

## Analyst

David Coates 612 8224 2887

## Authorisation

Regan Burrows 618 9326 7677

# Nickel Mines Ltd (NIC)

## Margins expand further

### Recommendation

**Buy** (unchanged)

Price

**\$1.225**

Target (12 months)

**\$2.00** (previously \$1.88)

### GICS Sector

Materials

### Expected Return

Capital growth	<b>63.3%</b>
Dividend yield	<b>4.1%</b>
Total expected return	<b>67.4%</b>

### Company Data & Ratios

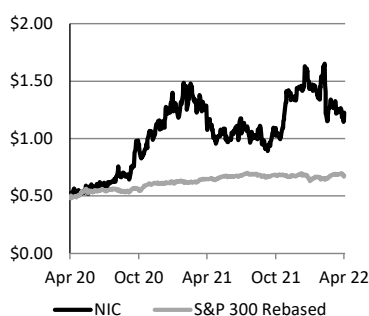
Enterprise value	<b>\$3,621m</b>
Market cap	<b>\$3,346m</b>
Issued capital*	<b>2,731m</b>
Free float	<b>73%</b>
Avg. daily val. (52wk)	<b>\$17.7m</b>
12 month price range	<b>\$0.885-\$1.79</b>

\*Includes 108.1m share placement to SDI

### Price Performance

	(1m)	(3m)	(12m)
Price (A\$)	1.29	1.51	1.27
Absolute (%)	-4.7	-18.9	-3.5
Rel market (%)	-4.0	-21.3	-7.8

### Absolute Price



SOURCE: IRESS

## March 2022 quarterly report

NIC has reported production and costs from its Hengjaya (HNI), Ranger (RNI) and Angel (ANI) Nickel Projects in Indonesia. Excluding the commissioning and ramp-up production from ANI (sales not yet reported), NIC produced 74,089t of NPI at 13.6% Ni for 10,090t Ni, with 8,072t attributable to NIC (vs BPe 75,500t of NPI at 13.2% Ni for 10,193t Ni, 8,154t attributable). Production was in-line with our HNI and RNI forecasts and achieved at lower costs quarter-on-quarter (qoq). In our view this was an excellent result given input cost inflation pressures across the sector. In combination with rising NPI prices, EBITDA margins lifted to a record US\$7,386/t of Ni in NPI, up 22.5% qoq and generating EBITDA from RKEF operations of US\$72.8m. Together with a record US\$8.9m EBITDA reported for the Hengjaya Mine (vs US\$8.0m qoq), NIC's reportable EBITDA (consolidated, 100% basis) for the quarter was US\$81.7m. Cash on hand decreased from US\$137.9m to US\$129.7m after US\$36m dividend distributions, US\$167m in acquisition and capital expenditure and US\$103m placement proceeds.

## Operations and development uninterrupted

We believe this update also addressed any questions relating to potential disruptions to either production or development activities stemming from Tsingshan's (the parent company of Shanghai Decent Investments (SDI), NIC's partner in Indonesia) widely reported nickel short position. HNI and RNI delivered strong, uninterrupted production performances, and at ANI three of the four production lines were commissioned ahead of schedule. Mr Weifeng Huang, Chairman of SDI, joined the conference call to outline a standstill agreement with Tsingshan's banks and the orderly unwind of the short position. We also note NIC's share placement to SDI, as part consideration for the Oracle acquisition, has been approved by the FIRB.

## Investment thesis – Buy, TP\$2.00/sh (from Buy, TP\$1.88/sh)

CY22 earnings lift 10% and CY23 earnings are cut by 5% on a higher nickel price offset by conservative price realisation assumptions and increases to our cost forecasts. We continue to forecast aggressive earnings growth of 69% for CY22 and 71% for CY23. Our NPV-based valuation lifts 6% to \$2.00/sh. Retain Buy.

### Earnings Forecast

Year ending 31 December	2021a	2022e	2023e	2024e
Sales (US\$m)	646	1,145	1,802	2,029
EBITDA (US\$m)	243	443	713	763
Attributable NPAT (reported) (US\$m)	138	237	422	461
Attributable NPAT (reported) (A\$m)	184	325	578	632
EPS (adjusted) (Acps)	7.3	12.4	21.1	23.1
EPS growth (%)	-11%	69%	71%	9%
PER (x) 1	16.8	9.9	5.8	5.3
FCF Yield (%) 1	-18%	4%	25%	30%
EV/EBITDA (x) 1	10.6	5.8	3.6	3.4
Dividend (Acps)	4.0	5.0	8.0	9.0
Yield (%)	3.3%	4.1%	6.5%	7.3%
Franking (%)	0%	0%	0%	0%
ROE (%) 1	18%	26%	37%	34%

SOURCE: BELL POTTER SECURITIES ESTIMATES

# Margins expand further

## March 2022 quarterly report

NIC released its March 2022 quarter report, announcing production and costs from its RKEF lines at the Hengjaya (HNI) and Ranger (RNI) Nickel Projects at the IMIP in Indonesia. Production was marginally below our forecasts, consistent with the previous quarter's production and achieved at marginally lower costs. Excluding ANI from NIC's production and our forecasts, NIC produced 74,089t of NPI at 13.6% Ni for 10,090t contained Ni, with 8,072t attributable to NIC (vs BPe 75,500t of NPI at 13.2% Ni for 10,193t contained Ni, 8,154t attributable). Cash costs were US\$11,969/t (vs BPe US\$11,818/t).

Production was also reported from the commissioning-stage Angel Nickel Project (ANI). While this was well below our forecasts, it is in commissioning and ramp-up stage across four separate RKEF lines and we anticipate significant variability on ramp-up rate and timing factors. We had forecast 40,000t of NPI production and 5,000t of Ni in NPI (100% basis). Actual production was 7,510t of NPI production and 1,077t Ni in NPI. NIC has also reported that in the first 19 days of April, ANI produced 1,280t Ni in NPI, equivalent to a quarterly run-rate of 6,130t Ni in NPI. ANI still awaits its commercial sales licence, expected in May 2022. NPI production from ANI is being stockpiled until then.

NIC reported a realised nickel in NPI price of US\$19,368/t Ni, approximating 68% of the LME nickel price in what was likely the most volatile quarter for the nickel price on record. More importantly, the realised price was up 4.4% quarter on quarter (qoq) and NIC's EBITDA margins lifted to a record US\$7,386 per tonne of Ni in NPI, up 22.5% qoq and generating EBITDA from RKEF operations of US\$72.8m. Together with a record US\$8.9m EBITDA reported for the Hengjaya Mine (vs December 2021 quarter US\$8.0m), NIC's reportable EBITDA (consolidated, 100% basis) for the quarter was US\$81.7m

Laterite nickel ore production from the Hengjaya Mine (NIC 80%) of 1,074kt was a record, up 27% qoq from 847kt. NIC stated on the conference call and production rate of 3-5Mtpa was being targeted over the medium term.

Cash and receivables increased from US\$333.4m to US\$431.8m. This includes cash of US\$129.7m (from US\$137.9m qoq) which reflected a ~US\$106m increase in working capital balances over the quarter as production has increased at the RKEF and mining operations. US\$70m has been received since quarter-end. NIC has debt of US\$325m.

Key production metrics are summarised below:

Table 1 - NIC quarterly production summary

	Mar-21 Actual	Jun-21 Actual	Sep-21 Actual	Dec-21 Actual	Mar-22 Actual	Mar-22 BP est.	Variance qoq %	Variance vs BPe %
<b>Hengjaya Mine</b>								
Ore sales (t)	424,410	542,384	568,692	634,486	710,136	600,000	12%	18%
grade (% Ni)	1.77%	1.78%	1.74%	1.75%	1.72%	1.80%	-1.7%	-4.4%
Contained nickel (t Ni)	7,512	9,654	9,895	11,104	12,214	10,800	10%	13%
Mine OPEX (US\$/t)	\$22.78	\$23.48	\$24.61	\$24.98	\$25.33	\$26.13	1%	-3%
Avg price received (US\$/t)	\$35.40	\$36.09	\$36.45	\$37.55	\$43.75	\$42.55	17%	3%
<b>RKEF NPI production</b>								
NPI production (t)	71,939	74,487	73,154	78,772	81,599	115,502	4%	-29%
NPI grade (% Ni)	14.0%	13.6%	13.8%	12.8%	13.7%	13.2%	7%	4%
Contained nickel (t)	10,068	10,143	10,113	10,087	11,167	15,193	11%	-26%
Contained nickel (t, attributable)	8,054	8,114	8,091	8,070	8,934	12,154	11%	-26%
<b>Costs</b>								
Cash costs (US\$/t Ni)	\$8,683	\$9,107	\$10,377	\$12,346	\$11,969	\$11,818	-3%	1%

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

## Changes to our forecasts

Beyond updating our forecasts for the March quarter 2022 production and cost report, we have made the following changes to our modelled assumptions:

- Extended our forecast increased operating cost assumptions for the HNI and RNI projects into CY23 and CY24, reflecting the persistence of input cost inflation pressures and the supply chain disruptions that are contributing to that;
- Increased our production forecast for the Hengjaya laterite nickel mine, following the successful expansion and sales increase;
- Lowered our forecast for commercial production from ANI, reflecting the slower (but still ahead of schedule) ramp-up of production;
- Updated for our latest commodity price and exchange rate forecasts, including a 40% increase to our CY22 nickel price. This is largely by a lower assumed NPI payability, which we reduce to ~70%, reflecting price realisations for the March quarter and equating to NPI prices of US\$19,000-US\$21,000/t Ni in NPI; and
- Rolled our model forward and updated for NIC's latest capital structure and net cash position.

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

Table 2 - Changes to our CY forecasts									
Year end 31 December	Previous			New			Change		
	Dec-22	Dec-23	Dec-24	Dec-22	Dec-23	Dec-24	Dec-22	Dec-23	Dec-24
<b>Prices &amp; currency</b>									
Nickel price (US\$/t)	19,456	18,629	18,739	27,227	20,668	19,841	40%	11%	6%
US\$/A\$	0.73	0.73	0.73	0.73	0.73	0.73	0%	0%	0%
<b>Production &amp; costs</b>									
Ore mined (t)	2,400,000	2,400,000	2,400,000	2,510,136	2,400,000	2,400,000	5%	0%	0%
Nickel in ore (t)	43,200	43,200	43,200	44,614	43,200	43,200	3%	0%	0%
RKEF NPI production (t)	517,008	789,615	904,615	466,899	789,615	904,615	-10%	0%	0%
Contained nickel (t)	67,646	100,823	114,623	61,973	100,823	114,623	-8%	0%	0%
Contained nickel (t, attributable)	54,117	78,438	88,098	49,578	78,438	88,098	-8%	0%	0%
Cash costs (US\$/t Ni)	11,493	9,626	9,762	11,917	11,219	11,210	4%	17%	15%
<b>Earnings &amp; valuation</b>									
Revenue (consolidated, US\$m)	1,160	1,681	1,916	1,145	1,802	2,029	-1%	7%	6%
EBITDA (consolidated, US\$m)	411	741	809	443	713	763	8%	-4%	-6%
EBITDA (attributable, US\$m)	327	577	621	352	551	580	8%	-4%	-7%
NPAT (reported, attributable, US\$m)	216	446	499	237	422	461	10%	-5%	-7%
EPS (reported) (Acps)	11.3	22.3	24.9	12.4	21.1	23.1	10%	-5%	-7%
PER (x)	10.9	5.5	4.9	9.9	5.8	5.3	(1.0)	0.3	0.4
EPS growth (%)	54%	98%	12%	69%	71%	9%	15%	-27%	-2%
DPS (Acps)	5.0	9.0	10.0	5.0	8.0	9.0	0%	-11%	-10%
Yield	4.1%	7.3%	8.2%	4.1%	6.5%	7.3%	0%	-1%	-1%
NPV (A\$/sh)	1.88	2.18	2.38	1.73	2.00	2.28	-8%	-8%	-4%
<b>Price Target (A\$/sh)</b>		1.88			2.00			6%	

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

The higher nickel price is partially offset by conservative price realisation assumptions and increases to our cost forecasts. CY22 earnings lift 10% and CY23 earnings are cut by 5%. Consolidated EBITDA is up 8%, to US\$443m for CY22.

We continue to forecast aggressive earnings growth of 69% for CY22 and 71% for CY23. NIC is trading on P/E multiple of 9.9x and 5.8x respectively, which we view as cheap in that context. Our NPV-based valuation lifts 6% to \$2.00/sh.

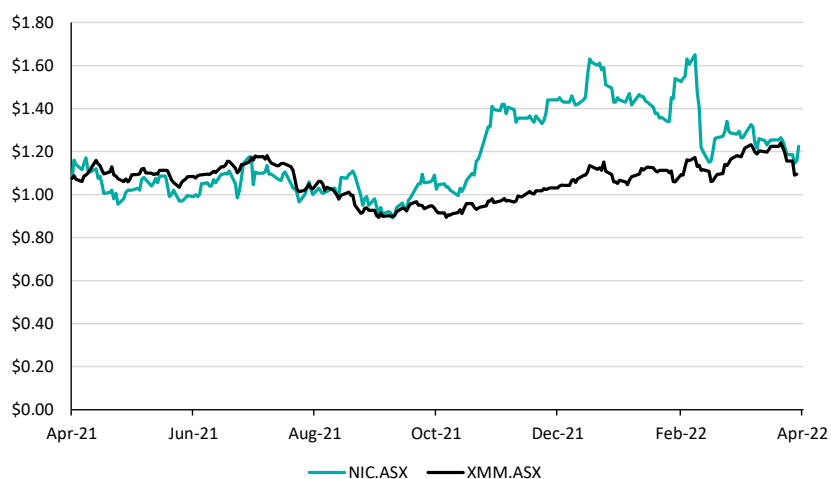
## Upcoming catalysts

Upcoming catalysts for NIC include:

- Updates on Nickel Pig Iron (NPI) pricing and the effective Ni payability, which we believe the market will continue to consider as a measure of NIC's nickel price exposure;
- Further updates on the production ramp-up progress of ANI, in which NIC holds an 80% interest. We anticipate full production in the December quarter 2022;
- Further updates on the construction of ONI, comprising 4 next-generation RKEF lines being developed within the IMIP. Commissioning is to commence in 1QCY23;
- Announcement of potential debt funding to supplement the acquisition cost of NIC's interest in ONI, as well as provide balance sheet flexibility;
- Progress updates for the Hengjaya Mine, where a major production expansion is complete. We will be looking for costs to track lower, towards ~US\$20/t and for the first commercial limonite nickel ore sales in 1HCY22;
- The release of the June 2022 quarterly production and cost report, expected in late April 2022;
- Exploration and development updates on the Siduarsi Nickel-Cobalt project in Papua province, Indonesia, in which NIC has recently acquired a 100% interest; 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.

NIC has also executed binding agreements to acquire an 80% interest in the Angel Nickel Project comprising four new generation RKEF NPI production lines currently in production ramp up production within the Indonesia Weda Bay Industrial Park (IWIP) on Halmahera Island in Indonesia and a 70% interest in the Oracle Nickel Project, comprising four new generation RKEF NPI production lines currently under construction within the IMIP.

NIC also holds an 80% interest in Hengjaya Mine ('HM'), a high-grade, long-life nickel laterite deposit, in close proximity to the IMIP. The HM produces Direct Shipping Ore (DSO), the bulk of which is sold into the IMIP facility.

## Investment thesis – Buy, TP\$2.00/sh (from Buy, TP\$1.88/sh)

CY22 earnings lift 10% and CY23 earnings are cut by 5% on a higher nickel price offset by conservative price realisation assumptions and increases to our cost forecasts. We continue to forecast aggressive earnings growth of 69% for CY22 and 71% for CY23. Our NPV-based valuation lifts 6% to \$2.00/sh. Retain Buy.

## Valuation: \$2.00/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% in 2028) in the Hengjaya laterite nickel ore mine.

We also include a risk-adjusted, NPV-based valuation for NIC's 80% interest in the Angel Nickel Industry (ANI) project, its 70% interest in the Oracle Nickel Project (ONI) and 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 \$2.00/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 ~18% holding in NIC equity.

### Table 3 - Financial summary

PROFIT AND LOSS						FINANCIAL RATIOS							
Year ending 31 Dec.	Unit	2020a	2021a	2022e	2023e	2024e	Year ending 31 Dec.	Unit	2020a	2021a	2022e	2023e	2024e
Revenue	US\$m	523.5	645.9	1,145.3	1,802.4	2,029.0	<b>VALUATION</b>						
Expense	US\$m	(329.0)	(402.7)	(702.3)	(1,089.5)	(1,266.1)	Attributable NPAT	US\$m	110.6	137.9	236.8	421.8	461.4
<b>EBITDA</b>	<b>US\$m</b>	<b>194.5</b>	<b>243.2</b>	<b>442.9</b>	<b>712.9</b>	<b>762.9</b>	Attributable NPAT	A\$m	160.1	183.6	324.9	577.9	632.1
Depreciation	US\$m	(36.8)	(36.0)	(63.3)	(97.1)	(111.6)	Reported EPS	USc/sh	5.7	5.5	9.0	15.4	16.8
EBIT	US\$m	157.7	207.3	379.7	615.7	651.3	Reported EPS	Ac/sh	8.2	7.3	12.4	21.1	23.1
Net interest expense	US\$m	(4.7)	(12.7)	(24.9)	(24.6)	(10.3)	Adjusted EPS	Ac/sh	8.2	7.3	12.4	21.1	23.1
Unrealised gains (Impairments)	US\$m	-	-	-	-	-	EPS growth	%	62%	-11%	69%	71%	9%
Other	US\$m	1.6	(13.5)	(32.2)	(21.9)	(20.4)	PER <sup>1</sup>	x	14.9x	16.8x	9.9x	5.8x	5.3x
<b>PBT</b>	<b>US\$m</b>	<b>154.6</b>	<b>181.0</b>	<b>322.5</b>	<b>569.3</b>	<b>620.6</b>	DPS	Ac/sh	3.0	4.0	5.0	8.0	9.0
Tax expense	US\$m	(0.9)	(5.1)	(9.6)	(10.2)	(3.7)	Franking	%	0%	0%	0%	0%	0%
Consolidated profit (loss) for the year	US\$m	153.7	176.0	312.9	559.1	616.9	Yield	%	2.4%	3.3%	4.1%	6.5%	7.3%
Non-Controlling Interest	US\$m	43.1	38.0	76.1	137.3	155.5	FCF/share <sup>1</sup>	Ac/sh	(2.6)	(21.6)	4.7	30.8	36.6
<b>Attributable NPAT (reported)</b>	<b>US\$m</b>	<b>110.6</b>	<b>137.9</b>	<b>236.8</b>	<b>421.8</b>	<b>461.4</b>	FCF yield <sup>1</sup>	%	-2%	-18%	4%	25%	30%
NPAT (underlying)	US\$m	110.6	137.9	236.8	421.8	461.4	P/FCFPS <sup>1</sup>	x	-47.9x	-5.7x	26.1x	4.0x	3.3x
							EV/EBITDA <sup>1</sup>	x	13.2x	10.6x	5.8x	3.6x	3.4x
							EBITDA margin	%	37%	38%	39%	40%	38%
							EBIT margin	%	30%	32%	33%	34%	32%
							Return on assets <sup>1</sup>	%	17%	12%	15%	22%	22%
							Return on equity <sup>1</sup>	%	27%	18%	26%	37%	34%
							<b>LIQUIDITY &amp; LEVERAGE</b>						
							Net debt (cash)	\$m	(306)	190	41	(363)	(868)
							ND / E	%	-33%	18%	3%	-22%	-45%
							ND / (ND + E)	%	-48%	16%	3%	-28%	-82%
							EBITDA / Interest	x	40.9x	19.1x	17.8x	29.0x	74.0x
							<b>ATTRIBUTABLE DATA - NICKEL MINES LTD</b>						
							Year ending 31 Dec.	Unit	2020a	2021a	2022e	2023e	2024e
							Revenues	US\$m	391.3	578.8	1,005.9	1,489.9	1,626.5
							EBITDA	US\$m	139.7	199.2	352.3	551.4	580.2
							NPAT	US\$m	110.6	137.9	236.8	421.8	461.4
							Net distributable cash flow	US\$m	269.3	(190.4)	211.9	228.6	296.6
							EV/EBITDA	x	17.9	13.7	7.5	4.8	4.6
							PER	x	14.9	16.8	9.9	5.8	5.3
							P/FCF	x	nm	nm	nm	10.7	8.2
							<b>ORE RESERVE AND MINERAL RESOURCE</b>						
							Hengjaya Nickel Mine (HM)				Mdmt	% Ni	t Ni
							Mineral Resources						
							Measured				20,000	1.30%	260,000
							Indicated				109,000	1.30%	1,417,000
							Inferred				56,000	1.30%	728,000
							<b>Total</b>				<b>185,000</b>	<b>1.30%</b>	<b>2,405,000</b>
							<b>ASSUMPTIONS - Prices</b>						
							Year ending 31 Dec. (avg)	Unit	2020a	2021a	2022e	2023e	2024e
							Nickel	US\$/lb	\$6.25	\$8.37	\$12.35	\$9.38	\$9.00
							Nickel	US\$/t	\$13,775	\$18,460	\$27,227	\$20,668	\$19,841
							<b>Currency</b>						
							AUD:USD		0.69	0.75	0.73	0.73	0.73
							<b>ASSUMPTIONS - Production &amp; costs</b>						
							Year ending 31 Dec.	Unit	2020a	2021a	2022e	2023e	2024e
							Hengjaya Mine						
							Ore mined	wmt	795,650	2,169,972	2,510,136	2,400,000	2,400,000
							Ore grade	% Ni	1.8%	1.8%	1.8%	1.8%	1.8%
							Nickel in ore	t Ni	14,479	38,165	44,614	43,200	43,200
							Nickel in ore (attributable)	t Ni	11,583	30,532	35,691	34,560	34,560
							<b>RKEF (IMIP)</b>						
							NPI production	t	295,897	298,352	466,899	789,615	904,615
							Contained nickel	t Ni	43,622	40,411	61,973	100,823	114,623
							Contained nickel (attributable)	t Ni	30,619	32,329	49,578	78,438	88,098
							<b>Costs</b>						
							Cash costs	US\$/t Ni	\$7,330	\$10,106	\$11,917	\$11,219	\$11,210
							All-in-Costs (AIC)	US\$/t Ni	\$7,414	\$10,225	\$12,013	\$11,324	\$11,315
							<b>VALUATION</b>						
							Ordinary shares (m)						2,731.3
							Options in the money (m)						-
							<b>Total shares diluted (m)</b>						<b>2,731.3</b>
							<b>Valuation</b>						
								CY22		CY23		CY24	
							<b>Sum-of-the-parts</b>	A\$m	A\$/sh	A\$m	A\$/sh	A\$m	A\$/sh
							IMIP RKEF (NPV12)	2,108.3	0.77	2,100.9	0.77	2,083.6	0.76
							IWIP RKEF (NPV12)	1,925.6	0.71	2,018.7	0.74	2,033.7	0.74
							ONI RKEF (NPV12)	834.1	0.31	1,498.4	0.55	1,622.0	0.59
							Hengjaya Mine (NPV12)	109.9	0.04	123.7	0.05	107.5	0.04
							Other exploration	120.0	0.04	120.0	0.04	120.0	0.04
							Corporate overheads	(105.9)	(0.04)	(111.6)	(0.04)	(112.2)	(0.04)
							Subtotal (EV)	4,992.0	1.83	5,750.2	2.11	5,854.6	2.14
							Net cash (debt)	(274.7)	(0.10)	(274.7)	(0.10)	363.1	0.13
							<b>Total (undiluted)</b>	<b>4,717.3</b>	<b>1.73</b>	<b>5,475.4</b>	<b>2.00</b>	<b>6,217.7</b>	<b>2.28</b>
							Dilutive effect of options						
							Add cash from options						
							<b>Total (diluted)</b>	<b>4,717.3</b>	<b>1.73</b>	<b>5,475.4</b>	<b>2.00</b>	<b>6,217.7</b>	<b>2.28</b>
							<b>MAJOR SHAREHOLDERS</b>						
							Shareholder				%	m	
							Shanghai Decent (SDI)				21.2%	577.8	
							Tanito Group (PT Karunia)				12.8%	350.6	
							BlackRock Investment Management				7.2%	195.5	

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.*

**Research Team**

Staff Member	Title/Sector	Phone	@bellpotter.com.au
Chris Savage	Head of Research/Industrials	612 8224 2835	csavage
<b>Analysts</b>			
John Hester	Healthcare	612 8224 2871	jhester
Anubhav Saxena	Healthcare	612 8224 2846	asaxena
Tara Speranza	Healthcare	612 8224 2815	tsperanza
Marcus Barnard	Industrials	618 9326 7673	mbarnard
Sam Brandwood	Industrials	612 8224 2850	sbrandwood
Olivia Hagglund	Industrials	612 8224 2813	ohagglund
Hamish Murray	Industrials	613 9235 1813	hmurray
Chami Ratnapala	Industrials	612 8224 2845	cratnapala
Jonathan Snape	Industrials	613 9235 1601	jsnape
David Coates	Resources	612 8224 2887	dcoates
Stuart Howe	Resources	613 9235 1856	showe
Brad Watson	Resources	618 9326 7672	bwatson
Regan Burrows	Resources	618 9326 7677	rburrows
Joseph House	Resources	613 9235 1624	jhouse
<b>Associates</b>			
Michael Ardrey	Associate Analyst	613 9256 8782	mardrey
Daniel Laing	Associate Analyst	612 8224 2886	dlaing

**Research Coverage & Policies**

For Bell Potter Securities' Research Coverage Decision Making Process and Research Independence Policy please refer to our company website: <https://bellpotter.com.au/research-independence-policy/>.

**Authoring Research Analyst's Certification**

The Authoring Research Analyst is responsible for the content of this Research Report, and, certifies that with respect to each security that the Analyst covered in this Report (1) all the views expressed accurately reflect the Analyst's personal views about those securities and were prepared in an independent manner and (2) no part of the Analyst's compensation was, is or will be, directly or indirectly, related to specific recommendations or views expressed by that Research Analyst in the Research Report.

**Research Analyst's Compensation**

Research Analyst's compensation is determined by Bell Potter Securities Research Management and Bell Potter Securities' Senior Management and is based upon activities and services intended to benefit the investor clients of Bell Potter Securities Ltd. Compensation is not linked to specific transactions or recommendations. Like all Company employees Research Analysts receive compensation that is impacted by overall Company profitability.

**Prices**

The Price appearing in the Recommendation panel on page 1 of the Research Report is the Closing Price on the Date of the Research Report (appearing in the top right hand corner of page 1 of the Research Report), unless a before midday (am) time appears below the Date of the Research Report in which case the Price appearing in the Recommendation panel will be the Closing Price on the business day prior to the Date of the Research Report.

**Availability**

The completion and first dissemination of a Recommendation made within a Research Report are shortly after the close of the Market on the Date of the Research Report, unless a before midday (am) time appears below the Date of the Research Report in which case the Research Report will be completed and first disseminated shortly after that am time

Disclosure: Bell Potter Securities acted as Joint Lead Manager and Underwriter to the US\$225m Equity Raise of February 2022 and received fees for that service.

**Dissemination**

Bell Potter generally disseminates its Research to the Company's Institutional and Private Clients via both proprietary and non-proprietary electronic distribution platforms. Certain Research may be disseminated only via the Company's proprietary distribution platforms; however such Research will not contain changes to earnings forecasts, target price, investment or risk rating or investment thesis or be otherwise inconsistent with the Author's previously published Research. Certain Research is made available only to institutional investors to satisfy regulatory requirements. Individual Bell Potter Research Analysts may also opt to circulate published Research to one or more Clients by email; such email distribution is discretionary and is done only after the Research has been disseminated. The level and types of service provided by Bell Potter Research Analysts to Clients may vary depending on various factors such as the Client's individual preferences as to frequency and manner of receiving communications from Analysts, the Client's risk profile and investment focus and perspective (e.g. market-wide, sector specific long term and short term etc.) the size and scope of the overall Client relationship with the Company and legal and regulatory constraints.



**Disclaimers**

This Research Report is a private communication to Clients and is not intended for public circulation or for the use of any third party, without the prior written approval of Bell Potter Securities Limited.

The Research Report is for informational purposes only and is not intended as an offer or solicitation for the purpose of sale of a security. Any decision to purchase securities mentioned in the Report must take into account existing public information on such security or any registered prospectus.

This is general investment advice only and does not constitute personal advice to any person. Because this Research Report has been prepared without consideration of any specific client's financial situation, particular needs and investment objectives ('relevant personal circumstances'), a Bell Potter Securities Limited Broker (or the financial services licensee, or the representative of such licensee, who has provided you with this report by arrangement with Bell Potter Securities Limited) should be made aware of your relevant personal circumstances and consulted before any investment decision is made on the basis of this Research Report.

While this Research Report is based on information from sources which are considered reliable, Bell Potter Securities Limited has not verified independently the information contained in this document and Bell Potter Securities Limited and its directors, employees and consultants do not represent, warrant or guarantee expressly or impliedly, that the information contained in this Research Report is complete or accurate.

Nor does Bell Potter Securities Limited accept any responsibility for updating any advice, views, opinions or recommendations contained in this Research Report or for correcting any error or omission which may have become apparent after the Research Report has been issued.

Bell Potter Securities Research Department has received assistance from the Company referred to in this Research Report including but not limited to discussions with management of the Company. Bell Potter Securities Policy prohibits Research Analysts sending draft Recommendations, Valuations and Price Targets to subject companies. However, it should be presumed that the Author of the Research Report has had discussions with the subject Company to ensure factual accuracy prior to publication.

All opinions, projections and estimates constitute the judgement of the Author as of the Date of the Research Report and these, plus any other information contained in the Research Report, are subject to change without notice. Prices and availability of financial instruments also are subject to change without notice.

Notwithstanding other departments within Bell Potter Securities Limited advising the subject Company, information obtained in such role is not used in the preparation of the Research Report.

Although Bell Potter Research does not set a predetermined frequency for publication, if the Research Report is a fundamental equity research report it is the intention of Bell Potter Research to provide research coverage of the covered issuers, including in response to news affecting the issuer. For non-fundamental Research Reports, Bell Potter Research may not provide regular updates to the views, recommendations and facts included in the reports.

Notwithstanding that Bell Potter maintains coverage on, makes recommendations concerning or discusses issuers, Bell Potter Research may be periodically restricted from referencing certain Issuers due to legal or policy reasons. Where the component of a published trade idea is subject to a restriction, the trade idea will be removed from any list of open trade ideas included in the Research Report. Upon lifting of the restriction, the trade idea will either be re-instated in the open trade ideas list if the Analyst continues to support it or it will be officially closed.

Bell Potter Research may provide different research products and services to different classes of clients (for example based upon long-term or short term investment horizons) that may lead to differing conclusions or recommendations that could impact the price of a security contrary to the recommendations in the alternative Research Report, provided each is consistent with the rating system for each respective Research Report.

Except in so far as liability under any statute cannot be excluded, Bell Potter Securities Limited and its directors, employees and consultants do not accept any liability (whether arising in contract, in tort or negligence or otherwise) for any error or omission in the document or for any resulting loss or damage (whether direct, indirect, consequential or otherwise) suffered by the recipient of the document or any other person.

In the USA and the UK this Research Report is only for institutional investors. It is not for release, publication or distribution in whole or in part in the two specified countries. In Hong Kong this Research Report is being distributed by Bell Potter Securities (HK) Limited which is licensed and regulated by the Securities and Futures Commission, Hong Kong. In the United States this Research Report is being distributed by Bell Potter Securities (US) LLC which is a registered broker-dealer and member of FINRA. Any person receiving this Research Report from Bell Potter Securities (US) LLC and wishing to transact in any security described herein should do so with Bell Potter Securities (US) LLC.

**Bell Potter Securities Limited**

ABN 25 006 390 772  
Level 29, 101 Collins Street  
Melbourne, Victoria, 3000  
Telephone +61 3 9256 8700  
www.bellpotter.com.au

**Bell Potter Securities (HK) Limited**

Room 1701, 17/F  
Prosperity Tower, 39 Queens  
Road Central, Hong Kong, 0000  
Telephone +852 3750 8400

**Bell Potter Securities (US) LLC**

Floor 39  
444 Madison Avenue, New York  
NY 10022, U.S.A  
Telephone +1 917 819 1410

**Bell Potter Securities (UK) Limited**

16 Berkeley Street London, England  
W1J 8DZ, United Kingdom  
Telephone +44 7734 2929