

Board of Directors

Non-Executive Chairman
Rob Neale

Executive Deputy Chairman
Norman Seckold

Managing Director
Justin Werner

Executive Director and CFO
Peter Nightingale

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	15.1%
BlackRock Group	7.8%
Baillie Gifford & Co.	6.2%

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CONSISTENT PRODUCTION AND INCREASED MARGINS DELIVER US\$68.4M OF EBITDA FROM OPERATIONS

- RKEF quarterly production of **10,113.3** tonnes of nickel metal (100% basis), down 0.3% from the 10,143.0 tonnes of nickel metal in the June 2021 quarter. NIC attributable nickel production was **8,090.7** tonnes of nickel metal.
- **10,113.3** nickel tonnes sold (100% basis), down 5.8% from 10,735.7 nickel tonnes sold in the June quarter.
- RKEF quarterly sales of **US\$168.9M** (100% basis), up 12.5% from US\$150.2M in the June quarter.
- RKEF quarterly EBITDA of **US\$62.6M** (100% basis), up 23.2% from US\$50.8M in the June quarter.
- RKEF EBITDA of **US\$6,190/t Ni** sold, up 30.8% from US\$4,732/t in the June quarter.
- Underlying cash generation from operations of US\$67.6M (100% basis) up 20.7% from US\$56.0M in the June quarter
- RKEF September quarter cash costs:
 - Hengjaya Nickel: **US\$10,429/tonne Ni**, up 14.2% from the June quarter.
 - Ranger Nickel: **US\$10,327/tonne Ni**, up 13.7% from the June quarter.
- Record nickel ore production from Hengjaya Mine of **579,156 wmt**, up 0.8% from 574,791 wmt in the June quarter resulted in quarterly EBITDA of **US\$5.8M**, down 18.3% from US\$7.1M in the June quarter.
- Cash + receivables + inventory at quarter end of **US\$297.4M**, down 18.2% from US\$363.5M in the June quarter.
- Declaration and payment of a A\$0.02 per share interim dividend.
- Successful “tap” issuance of US\$150M of Senior Unsecured Notes.
- Completion of the acquisition of an additional 30% of Angel Nickel for US\$210M.
- Angel Nickel project construction on schedule for commissioning in 2H 2022 to more than double nameplate nickel production.



The Directors are pleased to present the September 2021 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 and Ranger Nickel RKEF projects, the Hengjaya Mine and a 50% interest in the Angel Nickel RKEF project currently under construction at the Indonesia Weda Bay Industrial Park. On 30 September 2021 the Company increased its ownership in Angel Nickel from 50% to 80% with the payment of an additional US\$210M.

RKEF Operations

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

During the September 2021 quarter, Hengjaya Nickel produced 4,990.1 tonnes of nickel metal at an average nickel pig iron ('NPI') grade of 13.8% at a production-weighted average cash cost of US\$10,429/t.

Nickel Mines' attributable nickel production was 3,992.1 tonnes of nickel metal, a decrease of 0.4% from the June quarter production.

The Hengjaya Nickel operating results for the September quarter were:

HENGJAYA NICKEL		July	August	September	Quarter Total	June Quarter
NPI Production	tonnes	12,799.0	12,624.5	10,750.6	36,174.1	36,927.8
NPI Grade	%	13.2	13.4	15.1	13.8	13.6
Nickel Metal Production	tonnes	1,686.5	1,685.6	1,618.0	4,990.1	5,008.2
Cash Costs	USD/t Ni	9,752	10,404	11,161	10,429	9,133

For the September quarter, Hengjaya Nickel recorded (on a 100% basis) sales of US\$83.4M for 4,990.1 tonnes of nickel metal sold, underlying EBITDA of US\$30.7M¹ and an underlying net profit of US\$28.8M¹.



Hengjaya and Ranger RKEF operations

¹ Unaudited numbers from monthly operating entity financial reporting. Final tonnes sold are adjusted for each contract following the receipt of final assay results, which are generally received approximately 60 days following the original contract date. Where final assay results have not yet been received, tonnes sold is reported as stated in the original contract. The weighted average contract price for contracts delivered in the September quarter, before receipt of final assay results, was US\$16,753/t of nickel.

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

During the September 2021 quarter, Ranger Nickel produced 5,123.2 tonnes of nickel metal at an average NPI grade of 13.9% at a production-weighted average cash cost of US\$10,327/tonne.

Nickel Mines' attributable nickel production was 4,098.6 tonnes of nickel metal, a decrease of 0.2% on the June quarter production.

The Ranger Nickel operating results for the September quarter were:

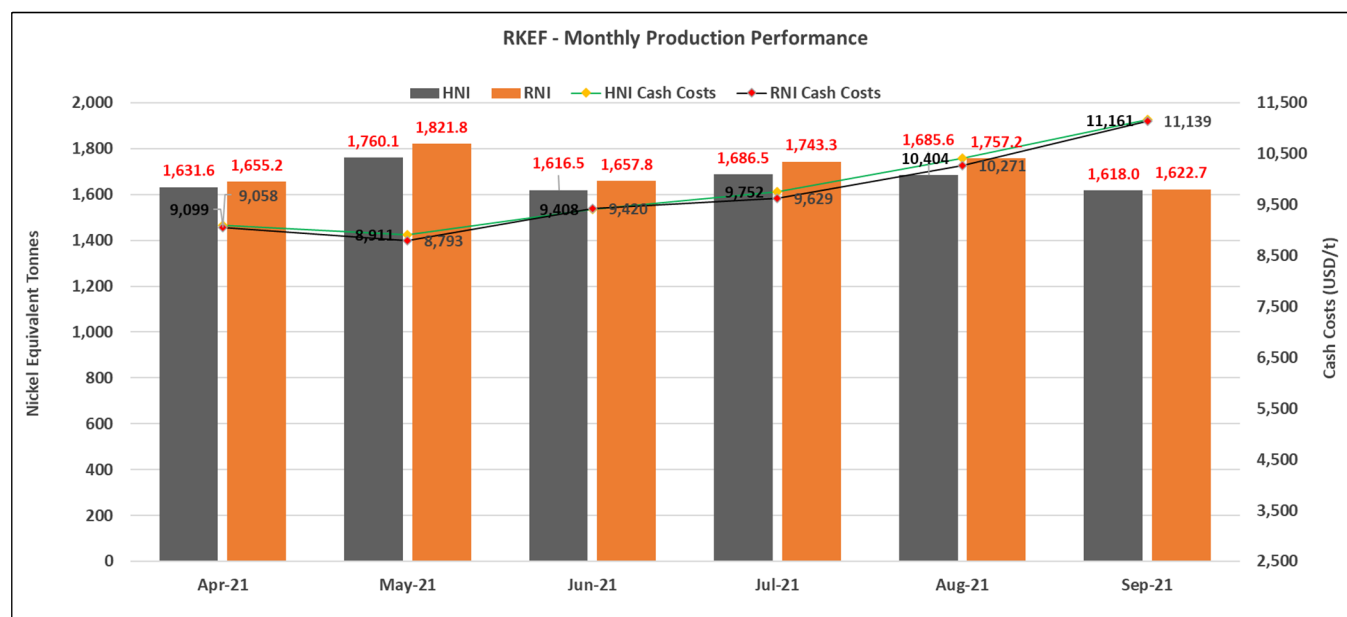
RANGER NICKEL		July	August	September	Quarter Total	June Quarter
NPI Production	tonnes	12,347.1	13,681.0	10,952.2	36,980.3	37,558.7
NPI Grade	%	14.1	12.8	14.8	13.9	13.7
Nickel Metal Production	tonnes	1,743.3	1,757.2	1,622.7	5,123.2	5,134.8
Cash Costs	USD/t Ni	9,629	10,271	11,139	10,327	9,081

For the September quarter, Ranger Nickel recorded (on a 100% basis) sales of US\$85.5M for 5,123.2 tonnes of nickel metal sold, underlying EBITDA of US\$31.9M² and an underlying net profit of US\$30.0M².



Hengjaya Nickel operations

² Unaudited numbers from monthly operating entity financial reporting. Final tonnes sold are adjusted for each contract following the receipt of final assay results, which are generally received approximately 60 days following the original contract date. Where final assay results have not yet been received tonnes sold is reported as stated in the original contract. The weighted average contract price for contracts delivered in the September quarter, before receipt of final assay results, was US\$16,712/t of nickel.



Production and cost performance from the Hengjaya Nickel and Ranger Nickel RKEF projects

COMBINED RKEF OPERATIONS		July	August	September	Quarter Total	June Quarter
NPI Production	tonnes	25,146.1	26,305.5	21,702.8	73,154.4	74,486.5
NPI Grade	%	13.6	13.1	14.9	13.8	13.6
Nickel Metal Production	tonnes	3,429.8	3,442.8	3,240.7	10,113.3	10,143.0

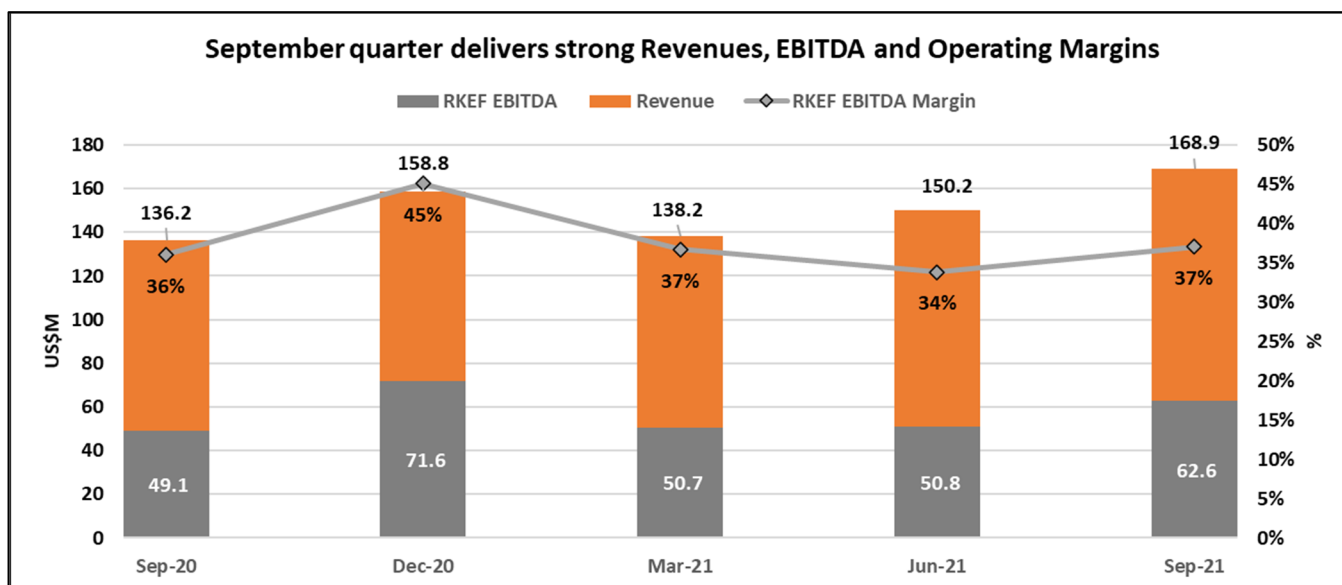
During the September quarter, the combined Hengjaya Nickel and Ranger Nickel projects recorded (on a 100% basis) sales of US\$168.9M for 10,113.3 tonnes of nickel metal, underlying EBITDA of US\$62.6M and underlying net profit of US\$58.8M.

Production for the quarter (100% basis) was 10,113.3 tonnes, down 0.3% from the 10,143.0 tonnes produced in the June quarter.

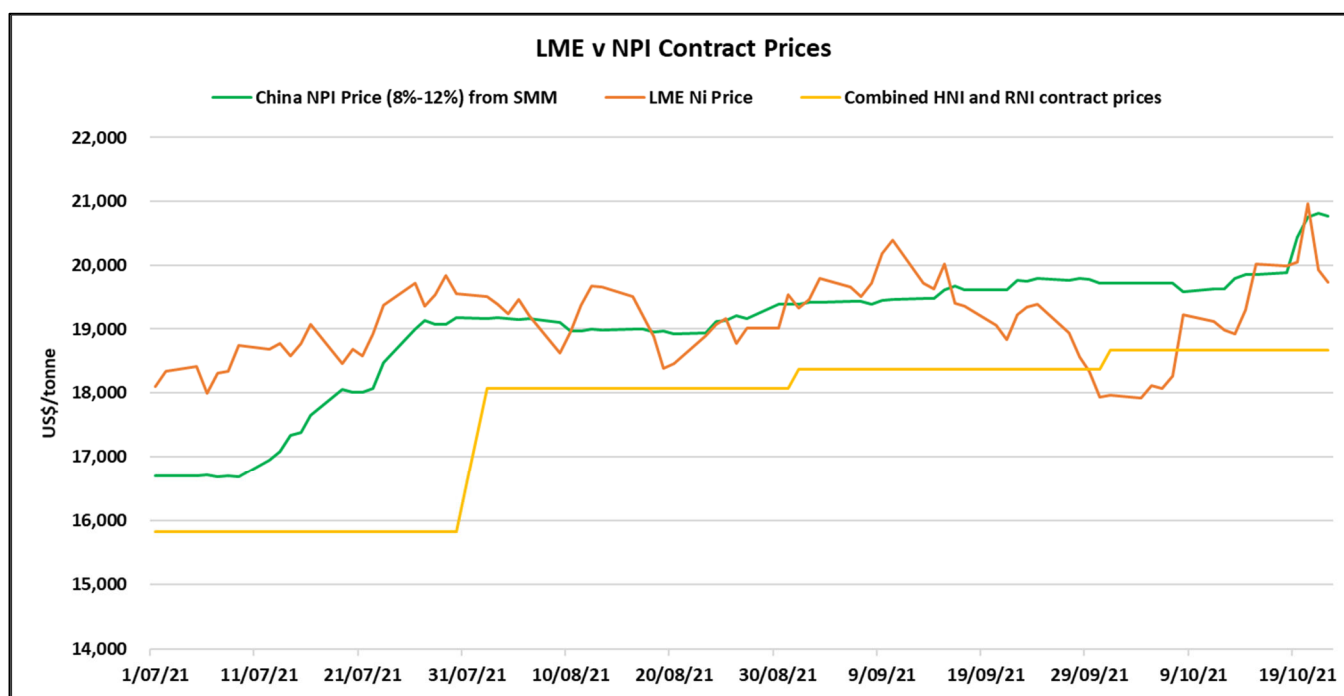
Commentary on RKEF Operations

KEY RKEF METRICS		September Quarter	June Quarter	%
Nickel Production	tonnes	10,113.3	10,143.0	-0.3%
Realised Price	US\$/t Ni	16,701	13,991	+19.4%
Sales Revenue	US\$M	168.9	150.2	+12.5%
Hengjaya Nickel Cash Costs	US\$/t Ni	10,429	9,133	+14.2%
Ranger Nickel Cash Costs	US\$/t Ni	10,327	9,081	+13.7%
RKEF EBITDA	US\$M	62.6	50.8	+23.2%
RKEF EBITDA/tonne produced	US\$ Ni	6,190	5,008	+23.6%
RKEF EBITDA/tonne sold	US\$ Ni	6,190	4,732	+30.8%

Production and Revenues



The September quarter saw another period of consistent nickel metal production with 10,113.3 tonnes produced across the Hengjaya and Ranger RKEF projects. The strong financial performance from the RKEF operations was underpinned by strengthening NPI prices which began to gain momentum in late June and continued to date. September quarter realised contract prices increased by 19.4% to US\$16,701/t Ni from US\$13,991/t Ni in the June quarter. These higher realised prices in the September quarter saw the Company’s RKEF business deliver a 23.2% increase in EBITDA to US\$62.6M and a 12.5% increase in revenue to a record US\$168.9M.

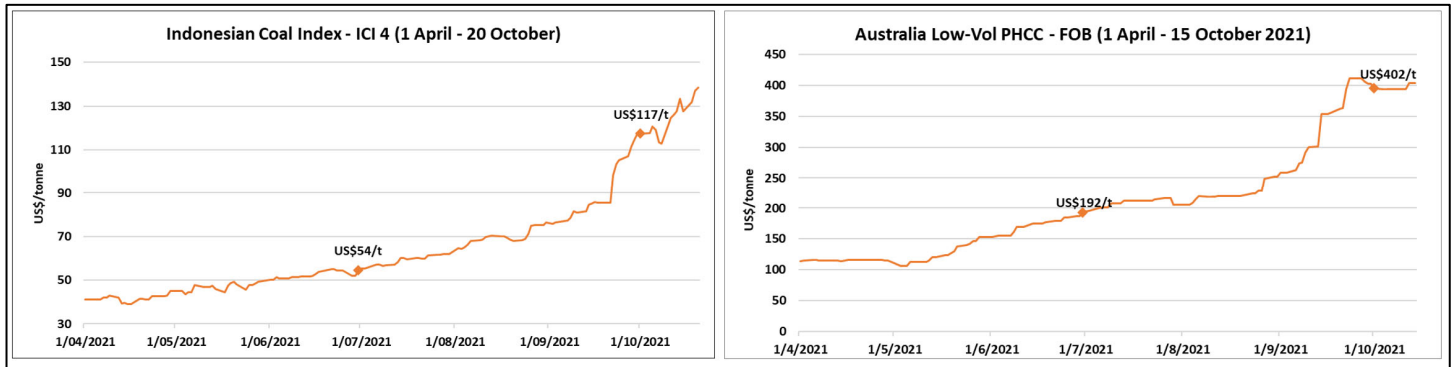


The Group’s reported realised price for the quarter of US\$16,701/t Ni includes export contracts that were delivered in July but were priced in early June when NPI prices were trading at the significantly lower price of US\$14,700/t Ni. The weighted average of contracts signed during the September quarter was US\$17,306/t Ni and, as can be seen in the chart above, Chinese NPI prices traded strongly against the LME during the September quarter with all sales contracts signed by the Company since August executed at prices between US\$18,000/t Ni and US\$18,900/t Ni, with the most recent contracts representing the highest sales prices received by the Company.

Operating Costs

September quarter operating cash costs at Hengjaya Nickel (US\$10,429/t Ni) and Ranger Nickel (US\$10,327/t Ni) rose by US\$1,296/t Ni (14.2%) and US\$1,246/t Ni (13.7%) respectively over June quarter operating cash costs. Approximately US\$1,255/t Ni of these cost increases are attributable to rising coal and electricity prices.

Current global coal shortages saw dramatic price increases across the entire coal complex as evidenced by the charts below which show an approximate 117% increase in thermal coal prices (Indonesian Coal Price Index - ICI4) and 109% increase in metallurgical coal prices (Australia Low-Vol PHCC) during the September quarter.



Significant price increases were observed across the entire coal complex during the September quarter

Despite these operating cost increases, the Company’s RKEF operations remain in the lowest operating cost quartile and, with record NPI prices, delivered an improved EBITDA margin of US\$6,190/t Ni sold, up 30.8% from US\$4,732/t Ni sold in the June quarter.

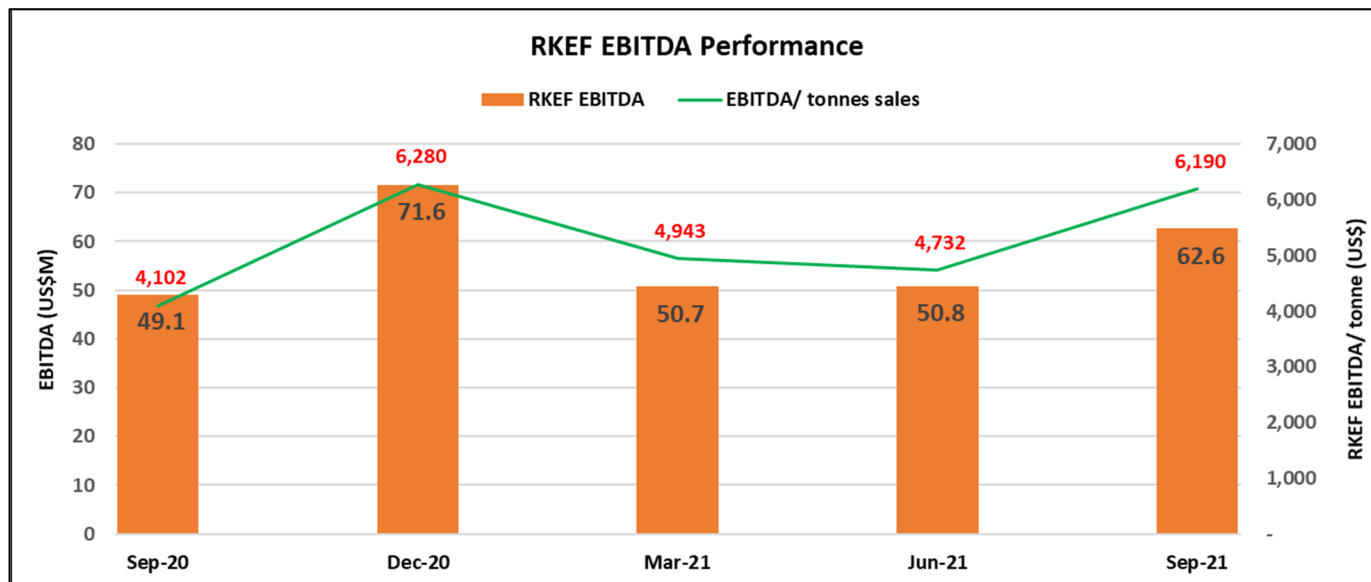
As the NPI market is predominantly a “China-centric” market, the operating cost base of Chinese NPI producers influences NPI sales prices. According to monthly data from Shanghai Metals Markets’ China Nickel Monthly October 2021 publication *“the actual monthly average cash costs of RKEF high-grade NPI plants in Fujian, Jiangsu and Shandong were \$17,978/mt in metal content, \$18,962/mt in metal content, and \$17,214/mt in metal content, respectively in September. The average production costs of EF high-grade NPI plants in Inner Mongolia and Jiangsu were \$20,778/mt in metal content and \$20,426/mt in metal content respectively.”*

To remain viable, NPI producers in China require the current record level NPI prices.

Nickel Mines’ largest relative cost advantage remains the cost of nickel ore, which represents approximately 40% of the NPI operating cost base. Chinese NPI producers are currently paying US\$124/t for 1.8% ore (due its relative scarcity in China) compared with Nickel Mines currently paying ~US\$40/t, with supply of lower grade ore into China set to tighten further as the Philippines comes into its wet season. Additionally, the Company notes that with production at the Hengjaya Mine continuing to increase to approximately 3Mtpa, Hengjaya Mine production now provides a 75% natural hedge on the ore input costs at the Company’s RKEF operations.

EBITDA Margins

As noted above, the Company’s RKEF operations were able to deliver a 23.2% increase in EBITDA to US\$62.6M with EBITDA per tonne of sales rising to US\$6,190/t Ni, up 30.8% from US\$4,732/t Ni in the June quarter. RKEF EBITDA margins, as a percentage of sales, also increased by 8.8% to 37% from 34% in the June quarter. Both metrics highlight the robustness of the Company’s RKEF operations and their ability to generate significant levels of profitability despite significant raw material price increases.



The September quarter produced a strong EBITDA performance as a result of near record margins

COVID-19 Pandemic Prevention and Control

During the quarter, the IMIP continued its focus on vaccinating all workers at the park. As of mid-October 2021, 89% of Hengjaya Nickel employees had received at least one dose and 92% of Ranger Nickel employees had received at least one dose. At the same time, the first dose vaccination rate in the IMIP as a whole was more than 81%.



NPI tap at Ranger Nickel

Hengjaya Mine Operations

Hengjaya Mine (80% interest held by Nickel Mines)

In the September quarter, the Hengjaya Mine safely delivered another production record with 579,156 wet metric tonnes ('wmt') mined, surpassing the previous quarter's record of 574,791 wmt. The mine continues its focus on achieving safe, consistent quality production rates for the final quarter in 2021, setting the scene for 2022 and beyond. The mine's overburden strip ratio for the quarter was higher at 1.81:1 v 1.56:1 for the June quarter leading to some increased mining costs but in the month of September the strip ratio reduced to 1.58:1 when a new mine area known as the Bete Bete East extension was successfully commissioned. The mine can, through its various pits and blending programs, continue to target an ore grade of around 1.75% Ni and a strip ratio of less than 2:1 at the higher mine production rates.

In October 2021, a limonite ore supply agreement was finalised PT Huayue Nickel Cobalt for an initial volume of 150,000 wmt grading between 1.0% to 1.3% nickel, with delivery between the middle of November and the end of December 2021. The limonite ore at the Hengjaya Mine has historically been treated as overburden and as such, the cost of mining this ore has been expensed. A stockpile of 2.14 million wmt of limonite ore at an average grade of 1.12% has been built up at the Hengjaya Mine and the Company is now mobilising the necessary barges and dump trucks to deliver the contracted volumes from the stockpiles.

		July	August	September	Quarter Total	June Quarter
Tonnes mined	wmt	166,506	193,068	219,582	579,156	574,791
Overburden mined	BCM	221,687	267,807	303,551	793,045	549,213
Limonite mined	BCM	113,732	100,133	43,583	257,448	349,373
Overburden and limonite mined	BCM	335,419	367,940	347,134	1,050,493	898,586
Strip ratio*	BCM/wmt	2.01	1.91	1.58	1.81	1.56
Sapolite tonnes sold	wmt	182,915	182,564	203,213	568,692	542,384
Average grade	%	1.74	1.73	1.74	1.74	1.78
Average price received	USD/wmt	35.06	36.34	37.79	36.45	36.09
Average cost of production ³	CIF USD/wmt	25.02	24.54	24.35	24.61	23.48

*Strip ratio includes limonite as overburden.



Central pit operations

³ Monthly production costs are a six-month average of mining costs plus port/selling costs for the actual month. Reported production costs also include US\$313,000 of drilling costs incurred during the September quarter.



Bete Bete main pit expanding in the foreground, with Central pit in the distance



Stockpiles ready for dispatch

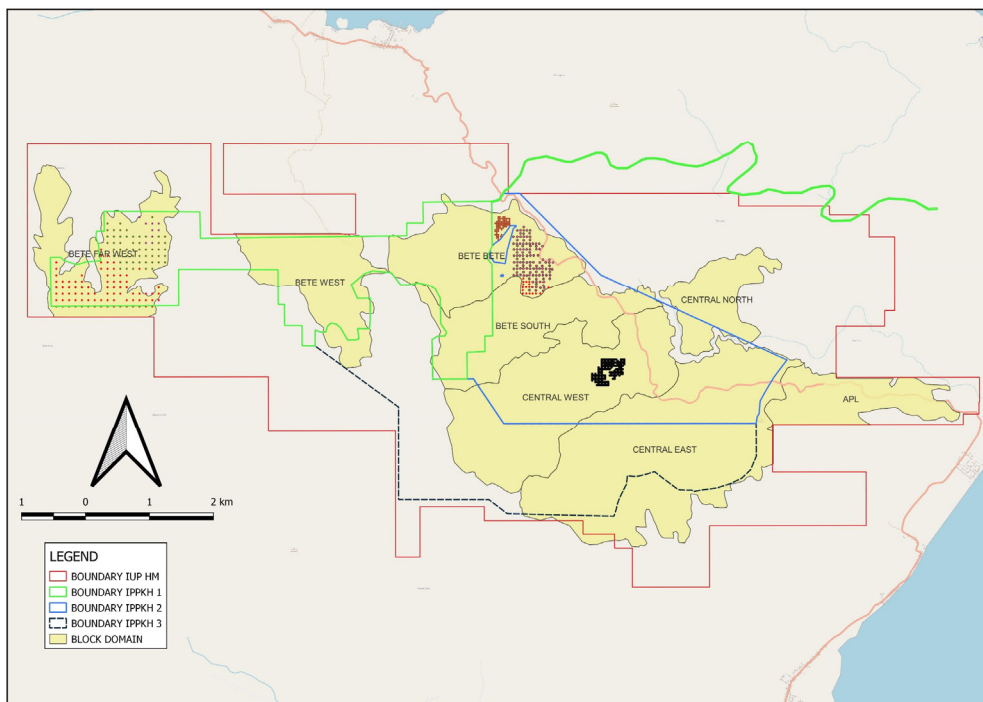
Hengjaya Mine Expansion

With the majority of the main expansion projects almost completed during quarter, the mine continues to focus on mine planning and ore scheduling to sustain the increased production levels of both saprolite and limonite ores in the December 2021 quarter and beyond. Key operational improvements also included opening multiple mine areas, working fronts and increasing the mining fleet size. The quarter also saw commencement of 30 tonne ore haul trucks to complement the 40 tonne ADT mine trucks and associated larger 47 tonne excavators. The final permitting for one section of main haul road to IMIP is awaited, so that construction can commence on that section. Barging operations have also successfully operated at the higher production rates year to date.

The 25m x 25m infill drilling continues in the Central pit areas under the rolling 12 month plan, whilst the Bete Bete areas continue to be drilled at 50m x 50m spaces. The internal haul road connecting Bete Bete to Central is now in full operation and also now includes the eastern, main Bete Bete pit extended areas and extended Central West pits.

Ground penetrating radar ('GPR') work in the 200 hectares to the far west of Bete Bete has now been completed. The exploration drilling program at 200m centres has commenced with two drill rigs mobilised and advancing into the new area.

During the quarter, the Minister of Forestry and Environment approved and issued IPPK3 ('Central East'). The area of 984 hectares hosts excellent exploration targets, adjacent to current operations and further to the south. A GPR program is planned to commence in November and drilling to follow thereafter in December.



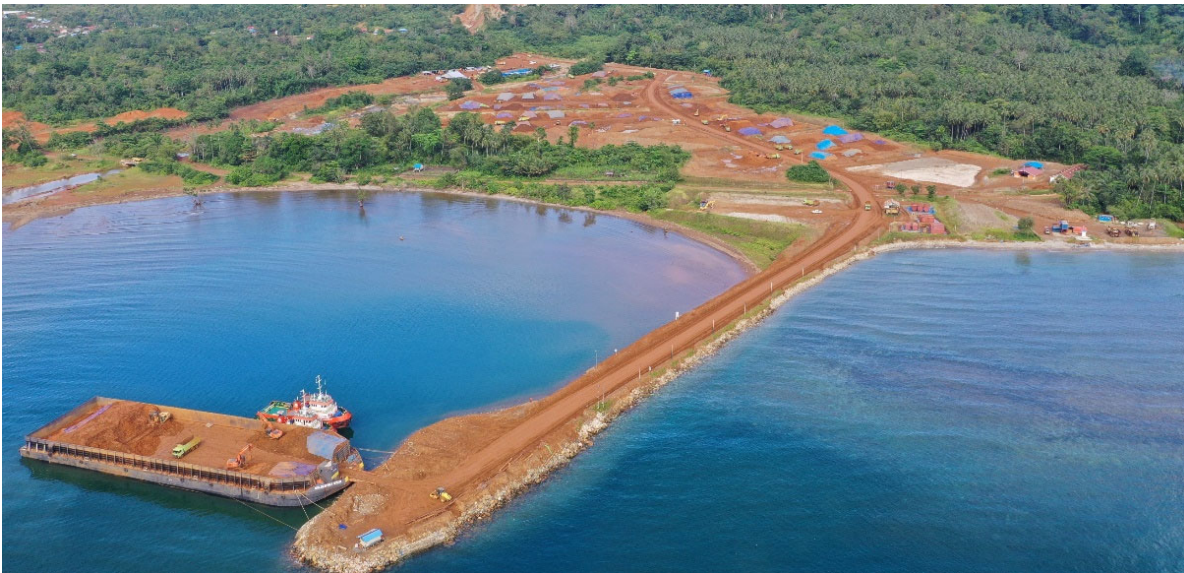
Map showing boundary of IPPK3



IUP additional resource drilling at Bete Bete Far West



Additional Hengjaya Mine mining fleet undergoing prestart inspections



Jetty operations



Site infrastructure including a mosque, sports facility and accommodation is now completed

GR 96/2021 – New Divestment Law

On 9 September 2021, law GR 96/2021 came into effect which increases the required mining IUP foreign divestment period to 49% from the current 10 years to 15 years. It is anticipated that there will be a number of implementing regulations to follow but the change is seen as a positive as Indonesia continues to focus on attracting foreign investment into its mining industry.

Safety, Environment and Community

Safety

The dedicated focus at the mine in safe work culture is ongoing training has resulted in another outstanding achievement with another quarter with no Lost Time Injuries (‘LTI’) or medical treatment injuries reported during the quarter.

Sustaining a safe workplace throughout all operations, including training, ongoing change management throughout the ramp up of production levels is ongoing. Detailed staff training and development programs are undertaken and deliver both refreshing training and certificate of competencies for the various staff to assist with their career development, whilst also being certified as Competent Persons under the ESDM regulations.



Safety monitoring. COVID-19 vaccinations, environment and safety initiatives are all part of our work culture

As part of COVID-19 protocols the Hengjaya Mine continued with the strict protocols regarding non-essential visitor access that have been in place since late January 2020. The regional government also maintained the requirement for valid Negative-PCR tests to be obtained prior to travelling into the Morowali regency throughout the quarter and the regional Morowali airport has also closed for the period.

The COVID-19 vaccination program for the mine site workforce was completed during the quarter, with 94% of the workforce fully vaccinated. Only those workers with medical exemptions have not been vaccinated.

Environment

No environmental incidents were reported during the September quarter and the environmental team completed all required licence compliance monitoring and reporting. The installation of a remote monitoring station commenced in the Bete Bete area. All periodic reporting was honoured and remained in compliance. This included the advancement of the reforestation project of 1,781-hectare DAS program located in the Das Bomba and Das Ensa regions, Poso in Central Sulawesi.



DAS programs nursery and field plants

Community

During the quarter, the Hengjaya Mine continued with its commitment to development, recruitment, and training programs with both local and regional stakeholders, including the Tangofa, Bete Bete, Markati, Labota, Tanga Oreo and Bahodopi village regions. As part of the community relations, the mine is involved in the PPM (community development and empowerment) programs which current consists of eight various projects in the region.



Community education program

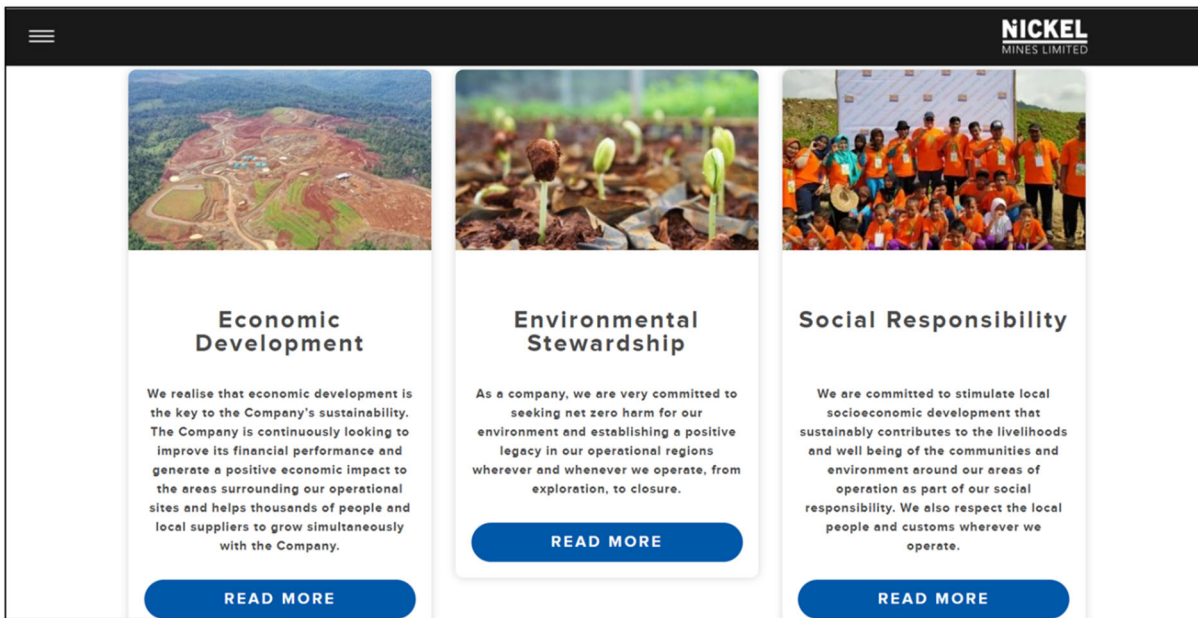
Other projects included donations of additional equipment for local and regional domestic waste management, assistance with local villages on COVID awareness training, construction of a clean water harvesting facility for Bete Bete and donations to local sports, schools, religion projects and medical clinics.



Health and wellbeing projects during the pandemic

Sustainability Reporting

The Company is pleased to announce its plan to publish the first annual sustainability report in March 2022. The report is targeted to meet the requirements of Global Reporting Initiative (GRI) Standards: Core option. To achieve this target, the Company has appointed Trisakti Sustainability Center and SR Asia Indonesia, who have a long experience in sustainability reporting. Also, as part of the reporting requirements on emission aspects, the Company is currently working with Hatch to develop its decarbonisation roadmap and to measure its Greenhouse Gas (GHG) emissions in 2021. In the interim, the Company provides information about its sustainability approaches to the stakeholders through the Company’s website which can be accessed at <https://nickelmines.com.au/sustainability/>.



A new sustainability section on the Company’s website

The Group recognises the importance of partnership to achieve its sustainability agenda. In the September quarter, the Hengjaya Mine joined the *Asosiasi Penambang Nikel Indonesia (APNI)*/ Indonesia Nickel Miner Association to promote sustainable and responsible nickel mining practices with other nickel mining companies. The Group also strengthened its role in addressing shared global challenges by participating in the *Uniting Business LIVE*, an event that was hosted by the UN Global Compact, at the start of the 76th UN General Assembly in September 2021.

Finance⁴

Balance Sheet

At 30 September 2021, the Group held:

- Cash and cash equivalents: US\$120.8M (30 June 2021 - US\$189.8M);
- Trade receivables: US\$82.5M (30 June 2021 - US\$103.2M); and
- Inventories: US\$94.2M (30 June 2021 - US\$70.5M).

Cash and cash equivalents of US\$120.8M were held by Group companies as follows:

- US\$75.2M held by Nickel Mines;
- US\$17.1M held by Hengjaya Nickel and its related entities, in which Nickel Mines holds an 80% interest;
- US\$19.9M held by Ranger Nickel and its related entities, in which Nickel Mines holds an 80% interest; and
- US\$8.6M held by Hengjaya Mine, in which Nickel Mines holds an 80% interest.

Trade receivables of US\$82.5M were held by Group companies as follows:

- US\$40.3M held by Hengjaya Nickel;
- US\$34.7M held by Ranger Nickel; and
- US\$7.5M held by Hengjaya Mine⁵.

Trade receivables of US\$103.2M reported at the end of the June quarter have been received in full.

Inventories (valued at the lower of cost or net realisable value) of US\$94.2M were held by Group companies as follows:

- US\$50.0M held by Hengjaya Nickel, being raw materials;
- US\$42.9M held by Ranger Nickel, being raw materials;
- US\$1.3M of nickel ore held by Hengjaya Mine.

There was no NPI inventory on hand at the end of the September quarter as all NPI produced was sold.

Following the declaration of maiden dividends by the Indonesian RKEF operating entities on 30 June 2021, with construction loans having been fully repaid, these dividends were distributed during the September quarter to Nickel Mines and Shanghai Decent Investment (Group) Co., Ltd ('Shanghai Decent') and its associates, in proportion to their ownership interests (80% to Nickel Mines and 20% to Shanghai Decent and its associates).

During the quarter, Nickel Mines received US\$30M in distributions from Hengjaya Nickel related entities and Shanghai Decent received US\$7.5M and Nickel Mines received US\$19.2M in distributions from Ranger Nickel related entities and Shanghai Decent received US\$4.8M.

These distributions constituted Conduit Foreign Income ('CFI') which enabled the dividend paid by Nickel Mines during the quarter to be designated as paid from CFI, meaning that Nickel Mines' foreign shareholders did not incur any withholding tax deductions in Australia.

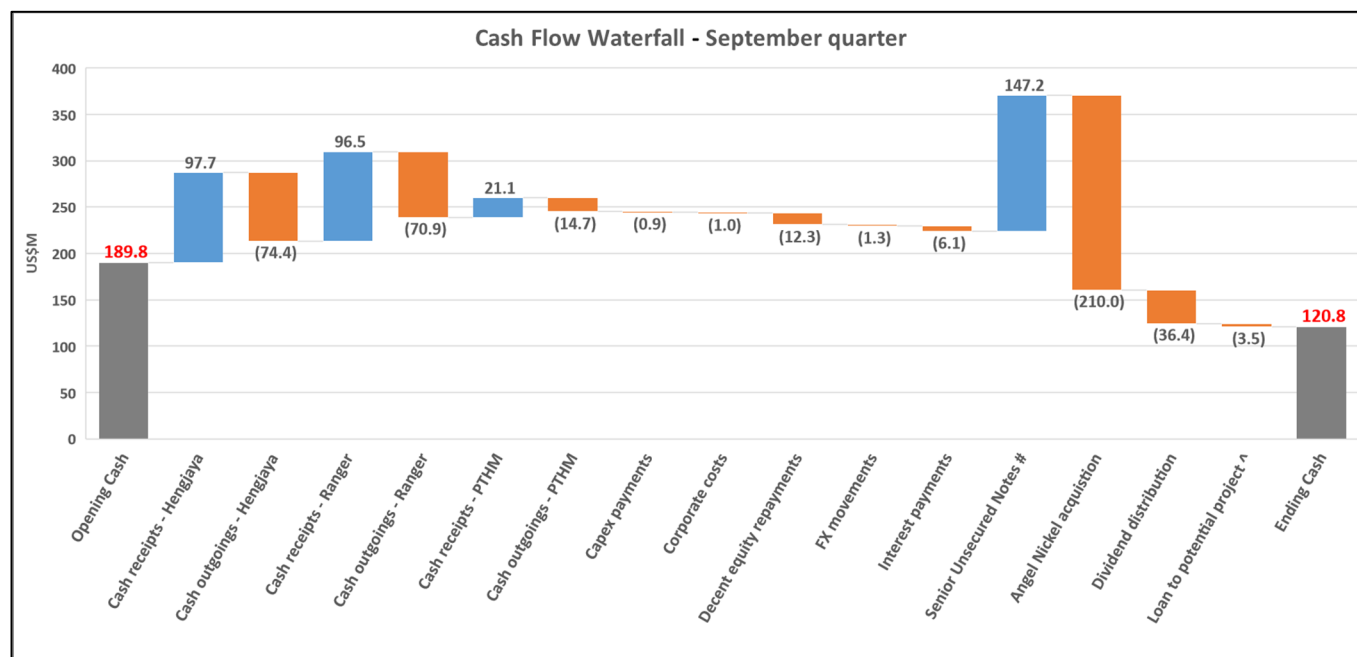
Following the commencement of monthly repatriation of funds from the Hengjaya Mine in February 2021, a further US\$4.5M was repatriated to Nickel Mines during the September quarter. Nickel Mines will receive 100% of fund repatriations from the Hengjaya Mine until intercompany loan funds advanced by Nickel Mines to the Hengjaya Mine have been fully repaid.

⁴ Unaudited numbers from monthly operating entity financial reporting.

⁵ Sales by Hengjaya Mine to Hengjaya Nickel and Ranger Nickel are intra-group transactions and are eliminated on consolidation.

Cash Flow

The following cash flow waterfall provides a reconciliation of cash movements over the September 2021 quarter.



Bond 'tap' proceeds net of issuance costs

^ Secured loan advanced to PT Sinar Inti Pembangunan to facilitate funding and preliminary development of an exploration IUP.

Underlying cash generation from operations (defined as EBITDA from operations less capex) was US\$67.6M.

Expenditures

Expenditure on mine production and development activities during the quarter totalled US\$15.3M, of which US\$859,000 was capex.

Exploration activities during the quarter included infill drilling which totalling US\$313,000 which have been expensed as part of the Hengjaya Mine production costs.

Related Party Expenditures

During the September quarter the aggregate amount of payment to related parties and their associates totalled \$312,248 comprising \$209,946 of payments to Directors or Director related entities for Directors' consulting fees and \$102,302 in fees were paid to MIS Corporate Pty Limited ('MIS'), an entity in which Directors Norman Seckold and Peter Nightingale have a controlling interest. MIS provides full administrative services, including administrative, accounting, company secretarial and investor relations staff both within Australia and Indonesia, rental accommodation, services and supplies to the Group.

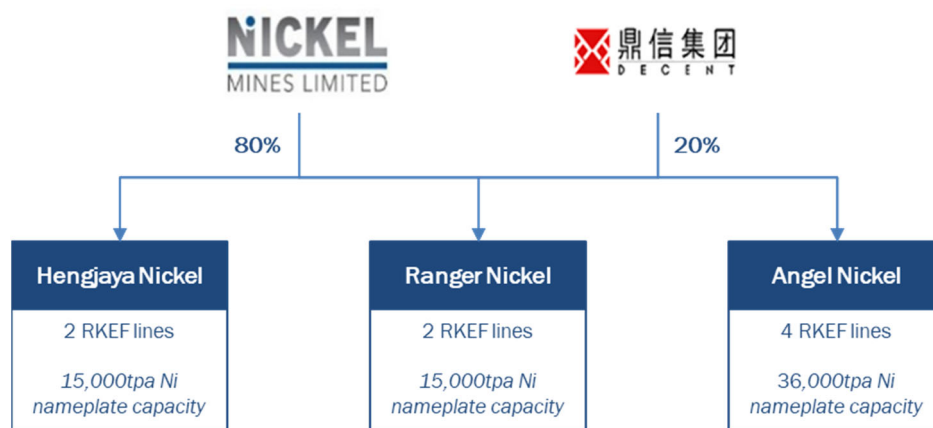
Corporate

Angel Nickel Project ownership increased to 80%

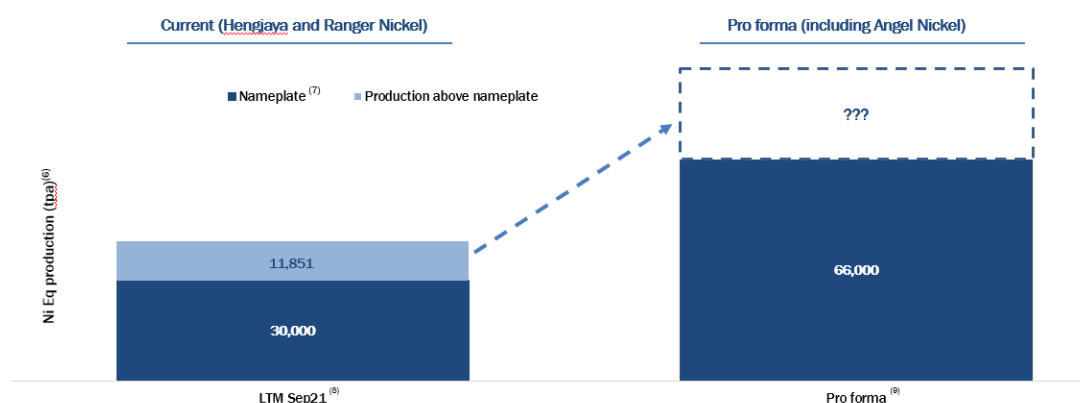
On 30 September 2021, the Company completed the acquisition of a further 30% interest in Angel Capital Private Limited ('Angel Nickel'), the Singaporean holding company and ultimate 100% owner of the Angel Nickel project currently under construction within the Indonesia Weda Bay Industrial Park. The Angel Nickel project comprises four next generation RKEF lines with nameplate nickel production of 36,000 tonnes per annum and a 380MW power station.

Following the payment of US\$210M, Nickel Mines' direct ownership interest in the Angel Nickel project has increased to 80%, having acquired its initial 30% interest in February 2021 and a further 20% in April 2021. The Company now holds an 80% interest across all of its RKEF operations – Angel Nickel, Hengjaya Nickel and Ranger Nickel. The remaining 20% is held by Company's largest shareholder and strategic partner, Shanghai Decent, a group company of the world's largest stainless-steel producer, Tsingshan.

Angel Nickel is expected to have commenced commissioning by no later than October 2022. Once commissioned, the Company's nameplate production profile will more than double, with annual production capacity (on a 100% basis) increasing from 30,000 tonnes of nickel metal to 66,000 tonnes. Importantly, Shanghai Decent has provided the Company with a contractual commitment that the total cost of Angel Nickel will not exceed US\$700M. Nickel Mines, through its acquisition of the 80% interest, has now paid its share of this and has no capital expenditure risk.



Nickel Mines' RKEF ownership interests (simplified)



Nickel Mines' strong RKEF production profile

6 "Ni Eq" is nickel metal equivalent contained in NPI

7 Nameplate production levels reflect nameplate capacity on a 100% basis (15ktpa each for Hengjaya and Ranger Nickel and 36ktpa for Angel Nickel)

8 Reflects 12 months production to 30 June 2021

9 Expected total nameplate production capacity once completed (30ktpa current capacity plus 36ktpa capacity expected at Angel Nickel), with potential "production above nameplate" unknown

Memorandum of Agreement Signed for Siduarsi Nickel-Cobalt Project

During the quarter, the Company signed a binding Memorandum of Agreement (‘MoA’) with PT Iriana Mutiara Mining (‘IMM’) for the staged acquisition of a 100% interest in the Siduarsi Nickel-Cobalt project (‘Siduarsi’) in Papua province, Indonesia.

Siduarsi is a 6th generation Contract of Work (‘CoW’) and is one of only four active nickel CoWs in Indonesia, the other three being VALE-INCO (which hosts its Soroako nickel matte production facilities - 72kt of nickel in 2020), Weda Bay which hosts the Indonesia Weda Bay Industrial Park where the Company’s four Angel Nickel RKEFs are currently under construction and Gag Island in West Papua province.

Siduarsi covers 16,470 hectares with previous work undertaken by Battle Mountain (IMM JV partner, 1994 - 1997) and Freeport McMoran (IMM Option holder, 1998 - 1999), who were assessing the project’s limonite potential. Work undertaken by Battle Mountain and Freeport McMoran included approximately 367 shallow hand and machine soil augurs, 24 drill holes and 4 test pits.

Highest individual grades of 2.07% nickel and 0.36% cobalt were recorded across 1-metre vertical channel samples at very shallow depths, which indicates further potential for discreet pods of higher grade saprolite ore underlying the high iron (results up to 77.1% iron oxide in 1-metre drillcore sampling) and high cobalt limonite cap. High levels of scandium, chromite (up to 12.0% in 1 metre drillcore sampling) and aluminium were also reported.



Location map showing the location of the Siduarsi project in Papua province, Indonesia

Completion of US\$150M Issuance of Senior Unsecured Notes

In September, the Company successfully completed a US\$150 million ‘tap’ issuance (New Notes) of its existing Senior Unsecured Notes at an interest rate of 6.50%, maturing 1 April 2024 (‘Existing Notes’).

The New Notes constitute a further issuance and were consolidated with the Existing Notes to form a US\$325 million single series of notes (‘Notes’).

By increasing the total quantum of Notes outstanding and by extending the issue to include qualified institutional buyers in the USA pursuant to Rule 144A (the Existing Notes were Regulation S only), the Company has been able to further improve the spread and liquidity of the Notes, thereby improving the performance of the Company’s Notes in the bond market. Funds from the issue of the New Notes will be used for working capital and general corporate purposes, bolstering the Company’s treasury.

Key details of the New Notes are set out below:

Issuer	Nickel Mines Limited
New Notes Issue Size	US\$150M of Senior Unsecured Fixed Rate Notes
Total Bond Issue Size	US\$325M of Senior Unsecured Fixed Rate Notes
Coupon	6.50% per annum, payable on a semi-annual basis in arrears
Corporate Rating	Moody’s B1 (Stable) Fitch B+ (Stable)
Distribution Format	Rule 144A / Regulation S (to be consolidated and form a single class with the Existing Notes)
Interest Payment Dates	1 April and 1 October of each year, commencing on 1 October 2021
Final Maturity Date	1 April 2024
Listing	Approval in-principle has been received for the listing of the Notes on the Singapore Exchange Securities Trading Limited
Reg S ISIN	XS2325213689
144A ISIN	US653894AA37

The expanded bond program has resulted in the Company’s bonds being included in both the J.P. Morgan Asia Credit Index (‘JACI’) and CEMBI Broad Diversified Index.

Angel Nickel progress report

During the September quarter excellent progress was made across the various phases of the Angel Nickel project.



Electric furnace



Slag flushing circulation pond



Aerial view of smelter plant



Main workshop



Power plant



Aerial view of power plant

Cumulative completion of the various work phases at the end of the September quarter were estimated as follows:

Civil Construction Progress	% Completed*
Main workshop	98%
Rotary kiln	74%
Electric furnace	75%
Slag flushing circulation pond	97%
Dry ore shed	62%
Angel Nickel power plant	32%

The Project remains on schedule for commissioning in the second half of 2022.

Binding agreement signed to supply limonite ore to IMIP HPAL Project

Subsequent to quarter end the Company signed a binding agreement with PT Huayue Nickel Cobalt ('HNC')¹⁰ for the supply of limonite ore to the HNC High Pressure Acid Leach ('HPAL') project, which is about to commence commissioning within the IMIP. The HPAL project has a planned annual capacity of 60,000 tonnes of nickel and 6,000 - 8,000 tonnes of cobalt produced as a mixed hydroxide precipitate ('MHP'), a preferred raw material feedstock for the electric vehicle ('EV') battery supply chain.

The ore supply agreement is for an initial volume of 150,000 wmt grading between 1.0% to 1.3% nickel, with delivery between the middle of November and the end of December 2021.

The limonite ore at the Hengjaya Mine has historically been treated as overburden and as such, the cost of mining this ore has been expensed. Hengjaya Mine has stockpiled 2.14 million wmt of limonite ore at an average grade of 1.12% and the Company is now mobilising the necessary barges and dump trucks to deliver the contracted volumes from the stockpiles.

Following successful delivery of this initial volume of limonite ore, the Company and HNC plan to agree pricing and significantly larger volumes for the 2022 calendar year. This agreement further underscores the significant strategic value of the Hengjaya Mine to not just existing NPI production, but also new HPAL production which is currently being developed within IMIP for the EV battery industry.

Expansion initiatives undertaken at the mine over the last 12 months have in part been to prepare for the delivery of limonite ore to the IMIP's HPAL projects and with supply now set to commence Hengjaya Mine will be critical to the success of the HNC HPAL project's commissioning and ramp up. The future supply of limonite ore will now allow the Company to monetise a much greater portion of the ore body, significantly enhancing the revenue generation from its mining operations.

Dividend Declaration and Payment

During the quarter the Company declared and paid a A\$0.02 per share interim dividend relating to its June 2021 half year financial result.

¹⁰ PT Huayue Nickel Cobalt is a joint venture between Huayou Cobalt (57%), China Molybdenum (30%), Tsingshan (10%) and others (3%).

QUARTERLY PROGRESS

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

"We are extremely pleased to have delivered such a strong September quarter result. Against the backdrop of global coal shortages and surging energy prices, our RKEF operations' ability to deliver near record operating margins and a 23.2% increase in EBITDA from the June quarter highlights our significant strength and advantage as a bottom quartile cost producer. The resilience of our RKEF operations and benefits from operating within the Indonesia Morowali Industrial Park has been highlighted over the last few months, particularly in light of numerous other metal producers across the commodities spectrum suffering significantly reduced operational and financial performance as a result of soaring energy prices. With NPI prices continuing to push higher and currently sitting around US\$20,000/t Ni, we are confident of delivering another strong performance across the December quarter, with initial contracts already priced in the US\$18,000 to US\$19,000/t Ni range.

We are also delighted to report yet another record quarter of production at Hengjaya Mine with our 579,156 wmt mined edging out the June quarter result of 574,791 wmt. Pleasingly, October has gotten off to an exceptionally strong start with more than 290,000 wmt mined month-to-date leaving us well placed to deliver on our targeted 3Mtpa run rate ahead next year's Q1 schedule. We are also excited to have also executed our first limonite sales contract to supply Huayue's HPAL project within the IMIP and look forward to furthering this relationship in 2022 with longer term supply contracts that will be critical to the success of that project.

On a corporate note, it was an extremely busy quarter with the Company finalising the acquisition of a further 30% interest in Angel Nickel, taking the Company's interest in Angel Nickel to 80%, completing a US\$150M bond tap to enhance our treasury and completing a strategic agreement to secure the highly prospective Siduarsi nickel-cobalt in West Papua. With our existing operations performing exceptionally well and generating strong levels of operating cash flows, Angel Nickel fully-funded and on schedule to more than double our production base from Q3 next year, the Company and its shareholders can look forward to an exciting next 12 months."

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