our forecasts

Beyond updating our forecasts for the December 2020 quarter production and cost report, we have made the following changes to our modelled assumptions:

- Modelled that NIC completes debt funding arrangements, which we now assume to comprise a facility of US$309m (previously US$245m) and executes the acquisition agreement by 30 June 2021. This allows for the US$6m discount for early payment of the acquisition consideration;
- Increased NIC's modelled ownership of the Angel Nickel project from 70% to 80%, effective from the September quarter 2021;
- Brought forward repayments of the US$45m balance of the US$80m Ranger Debt Facility to the March 2021 quarter;
- Lowered our assumed nickel price realisation to 90% of our forecast LME nickel price. This reflects average price realisation to date, which is also representative of the NPI benchmark pricing NIC is now adopting across its projects;
- Increased our assumed Ni in NPI grade from 13.0% to 14.5%, reflecting actual performance and a stated target to produce NPI grading 14.0%-15.0% at the IMIP;
- Updated for out latest commodity price and exchange rate forecasts, which include a 5% increase (from US$8.20/lb to US$ 8.60/lb) to our long term nickel price from CY23; and
- Updated for the latest capital structure.

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

Table 2 - Changes to our CY forecasts

Year end 30 December	Previous Dec-20	Dec-21	Dec-22	New Dec-20	Dec-21	Dec-22	Change Dec-20	Dec-21	Dec-22
Prices & currency									
Nickel price (US$/t)	13,532	16,424	17,527	13,775	16,424	17,857	2%	0%	2%
US$/A$	0.68	0.70	0.72	0.69	0.75	0.72	1%	6%	0%
Production & costs									
Ore mined (t)	728,892	1,560,000	1,560,000	795,650	1,800,000	1,800,000	9%	15%	15%
Nickel in ore (t)	13,231	28,080	28,080	14,479	32,400	32,400	9%	15%	15%
RKEF NPI production (t)	294,984	304,615	304,615	295,897	304,615	304,615	0%	0%	0%
Contained nickel (t)	42,757	42,646	40,362	43,622	44,169	44,169	2%	4%	9%
Contained nickel (t, attributable)	29,926	34,117	32,289	30,619	35,335	35,335	2%	4%	9%
Cash costs (US$/t Ni)	7,279	7,521	7,760	7,330	7,429	7,666	1%	-1%	-1%
Earnings & valuation									
Revenue (consolidated, US$m)	512	658	712	522	664	752	2%	1%	6%
Revenue (attributable, US$m)	380	554	590	391	577	646	3%	4%	10%
EBITDA (attributable, US$m)	136	275	306	140	280	325	2%	2%	6%
NPAT (reported, attributable, US$m)	81	236	256	84	237	268	4%	1%	5%
EPS (reported) (Acps)	6.3	13.4	14.2	6.5	12.7	14.8	3%	-6%	5%
PER (x)	22.2	10.4	9.9	21.6	11.0	9.4	(0.6)	0.6	(0.4)
EPS growth (%)	24%	114%	6%	28%	96%	17%	3%	-17%	11%
DPS (Acps)	2	2	2	2	2	2	0%	0%	0%
Yield	1%	1%	1%	1%	1%	1%	0%	0%	0%
NPV (A$/sh)	1.46	1.49	1.88	1.63	1.67	2.11	11%	12%	12%
Price Target (A$/sh)		1.49			1.67			12%	

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Our updated assumptions result in a 4% increase to our forecast CY20 earnings, driven primarily by record December quarter production and higher received Ni in NPI pricing. Higher NPI grades result in our CY21 and CY22 earnings increasing 1% and 5% respectively. Our NPV-based, sum-of-the-parts valuation lifts by 12%, to $1.67/sh as a result of the strong operating performance, the increased Angel ownership and an increase to our long-term nickel price.

Upcoming catalysts

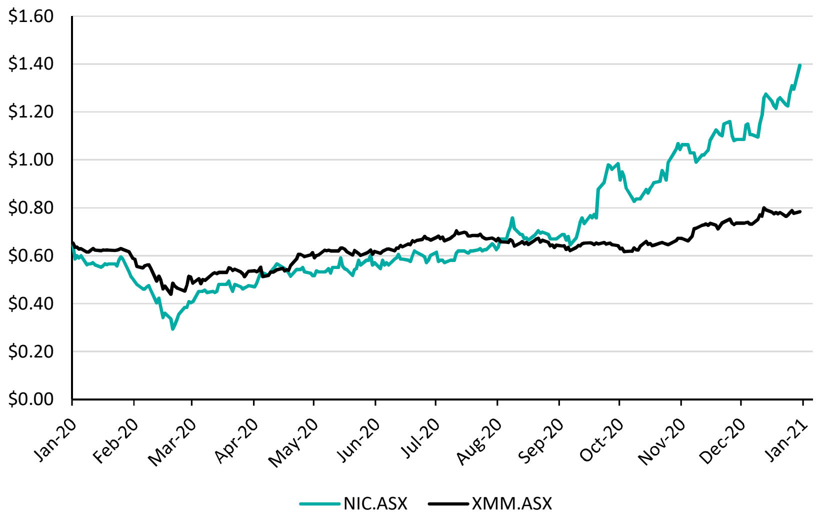
Upcoming catalysts for NIC include:

- 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 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 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 (from Buy, $1.49/sh)

Our updated assumptions result in a 4% increase to our forecast CY20 earnings, driven primarily by record December quarter production and higher Ni in NPI pricing. Higher NPI grades and a higher nickel price result in our CY21 and CY22 earnings increasing 1% and 5% respectively. Our NPV-based, sum-of-the-parts valuation lifts by 12%, to $1.67/sh as a result of the strong operating performance, the increased Angel ownership and an increase to our long-term nickel price. NIC remains our preferred nickel exposure 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 25 January 2021

Recommendation	Buy
Price	$1.395
Target (12 months)	$1.67

Table 3 - Financial summary

PROFIT AND LOSS

Year ending 31 Dec. (from 2020)	Unit	2019a	2019a*	2020e	2021e	2022e
Revenue	US$m	64.9	236.1	521.8	663.7	751.6
Expense	US$m	(44.5)	(138.9)	(328.9)	(312.8)	(342.9)
EBITDA	**US$m**	**20.4**	**97.2**	**192.9**	**351.0**	**408.7**
Depreciation	US$m	(6.8)	(16.4)	(34.7)	(36.6)	(45.0)
EBIT	US$m	13.6	80.8	158.2	314.4	363.7
Net interest expense	US$m	0.2	(2.1)	(3.7)	(9.7)	(15.5)
Unrealised gains (Impairments)	US$m	57.3	7.4	-	-	-
Other	US$m	0.7	5.4	(24.6)	-	-
PBT	**US$m**	**71.9**	**91.5**	**129.9**	**304.7**	**348.2**
Tax expense	US$m	(0.1)	(0.2)	(0.6)	(4.3)	(7.7)
Consolidated profit (loss) for the year	US$m	71.8	91.3	129.3	300.4	340.5
Non-Controlling Interest	US$m	6.3	34.8	45.0	63.0	72.5
Attributable NPAT (reported)	**US$m**	**65.5**	**56.5**	**84.3**	**237.4**	**268.0**
NPAT (underlying)	US$m	8.2	49.1	84.3	237.4	268.0

CASH FLOW

Year ending 31 Dec. (from 2020)	Unit	2019a	2019a*	2020e	2021e	2022e
OPERATING CASHFLOW						
Receipts	US$m	33.4	212.7	566.9	649.5	742.8
Payments	US$m	(28.4)	(169.9)	(299.2)	(316.8)	(335.4)
Tax	US$m	(1.2)	(4.7)	0.1	(0.6)	(4.3)
Net interest	US$m	0.2	0.1	(3.7)	(9.7)	(15.5)
Other	US$m	-	-	(3.7)	-	-
Operating cash flow	**US$m**	**4.1**	**38.2**	**260.4**	**322.4**	**387.7**
INVESTING CASHFLOW						
Property, plant and equipment	US$m	(19.5)	(29.6)	(169.0)	(532.9)	(3.7)
Mine development	US$m	-	-	-	-	-
Exploration & evaluation	US$m	-	-	(1.2)	(0.4)	(0.4)
Other	US$m	(121.1)	5.8	-	-	-
Investing cash flow	**US$m**	**(140.6)**	**(23.8)**	**(170.2)**	**(533.3)**	**(4.1)**
Free Cash Flow	*US$m*	*(136.5)*	*14.4*	*90.2*	*(210.9)*	*383.6*
FINANCING CASHFLOW						
Share issues/(buy-backs)	US$m	183.6	-	418.3	-	-
Debt proceeds	US$m	-	-	-	309.0	-
Debt repayments	US$m	(2.0)	(29.9)	(20.0)	(50.3)	(21.3)
Distributions to non-controlling interests	US$m	15.0	17.0	(45.4)	(60.4)	(67.6)
Dividends	US$m	-	-	(34.7)	(37.5)	(36.2)
Other	US$m	(10.8)	(0.4)	(20.9)	-	-
Financing cash flow	**US$m**	**185.8**	**(13.3)**	**297.3**	**160.7**	**(125.1)**
Change in cash	*US$m*	*49.3*	*1.1*	*387.5*	*(50.2)*	*258.5*

BALANCE SHEET

Year ending 31 Dec. (from 2020)	Unit	2019a	2019a*	2020e	2021e	2022e
ASSETS						
Cash & short term investments	US$m	49.0	49.8	437.3	387.1	645.6
Accounts receivable	US$m	43.7	97.2	52.2	66.4	75.2
Property, plant & equipment	US$m	340.1	628.5	762.8	1,259.1	1,217.8
Mine development expenditure	US$m	-	-	-	-	-
Exploration & evaluation	US$m	-	-	1.2	1.6	2.0
Other	US$m	99.2	122.0	122.0	122.0	122.0
Total assets	US$m	**531.9**	**897.5**	**1,375.4**	**1,836.2**	**2,062.5**
LIABILITIES						
Accounts payable	US$m	42.2	52.5	82.2	78.2	85.7
Income tax payable	US$m	0.3	0.7	0.6	4.3	7.7
Borrowings	US$m	4.2	65.0	45.0	303.7	282.3
Other	US$m	30.4	57.2	58.0	58.0	58.0
Total liabilities	US$m	**77.2**	**175.4**	**185.8**	**444.1**	**433.7**
SHAREHOLDER'S EQUITY						
Share capital	US$m	275.9	315.5	733.8	733.8	733.8
Reserves	US$m	(0.6)	19.2	19.2	19.2	19.2
Retained earnings	US$m	36.3	92.8	142.3	342.2	574.0
Total equity to NIC holders	**US$m**	**311.6**	**427.5**	**895.3**	**1,095.2**	**1,327.0**
Non-controlling interest	US$m	143.2	294.7	294.3	296.8	301.8
Total equity	**US$m**	**454.8**	**722.1**	**1,189.6**	**1,392.1**	**1,628.8**
Weighted average shares	m	1,324.4	1,631.2	1,890.6	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$/sh**		**1.395**
Market capitalisation	A$m		3,508.5
Net cash	A$m		396.0
Enterprise value (undiluted)	**A$m**		**3,112.5**
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$m		3,508.5
Net cash + options	A$m		396.0
Enterprise value (diluted)	**A$m**		**3,112.5**

MAJOR SHAREHOLDERS

Shareholder	%	m
Shanghai Decent (SDI)	15.7%	395.5
Tanito Group (PT Karunia)	13.6%	343.2
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	2019a*	2020e	2021e	2022e
VALUATION						
Attributable NPAT	US$m	65.5	56.5	84.3	237.4	268.0
Attributable NPAT	A$m	91.6	82.5	122.0	318.6	372.2
Reported EPS	Ac/sh	6.9	5.1	6.5	12.7	14.8
Adjusted EPS	Ac/sh	0.9	4.4	6.5	12.7	14.8
EPS growth	%	nm	46%	28%	96%	17%
PER [1]	x	20.2x	13.8x	21.6x	11.0x	9.4x
DPS	Ac/sh	-	-	2.0	2.0	2.0
Franking	%	0%	0%	0%	0%	0%
Yield	%	0%	0%	1%	1%	1%
FCF/share [1]	Ac/sh	(14.4)	2.6	6.9	(11.3)	21.2
FCF yield [1]	%	-10%	2%	5%	-8%	15%
P/FCFPS [1]	x	-9.7x	54.0x	20.2x	-12.4x	6.6x
EV/EBITDA [1]	x	117.8x	24.8x	12.5x	6.9x	5.9x
EBITDA margin	%	31%	41%	37%	53%	54%
EBIT margin	%	21%	34%	30%	47%	48%
Return on assets [1]	%	23%	26%	14%	19%	17%
Return on equity [1]	%	37%	49%	24%	30%	28%
LIQUIDITY & LEVERAGE						
Net debt (cash)	$m	(45)	15	(392)	(83)	(363)
ND / E	%	-14%	4%	-44%	-8%	-27%
ND / (ND + E)	%	-17%	3%	-78%	-8%	-38%
EBITDA / Interest	x	nm	46.1x	52.7x	36.1x	26.4x

ATTRIBUTABLE DATA - NICKEL MINES LTD

Year ending 31 Dec. (from 2020)	Unit	2019a	2019a*	2020e	2021e	2022e
Revenues	US$m	52.0	95.7	391.3	577.0	645.9
EBITDA	US$m	13.5	35.6	139.7	279.8	325.5
NPAT	US$m	65.5	56.5	84.3	237.4	268.0
Net distributable cash flow	US$m	44.4	1.0	348.8	(45.2)	232.6
EV/EBITDA	x	164.9	59.8	15.4	8.3	6.9
PER	x	20.2	27.6	21.6	11.0	9.4
P/FCF	x	nm	nm	nm	nm	10.9

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	$6.25	$7.45	$8.10
Nickel	US$/t	$12,343	$15,483	$13,775	$16,424	$17,857
Currency						
AUD:USD		0.72	0.68	0.69	0.75	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	795,650	1,800,000	1,800,000
Ore grade	% Ni	2.0%	1.9%	1.8%	1.8%	1.8%
Nickel in ore	t Ni	5,977	8,178	14,479	32,400	32,400
Nickel in ore (attributable)	t Ni	4,782	6,542	11,583	25,920	25,110
RKEF (IMIP)						
NPI production	t	42,106	152,408	295,897	304,615	304,615
Contained nickel	t Ni	5,788	20,988	43,622	44,169	44,169
Contained nickel (attributable)	t Ni	3,339	11,742	30,619	35,335	35,335
Costs						
Cash costs	US$/t Ni	$7,710	$7,689	$7,330	$7,429	$7,666
All-in-Costs (AIC)	US$/t Ni	$8,125	$7,804	$7,414	$7,538	$7,779

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)	2,599.7	1.03	2,837.5	1.13	2,855.3	1.14
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)	3,693.8	1.47	4,104.1	1.63	4,932.9	1.96
Net cash (debt)	396.0	0.16	83.5	0.03	363.3	0.14
Total (undiluted)	**4,089.8**	**1.63**	**4,187.6**	**1.67**	**5,296.2**	**2.11**
Dilutive effect of options		-		-		-
Add cash from options	-	-	-	-	-	-
Total (diluted)	**4,089.8**	**1.63**	**4,187.6**	**1.67**	**5,296.2**	**2.11**

**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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Disclosure: Bell Potter Securities acted as Joint Lead Manager to the $213m Entitlements Issue of May 2020 and Joint Lead Manager and Underwriter to the $364m Entitlements Issue of December 2020 and received fees for that service.

ANALYST CERTIFICATION

Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers and were prepared in an independent manner and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.