

Analyst

David Coates 612 8224 2887

Authorisation

Bradley Watson 618 9326 7672

Nickel Industries Ltd (NIC)

Excelsior: production ever upward

Recommendation

Buy (unchanged)

Price

\$0.76

Target (12 months)

\$1.73 (previously \$1.64)

GICS Sector

Materials

Expected Return

Capital growth	128%
Dividend yield	5%
Total expected return	133%

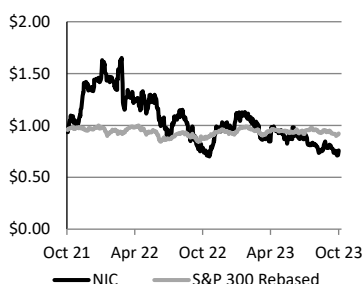
Company Data & Ratios

Enterprise value	\$2,755m
Market cap	\$3,257m
Issued capital	4,286m
Free float	54%
Avg. daily val. (52wk)	\$10.9m
12 month price range	\$0.685-\$1.17

Price Performance

	(1m)	(3m)	(12m)
Price (A\$)	0.80	0.89	0.82
Absolute (%)	-4.4	-14.1	-7.3
Rel market (%)	-3.2	-12.9	-10.8

Absolute Price



SOURCE: IRESS

Positive FID for Excelsior Nickel Cobalt project

NIC has reached a positive final investment decision (FID) for the Excelsior Nickel Cobalt (ENC) high pressure acid leach (HPAL) Project in Indonesia. The investment carries a CAPEX guarantee, whereby the total construction costs will not exceed US\$2.3 billion (100% basis). This will cover construction, project commissioning and production ramp-up to nameplate capacity of at least 60ktpa Ni contained. NIC's funding commitment (for its 55% interest) will total US\$1.265 billion over the construction period from 2023 to 2025. The ENC is targeting production of 72ktpa Ni contained across the three major class 1 nickel products, all of which are suitable for use in the electric vehicle (EV) battery market.

US\$400m debt secured

NIC has also secured financing facilities totalling US\$400m with PT Bank Negara Indonesia (BNI), a tier-1 Indonesian bank. Interest costs, based on current benchmarks, will be ~7.3%-8.8%, which we view as very competitive and a solid endorsement of NIC's assets. On our assumptions, NIC's combined funding sources imply total available liquidity of +US\$2.1 billion over the eight quarters to October 2025 and should comfortably meet NIC's funding commitment to the ENC project.

Investment thesis – Buy, TP\$1.73/sh (from Buy, \$1.64/sh)

EPS changes in this report are: FY23: 0%, FY24: -8%, FY25: -7%, on higher finance costs. We view this update as an excellent result that is in-line with management's stated objectives, it removes any perceived funding (equity raising) overhang in relation to the ENC and has been achieved on competitive terms with a well-regarded local partner. Attractive project metrics and development timelines have also been confirmed. The ENC is a key plank in NIC's strategy to both grow its production and increase its exposure to low carbon intensity, Class 1 nickel. NIC continues to trade an undemanding EV/EBITDA multiples of 5.7x for CY23 and 4.4x for CY24 (attributable basis). Our NPV-based valuation lifts 5%, to \$1.73/sh. Retain buy.

Earnings Forecast

Year ending 31 December	2022a	2023e	2024e	2025e
Sales (US\$m)	1,217	1,960	2,243	2,462
EBITDA (US\$m)	348	383	504	653
Attributable NPAT (reported) (US\$m)	159	150	218	338
Attributable NPAT (reported) (A\$m)	228	220	312	483
EPS (adjusted) (Acps)	8.5	6.3	7.3	11.4
EPS growth (%)	17%	-26%	17%	55%
PER (x)	8.9	12.1	10.4	6.7
FCF Yield (%)	-26%	-11%	-14%	14%
EV/EBITDA (x)	5.1	4.6	3.5	2.7
Dividend (Acps)	4.0	4.0	4.0	5.0
Yield (%)	5.3%	5.3%	5.3%	6.6%
Franking (%)	0%	0%	0%	0%
ROE (%)	18%	11%	12%	17%

SOURCE: BELL POTTER SECURITIES ESTIMATES

Excelsior: production ever upward

Positive FID for Excelsior Nickel Cobalt project

NIC has reached a positive final investment decision (FID) for the Excelsior Nickel Cobalt (ENC) high pressure acid leach (HPAL) Project to be constructed within the Indonesia Morowali Industrial Park (IMIP) in Central Sulawesi, Indonesia. The investment carries a CAPEX guarantee, whereby the total construction costs will not exceed US\$2.3 billion (100% basis). This will cover construction, project commissioning and production ramp-up to nameplate capacity of at least 60ktpa Ni contained. NIC's funding commitment (for its 55% interest) will total US\$1.265 billion over the construction period of 2023 to 2025 as outlined in the schedule below. The final (October 2025 payment) is conditional on successful commissioning of Line 1 of the ENC HPAL project.

Table 1 - Acquisition schedule for ENC project

Date	US\$m	Equity acquired (%)	Cumulative ownership (%)
10 business days from shareholder approval	126.5	5.5	5.5
By 1 January 2024	189.8	8.25	13.75
By 1 April 2024	316.3	13.75	27.5
By 1 October 2024	379.5	16.5	44
By 1 July 2025	126.5	5.5	49.5
By 1 October 2025	126.5	5.5	55
Total	1,265	55.0	

SOURCE: NICKEL INDUSTRIES LTD

The ENC acquisition is subject to shareholder approval before 28 December 2023, planned for an EGM to be held in November 2023. The notice of meeting will include an independent expert's report regarding the ENC acquisition.

Project details:

The ENC has nameplate capacity of 60ktpa Ni contained but is targeting production of 72ktpa Ni contained, in-line with the actual performance of its sister-project, the Huayue Nickel Cobalt (HNC) HPAL project. The ENC will produce nickel across the three major class 1 nickel products, all of which are suitable for use in the electric vehicle (EV) battery market:

- mixed hydroxide precipitate (MHP);
- nickel sulphate; and
- nickel cathode.

The ENC Project will benefit from a 15-year corporate income tax holiday (plus 2 years at 50% of the prevailing Indonesian corporate tax rate, which is currently 25%). The ENC incorporates industry best practice tailings storage via dry-stack tailings.

US\$400m debt secured

NIC has secured financing facilities totalling US\$400m with PT Bank Negara Indonesia (BNI) a tier-1 Indonesian bank, including a US\$50m revolving credit facility (RCF). Interest will be charged at a margin above the Secured Overnight Financing Rate (SOFR, currently ~5.3%), as follows:

- initial 12-month period: 2.00%.
- months 12 -18: 3.00%.
- 18 months onwards: 3.50%.

We view this as an excellent outcome in the current interest rate environment and that the partnership with a major local financial institution is a positive for NIC.

Adequate funding and operating cash flows:

On our assumptions (outlined below), these combined funding sources imply total available liquidity of +US\$2.1 billion over the eight quarters to October 2025 and should comfortably meet NIC's funding commitment to the ENC project. This is based on:

- NIC's last reported cash position of US\$363m (June 30 2023).
- NIC raising US\$600m in September 2023 from United Tractors subsidiary PT Danusa Tambang Nusantara (DTN), now a 19.9% shareholder.
- Our forecast for quarterly attributable EBITDA to average ~US\$95m per quarter for the next four quarters. This is predicated on:
 - Higher production from NIC's increased interest (up from 70% to 80%) in the Oracle Nickel Project (ONI);
 - Improved margins at ONI due to reduced power costs;
 - Increasing production from NIC's 80% owned Hengjaya Mine following the completion of a new haul road direct to the IMIP; and;
 - New, high margin Class 1 nickel production commencing in the September quarter from the Huayue Nickel Cobalt HPAL project.

Changes to our forecasts

With this update we have made no changes to our modelled operating assumptions. We reduce our risk adjustment discount for the ENC from 40% to 30%, update for the acquisition payment schedule and for finance and interest costs of the new debt facility. The net impacts of these updates are summarised in the table below:

Table 2 - Changes to our CY forecasts

Year end 31 December	Previous			New			Change		
	Dec-23	Dec-24	Dec-25	Dec-23	Dec-24	Dec-25	Dec-23	Dec-24	Dec-25
Prices & currency									
Nickel price (US\$/t)	22,904	20,393	22,080	22,904	20,393	22,080	0%	0%	0%
US\$/A\$	0.68	0.70	0.70	0.68	0.70	0.70	0%	0%	0%
Production & costs									
Ore mined (t)	4,970,588	9,100,000	9,100,000	4,970,588	9,100,000	9,100,000	0%	0%	0%
Nickel in ore (t)	51,553	65,250	65,250	51,553	65,250	65,250	0%	0%	0%
RKEF NPI production (t)	954,297	1,027,615	1,024,615	954,297	1,027,615	1,024,615	0%	0%	0%
Contained nickel (t)	158,559	198,318	197,400	158,559	198,318	197,400	0%	0%	0%
Contained nickel (t, attributable)	102,033	111,054	110,320	102,033	111,054	110,320	0%	0%	0%
Cash costs (US\$/t Ni)	12,454	12,919	13,392	12,454	12,919	13,392	0%	0%	0%
Earnings & valuation									
Revenue (consolidated, US\$m)	1,960	2,243	2,462	1,960	2,243	2,462	0%	0%	0%
EBITDA (consolidated, US\$m)	383	504	653	383	504	653	0%	0%	0%
EBITDA (attributable, US\$m)	331	435	566	331	435	566	0%	0%	0%
NPAT (reported, attributable, US\$m)	150	237	364	150	218	338	0%	-8%	-7%
EPS (reported) (Acps)	6.3	8.0	12.2	6.3	7.3	11.4	0%	-8%	-7%
PER (x)	12.1	9.6	6.2	12.1	10.4	6.7	-	0.8	0.5
EPS growth (%)	-26%	26%	54%	-26%	17%	55%	0%	-10%	1%
DPS (Acps)	4.0	4.0	5.0	4.0	4.0	5.0	0%	0%	0%
Yield	5.3%	5.3%	6.6%	5.3%	5.3%	6.6%	0%	0%	0%
NPV (A\$/sh)	1.35	1.64	1.85	1.47	1.73	1.67	9%	6%	-10%
Price Target (A\$/sh)		1.64			1.73			5%	

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

NIC continues to trade on an undemanding EV/EBITDA multiple of 5.7x for CY23 and 4.4x for CY24 (attributable basis) for a company that is delivering aggressive production growth. NIC's increasing production base is highly sensitive to margin expansion and we see significant potential upside in favourable market conditions.

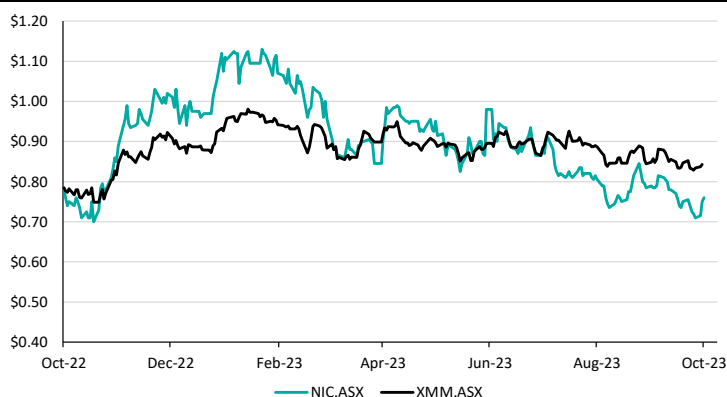
Upcoming catalysts

Upcoming catalysts for NIC include:

- Updates on Nickel Pig Iron (NPI) pricing and market outlook – key near-term earnings and cash flow drivers for NIC;
- Ongoing sales of nickel matte production and associated payabilities, giving NIC exposure to the Class 1 nickel market;
- The commencement of Class 1 nickel production from the low carbon intensity HNC HPAL operation in the September 2023 quarter;
- Shareholder approval for and commencement of construction of the ENC HPAL project, in 2HCY23;
- The release of the September 2023 quarterly report, expected in late October;
- Further updates on the production ramp-up of ONI and its associated power station. This is expected to drive production and earnings growth in 2HCY23;
- Progress updates for the Hengjaya Mine, where production ramp-up of limonite nickel ore sales are increasing in 2HCY23 following the completion of the new haul road; and
- Exploration and development updates on the Siduarsa Nickel-Cobalt project in Papua province, Indonesia, for which a maiden Resource is planned for the September 2023 quarter.

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 Industries Limited (NIC)

Company description: fully integrated NPI producer

Nickel Industries Limited ('Nickel Industries' or 'NIC') was formed in 2007 and listed on the ASX in 2018 as Nickel Mines Ltd. Its operations are focused in 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), an 80% interest in the Oracle Nickel Project, comprising four new generation RKEF NPI production lines, a 10% interest in the Huayue Nickel Cobalt (HNC) HPAL project and a 55% interest in the Excelsior Nickel Cobalt (ENC) HPAL project which is under construction. All these projects are within the Indonesia Morowali Industrial Park (IMIP), a fully integrated stainless steel production facility in Central Sulawesi, Indonesia and in partnership with Shanghai Decent Investments (SDI) a subsidiary of Tsingshan Group, the world's largest stainless steel producer.

NIC also holds an 80% interest in the Angel Nickel Project, comprising four new generation RKEF NPI production lines currently in production 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, 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\$1.73/sh (from Buy, \$1.64/sh)

EPS changes in this report are: FY23: 0%, FY24: -8%, FY25: -7%, on higher finance costs. We view this update as an excellent result that is in-line with management's stated objectives, it removes any perceived funding (equity raising) overhang in relation to the ENC and has been achieved on competitive terms with a well-regarded local partner. Attractive project metrics and development timelines have also been confirmed. The ENC is a key plank in NIC's strategy to both grow its production and increase its exposure to low carbon intensity, Class 1 nickel. NIC continues to trade an undemanding EV/EBITDA multiples of 5.7x for CY23 and 4.4x for CY24 (attributable basis). Our NPV-based valuation lifts 5%, to \$1.73/sh. Retain buy.

Valuation: \$1.73/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 80% interest in the Oracle Nickel Project (ONI), its 10% interest in the HNC HPAL plant 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 \$1.73/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.
- **Geopolitical risks:** Mining companies' assets are subject to geopolitical risks, arising from events in, and outside, the jurisdictions they operate in.
- **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. A mitigating factor in this respect has been the +20% holding in NIC equity.

Table 3 - Financial summary

PROFIT AND LOSS						FINANCIAL RATIOS								
Year ending 31 Dec.	Unit	2021a	2022a	2023e	2024e	2025e	Year ending 31 Dec.	Unit	2021a	2022a	2023e	2024e	2025e	
REVENUE						VALUATION								
Revenue	US\$m	645.9	1,217.0	1,959.9	2,243.2	2,462.1	Attributable NPAT	US\$m	137.9	159.0	149.5	218.2	338.1	
Expense	US\$m	(402.7)	(868.9)	(1,576.5)	(1,738.8)	(1,808.9)	Attributable NPAT	A\$m	183.6	228.3	219.7	311.7	483.0	
EBITDA	US\$m	243.2	348.2	383.4	504.4	653.2	Reported EPS	US\$/sh	5.5	5.9	4.3	5.1	8.0	
Depreciation	US\$m	(36.0)	(66.6)	(97.0)	(119.7)	(119.1)	Reported EPS	Ac/sh	7.3	8.5	6.3	7.3	11.4	
EBIT	US\$m	207.3	281.6	286.4	384.7	534.1	Adjusted EPS	Ac/sh	7.3	8.5	6.3	7.3	11.4	
Net interest expense	US\$m	(12.7)	(32.8)	(57.0)	(69.6)	(69.0)	EPS growth	%	-11%	17%	-26%	17%	55%	
Unrealised gains (Impairments)	US\$m	-	-	-	-	-	PER ¹	x	10.4x	8.9x	12.1x	10.4x	6.7x	
Other	US\$m	(13.5)	(31.8)	(9.2)	-	-	DPS	Ac/sh	4.0	4.0	4.0	4.0	5.0	
PBT	US\$m	181.0	217.0	220.3	315.0	465.2	Franking	%	0%	0%	0%	0%	0%	
Tax expense	US\$m	(5.1)	(7.7)	(14.4)	(24.8)	(24.0)	Yield	%	5.3%	5.3%	5.3%	5.3%	6.6%	
Consolidated profit (loss) for the year	US\$m	176.0	209.4	205.9	290.2	441.1	FCF/share	Ac/sh	(21.6)	(19.7)	(8.6)	(10.8)	10.9	
Non-Controlling Interest	US\$m	38.0	50.4	56.4	72.0	103.0	FCF yield	%	-28%	-26%	-11%	-14%	14%	
Attributable NPAT (reported)	US\$m	137.9	159.0	149.5	218.2	338.1	P/FCFPS	x	-3.5x	-3.9x	-8.9x	-7.0x	7.0x	
NPAT (underlying)	US\$m	137.9	159.0	149.5	218.2	338.1	EV/EBITDA	x	7.3x	5.1x	4.6x	3.5x	2.7x	
CASH FLOW						LIQUIDITY & LEVERAGE								
OPERATING CASHFLOW						Return on equity								
Receipts	US\$m	660.9	1,203.3	1,999.6	2,214.9	2,440.3	Return on assets	%	12%	9%	6%	7%	10%	
Payments	US\$m	(464.0)	(1,079.8)	(1,359.6)	(1,698.2)	(1,791.4)	Return on equity	%	18%	18%	11%	12%	17%	
Tax	US\$m	(8.2)	(58.2)	7.7	(14.4)	(24.8)	LIQUIDITY & LEVERAGE							
Net interest	US\$m	0.3	1.0	(57.0)	(69.6)	(69.0)	Net debt (cash)	\$m	190	415	(323)	134	(19)	
Other	US\$m	-	(3.3)	(21.2)	-	-	ND / E	%	18%	32%	-13%	5%	-1%	
Operating cash flow	US\$m	189.0	63.0	569.6	432.6	555.1	ND / (ND + E)	%	16%	24%	-15%	5%	-1%	
INVESTING CASHFLOW						Attr. EBITDA / Interest								
Property, plant and equipment	US\$m	(6.5)	(9.4)	(772.9)	(755.2)	(230.1)	15.7x	8.4x	5.8x	6.2x	8.2x			
Mine development	US\$m	(41.7)	(110.4)	-	-	-	ATTRIBUTABLE DATA - NICKEL MINES LTD							
Exploration & evaluation	US\$m	-	-	-	-	-	Year ending 31 Dec.	Unit	2021a	2022a	2023e	2024e	2025e	
Other	US\$m	(549.6)	(310.2)	-	-	-	Revenues	US\$m	578.8	1,070.6	1,732.2	2,019.6	2,197.0	
Investing cash flow	US\$m	(597.9)	(430.0)	(772.9)	(755.2)	(230.1)	EBITDA	US\$m	199.2	273.9	330.7	435.2	565.7	
Free Cash Flow	US\$m	(408.8)	(367.0)	(203.4)	(322.5)	325.0	NPAT	US\$m	137.9	159.0	149.5	218.2	338.1	
FINANCING CASHFLOW						Net distributable cash flow								
Share issues/(buy-backs)	US\$m	-	106.0	1,089.9	-	-	US\$m	(190.4)	5.6	847.9	(407.7)	92.0		
Debt proceeds	US\$m	320.8	230.3	500.0	250.0	-	EV/EBITDA	x	10.4	7.0	5.7	4.4	3.4	
Debt repayments	US\$m	(45.0)	(5.6)	(304.0)	(246.0)	(50.0)	PER	x	10.4	8.9	12.1	10.4	6.7	
Distributions to non-controlling interests	US\$m	(29.1)	(28.1)	(15.6)	(15.5)	(24.1)	P/FCF	x	nm	nm	nm	nm	24.8	
Dividends	US\$m	(75.1)	(72.7)	(115.6)	(119.0)	(148.7)	ORE RESERVE AND MINERAL RESOURCE							
Other	US\$m	25.7	143.3	(9.2)	-	-	Hengjaya Nickel Mine (HM)							
Financing cash flow	US\$m	197.3	373.2	1,145.5	(130.4)	(222.8)	Mineral Resources							
Change in cash	US\$m	(211.5)	6.2	942.1	(452.9)	102.2	Measured				20,000	1.30%	260,000	
BALANCE SHEET						ASSUMPTIONS - Prices								
ASSETS						Year ending 31 Dec. (avg)								
Cash & short term investments	US\$m	137.9	144.2	1,086.3	633.4	735.6	Nickel	US\$/lb	\$8.37	\$12.17	\$10.39	\$9.25	\$10.02	
Accounts receivable	US\$m	125.1	235.6	196.0	224.3	246.2	Nickel	US\$/t	\$18,460	\$26,819	\$22,904	\$20,393	\$22,080	
Property, plant & equipment	US\$m	1,296.3	1,922.1	2,598.0	3,233.5	3,344.5	Currency							
Mine development expenditure	US\$m	-	-	-	-	-	AUD:USD		0.75	0.70	0.68	0.70	0.70	
Exploration & evaluation	US\$m	-	-	-	-	-	ASSUMPTIONS - Production & costs							
Other	US\$m	243.4	370.6	370.6	370.6	370.6	Year ending 31 Dec.	Unit	2021a	2022a	2023e	2024e	2025e	
Total assets	US\$m	1,802.6	2,672.5	4,250.9	4,461.8	4,696.8	Hengjaya Mine							
LIABILITIES						Ore mined								
Accounts payable	US\$m	55.7	177.2	394.1	434.7	452.2	wmt	2,169,972	3,782,554	4,970,588	9,100,000	9,100,000		
Income tax payable	US\$m	7.6	21.2	14.4	24.8	24.0	% Ni	1.8%	1.7%	1.5%	1.5%	1.5%		
Borrowings	US\$m	327.6	559.3	763.1	767.1	717.1	Ore grade	t Ni	38,165	45,838	51,553	65,250	65,250	
Other	US\$m	81.7	100.3	100.3	100.3	100.3	Nickel in ore	t Ni	30,532	36,670	41,243	52,200	52,200	
Total liabilities	US\$m	472.7	858.0	1,271.8	1,326.8	1,293.6	Nickel in ore (attributable)	t Ni	30,532	36,670	41,243	52,200	52,200	
SHAREHOLDER'S EQUITY						RKEF + HPAI ops								
Share capital	US\$m	732.9	942.4	2,032.4	2,032.4	2,032.4	NPI production	t	298,352	509,127	954,297	1,027,615	1,024,615	
Reserves	US\$m	44.7	19.1	19.1	19.1	19.1	Contained nickel (100%)	t Ni	40,411	70,079	158,559	198,318	197,400	
Retained earnings	US\$m	250.8	337.0	370.9	470.2	659.6	Contained nickel (attributable)	t Ni	32,329	55,993	102,033	111,054	110,320	
Total equity to NIC holders	US\$m	1,028.4	1,298.6	2,422.4	2,521.7	2,711.1	Costs							
Non-controlling interest	US\$m	301.5	515.9	556.7	613.3	692.1	Cash costs	US\$/t Ni	\$10,106	\$13,387	\$12,454	\$12,919	\$13,392	
Total equity	US\$m	1,329.9	1,814.5	2,979.1	3,134.9	3,403.3	All-in-Costs (AIC)	US\$/t Ni	\$10,225	\$13,483	\$12,549	\$12,997	\$13,473	
Weighted average shares	m	2,515.0	2,681.5	3,489.8	4,248.3	4,248.3	VALUATION							
CAPITAL STRUCTURE						Ordinary shares (m)								
Shares on issue	m					4,285.8	Options in the money (m)							
Other	m					0.0	Total shares diluted (m)							
Total shares on issue	m					4,285.8	Valuation							
Share price	A\$/sh					0.760	Current		+12 months		+24 months			
Market capitalisation	A\$m					3,257.2	Sum-of-the-parts	A\$m	A\$/sh	A\$m	A\$/sh	A\$m	A\$/sh	
Net cash	A\$m					501.8	IMIP RKEF (NPV12)	1,511.7	0.35	1,510.4	0.35	1,591.9	0.37	
Enterprise value (undiluted)	A\$m					2,755.4	ANI RKEF (NPV12)	1,553.8	0.36	1,617.9	0.38	1,626.3	0.38	
Options outstanding (m)	m					0.0	ONI RKEF (NPV12)	827.8	0.19	1,554.2	0.36	1,927.2	0.45	
Options (in the money)	m					0.0	Hengjaya Mine (NPV12)	279.0	0.07	313.6	0.07	310.2	0.07	
Issued shares (diluted for options)	m					4,285.8	HNC HPAI (NPV12)	178.2	0.04	562.3	0.13	572.2	0.13	
Market capitalisation (diluted)	A\$m					3,257.2	ENC HPAI (NPV12)	2,164.8	0.51	2,164.8	0.51	2,164.8	0.51	
Net cash + options	A\$m					501.8	Other exploration	270.0	0.06	270.0	0.06	270.0	0.06	
Enterprise value (diluted)	A\$m					2,755.4	Corporate overheads	(980.5)	(0.23)	(1,073.7)	(0.25)	(1,170.1)	(0.27)	
MAJOR SHAREHOLDERS						Subtotal (EV)								
Shareholder														
Shanghai Decent (SDI)						22.7%	972.8	Net cash (debt)	501.8	0.12	501.8	0.12	(133.7)	(0.03)
PT United Tractors (conditional placement)						20.0%	857.0	Total (undiluted)	6,306.6	1.47	7,421.2	1.73	7,158.8	1.67
Tanito Group (PT Karunia)						10.5%	451.4	Dilutive effect of options	-	-	-	-	-	
L1 Capital						5.7%	245.9	Add cash from options	-	-	-	-	-	
BlackRock Investment Management						5.1%	217.1	Total (diluted)	6,306.6	1.47	7,421.2	1.73	7,158.8	1.67

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
Analysts			
John Hester	Healthcare	612 8224 2871	jhester
Anubhav Saxena	Healthcare	612 8224 2846	asaxena
Thomas Wakim	Healthcare	612 8224 2815	twakim
Michael Ardrey	Industrials	613 9256 8782	mardney
Marcus Barnard	Industrials	618 9326 7673	mbarnard
Sam Brandwood	Industrials	612 8224 2850	sbrandwood
Olivia Hagglund	Industrials	612 8224 2813	ohagglund
Joseph House	Industrials	613 9325 1624	jhouse
Daniel Laing	Industrials	612 8224 2886	dlaing
Hayden Nicholson	Industrials	613 92351757	hnicolson
Chami Ratnapala	Industrials	612 8224 2845	cratnapala
Jonathan Snape	Industrials	613 9235 1601	jsnape
Regan Burrows	Resources	618 9236 7677	rburrows
David Coates	Resources	612 8224 2887	dcoates
Stuart Howe	Resources	613 9325 1856	showe
Brad Watson	Resources	618 9326 7672	bwatson
James Williamson	Resources	613 9235 1692	jwilliamson
Associates			
Connor Eldridge	Associate Analyst	612 8224 2893	celdridge
Baxter Kirk	Associate Analyst	613 9235 1625	bkirk
Ritesh Varma	Associate Analyst	613 9235 1658	rvarma

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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 1601, 16/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