

ASX ticker: NIC

ASX release: 30 April 2024

Shares on issue: 4.29B

Market capitalisation: A\$3.90B  
(@ A\$0.91)

## Board of Directors

*Executive Chairman*  
Norman Seckold

*Managing Director*  
Justin Werner

*Executive Director and CFO*  
Chris Shepherd

*Non-Executive Directors*  
James Crombie  
Dasa Sutantio  
Muliady Sutio  
Haijun Wang  
Binghe Xiang  
YuanYuan Xu

## Substantial shareholders (as per last substantial holder notices)

Shanghai Decent	22.7%
PT DTN	20.0%
PT KBP	8.5%
L1 Capital	5.7%

## Further enquiries

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# QUARTERLY ACTIVITIES REPORT

For the quarter ended 31 March 2024

**US\$70.3M EBITDA from operations generated despite significant delays in nickel ore sales**

## RKEF operations

		December quarter	March quarter
Production	Ni tonnes	34,450	31,840
Sales	Ni tonnes	34,427	32,759
Cash cost	US\$/t Ni	10,048	9,446
EBITDA	US\$M	85.1	48.2
EBITDA/tonne sold	US\$/t Ni	2,473	1,472

## HPAL operations

		December quarter	March quarter
Attributable production (10%)	MHP tonnes	1,823	2,120
EBITDA/profit contribution	US\$M	8.3	6.9

## Mining operations

		December quarter	March quarter
Ore production	Ni wmt	4,264,098	3,237,780
EBITDA	US\$M	42.0	15.1

- Cash + receivables + inventory at quarter end of **US\$1,018.4M** (December quarter: US\$1,302.5M)

## Highlights

- Record Hengjaya Mine production of 840,138 wet metric tonnes (**wmt**) in March.
- Hengjaya Mine achieves highest sustainability score for 2023 in the nickel sector and 4<sup>th</sup> highest score for the Indonesian mining sector, as audited by the Indonesian Ministry of Environment and Forestry.
- Trial sales of nickel cathode to a leading Western space and aeronautical company.
- Increase to a 27.5% equity interest in the Excelsior Nickel Cobalt high pressure acid leach (**HPAL**) project.
- Successful syndication of US\$400m BNI loan facilities.

\* Based on an average A\$/US\$ exchange rate of 0.6577 during the March quarter, US\$70.3M of EBITDA from RKEF, HPAL and Hengjaya Mine operations (100% basis) represents A\$106.9M.

The Directors are pleased to present the March 2024 Quarterly Activities Report for Nickel Industries Limited (**Nickel Industries** or **the Company**) and its controlled entities (**the Group**).

For the quarter under review, the Company held an 80% interest in the Hengjaya Nickel (**HNI**), Ranger Nickel (**RNI**), Angel Nickel (**ANI**) and Oracle Nickel (**ONI**) rotary kiln electric furnace (**RKEF**) projects, an 80% interest in the Hengjaya Mine, a 10% interest in the Huayue Nickel Cobalt HPAL project (**HNC**) and acquired a further 13.75% interest in the Excelsior Nickel Cobalt HPAL project (**ENC**), which is under construction, taking its interest in ENC to 27.5%.

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

*"We are pleased to announce the signing and first delivery of trial shipments of nickel cathode to one of the world's leading space and aeronautical companies. Whilst Nickel Industries' nickel cathode production will only commence when ENC comes online towards the end of 2025, the current trial will allow nickel cathode produced under the same process as ENC within the same park (IMIP) to undergo pre-qualification testing; hopefully leading to a larger, long-term supply contract which reflects the global interest in the low carbon, fully traceable nickel that our ENC HPAL will produce.*

*Delays by the Indonesian authorities in the issuance of a Rencana Kerja dan Anggaran Biaya (**RKAB**) (an annual application which is made based on the previous year's operating and environmental performance) resulted in reduced ore sales for the quarter, with only a full month of sales for March realised which pleasingly delivered a new monthly record with 840,138 wmt sold despite unseasonably higher than average rainfall for the month.*

*The Hengjaya Mine was one of the first mines in Indonesia from over 700 mines to have the RKAB licence approved, highlighting our credentials as one of the leading mining operations in Indonesia.*

*This was further highlighted by the Hengjaya Mine achieving the highest sustainability score for the nickel mining sector and the 4<sup>th</sup> highest score for all Indonesian mining companies in Indonesia for 2023, as audited by the Indonesian Ministry of Environment and Forestry's PROPER Book.*

*Delays in the issuance of RKABs across Indonesia unfortunately also impacted our RKEF operations and necessitated the drawdown of nickel ore stockpiles which are maintained at IMIP. These stockpiles contained lower grade ore which was bought at a time of higher LME prices which resulted in lower nickel pig iron (**NPI**) grades and nickel tonnes for the quarter.*

*However, we are pleased to report that average NPI grades increased by 15% in March to 13.3% vs 11.6% in January, which also delivered a 12% increase in nickel tonnes produced in March of 9,928t vs 8,845t in January (RNI, ANI and ONI only). This is a direct result of renewed supply of higher-grade ore as more RKABs have been issued. March's total EBITDA of US\$41M was 58% of the total quarterly EBITDA of US\$70.3M highlighting the impact the delay in the issuance of RKABs had on the first two months of 2024.*

*With operations now back to normal, RKEF costs reducing by 6% in the March quarter and a strengthening nickel price environment which has seen the spot LME nickel price as at 28 April 2024, increase to 15% above the average March LME nickel price (US\$19,069 vs US\$16,604) and current spot NPI prices above the average March NPI price, we look forward to delivering a strong June quarter."*

## Safety

The Company-wide 12-month rolling lost time injury rate (**LTIR**) as at the end of March 2024, was 0.23, with one LTI occurring during the quarter.

The Company-wide 12-month rolling total recordable injury rate (**TRIR**) as at the end of March 2024, was 1.14.

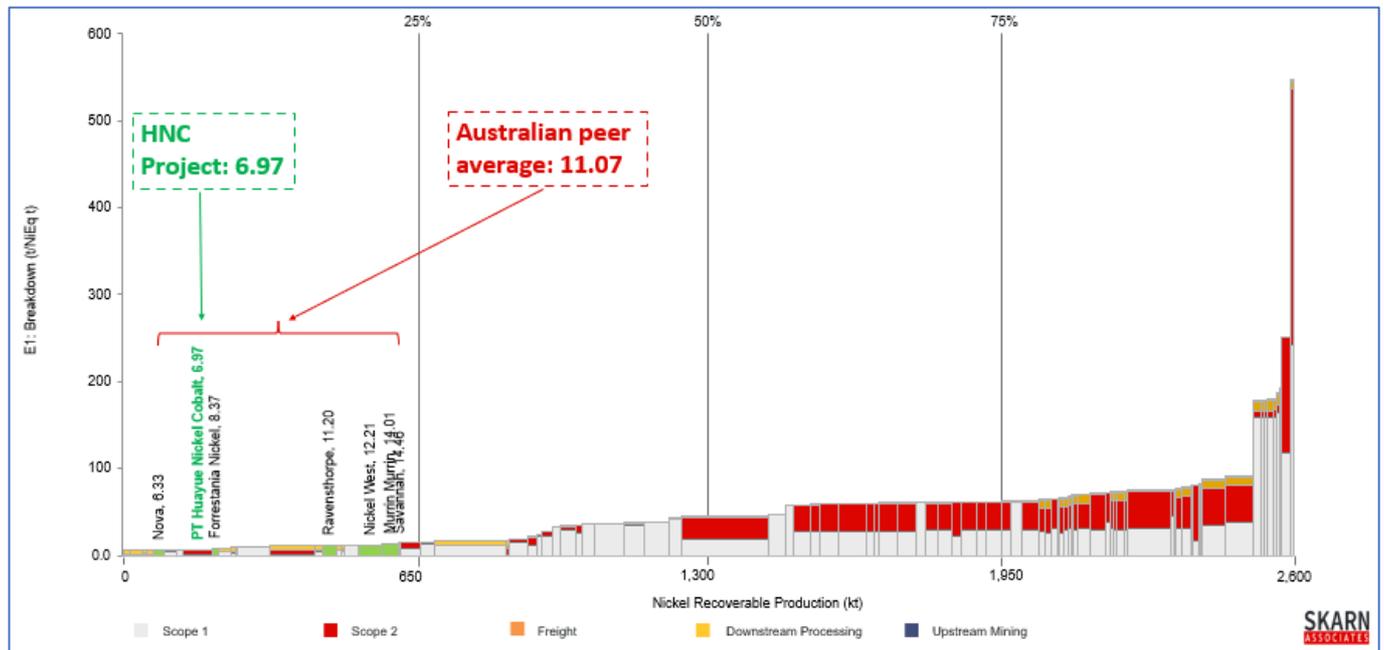
During the quarter, the Company continued to work on its ISO 45001-2018 standards and reporting components focussed on Health and Safety certification.

## Sustainability

### HNC CO<sub>2</sub> intensity

The Huayue Nickel Cobalt HPAL, in which the Company holds a 10% interest and which ENC will replicate (except ENC will have the added flexibility of being able to also produce nickel sulfate and nickel cathode on top of mixed hydroxide precipitate), has recently released its carbon intensity for 2023. HNC’s carbon intensity as determined by Skarn Associates Limited came in at 6.97 tonnes of CO<sub>2</sub> per tonne of nickel produced (Scope 1 & 2), positioning it as one of the lowest carbon emitting nickel processors globally and second when compared to Australian peers. With the assistance of the SESNA solar project (Indonesia’s largest solar project) (see ASX announcement dated 9 October 2023), our target is for ENC to significantly improve on this CO<sub>2</sub> intensity as part of our efforts to achieve the Company’s stated emission targets.

#### Carbon emissions of nickel projects globally



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## EV truck fleet

Following the successful trial of electric vehicle ore haul trucks at the Hengjaya Mine (see ASX announcement dated 11 December 2023), the Company has continued to work during the quarter towards scaling up our EV truck fleet in the latter half of 2024. The EV truck fleet will include a battery charging and change-out facility.



## Awarded highest sustainability score in the Indonesian nickel mining sector

During the quarter, the Company was recognised by the Indonesian Ministry of Environment and Forestry (**KLHK**) for achieving the highest sustainability score of any mine in the Indonesian nickel mining sector and fourth highest score for all mining companies, as published in the Government agency's PROPER Book of 2023.

This sustainability score builds upon numerous other accolades and awards for the Hengjaya Mine from various certified third parties such as S&P, MSCI, ENSIA and TrenAsia and being one of only two Indonesian mining companies invited to present at the prestigious COP28 climate summit in Dubai.

Having now established itself as the world's largest listed pure-play nickel producer, the Company is continuing to play a leadership role in promoting responsible and sustainable mining practices in Indonesia underscored by its recent commitment to net zero emissions by 2050 and a 50% reduction in carbon intensity across its operations by 2035.

## RKEF operations (80% indirect interest held by Nickel Industries)

Production		HNI	RNI	ANI	ONI	Total
NPI production	tonnes	20,972	37,459	82,795	104,953	246,179
NPI grade	%	12.8	12.2	13.6	11.1	12.2
Nickel in NPI	tonnes	2,674	4,554	11,271	11,599	30,098
- December quarter	tonnes	-	4,936	12,127	12,304	29,367
Matte production	US\$/t Ni	13,483	-	-	-	13,483
Matte grade	%	12.9	-	-	-	12.9
Nickel in matte	tonnes	1,742	-	-	-	1,742
- December quarter	tonnes	5,083	-	-	-	5,083
<b>Total nickel production</b>	<b>tonnes</b>	<b>4,416</b>	<b>4,554</b>	<b>11,271</b>	<b>11,599</b>	<b>31,840</b>
- December quarter	tonnes	5,083	4,936	12,127	12,304	34,450

Sales and contracts		HNI	RNI	ANI <sup>1</sup>	ONI	Total
Wtd avg contract price	US\$	11,554	11,081	10,907	11,239	11,149
- December quarter	US\$	12,697	11,972	12,715	12,117	12,392
<b>Tonnes sold</b>	<b>tonnes</b>	<b>5,046</b>	<b>4,554</b>	<b>11,561</b>	<b>11,599</b>	<b>32,759</b>
- December quarter	tonnes	5,261	4,939	11,926	12,304	34,427
<b>Sales revenue</b>	<b>US\$M</b>	<b>58.2</b>	<b>50.5</b>	<b>124.1</b>	<b>130.4</b>	<b>363.2</b>
- December quarter	US\$M	67.1	59.1	153.9	149.1	429.2

Costs and margins		HNI	RNI	ANI <sup>1</sup>	ONI	Total
Cash costs	US\$/t	10,320	10,342	8,797	9,411	9,446
- December quarter	US\$/t	11,184	10,952	9,587	9,671	10,048
<b>EBITDA<sup>2</sup></b>	<b>US\$M</b>	<b>3.2</b>	<b>2.1</b>	<b>22.1</b>	<b>20.8</b>	<b>48.2</b>
- December quarter	US\$/M	8.3	5.8	41.9	29.1	85.1
<b>EBITDA/tonne sold</b>	<b>US\$/t</b>	<b>638</b>	<b>458</b>	<b>1,915</b>	<b>1,792</b>	<b>1,472</b>
- December quarter	US\$/t	1,572	1,169	3,515	2,370	2,473

Summary RKEF metrics		December quarter	March quarter	% movement
Production (100%)	tonnes	34,450	31,840	(7.6)
Production (NIC attrib.)	tonnes	27,560	25,472	(7.6)
Tonnes sold	tonnes	34,427	32,759	(4.8)
Sales revenue	US\$M	429.2	363.2	(15.4)
RKEF EBITDA	US\$M	85.1	48.2	(43.3)
RKEF EBITDA/tonne sold	US\$/t Ni	2,473	1,472	(40.5)

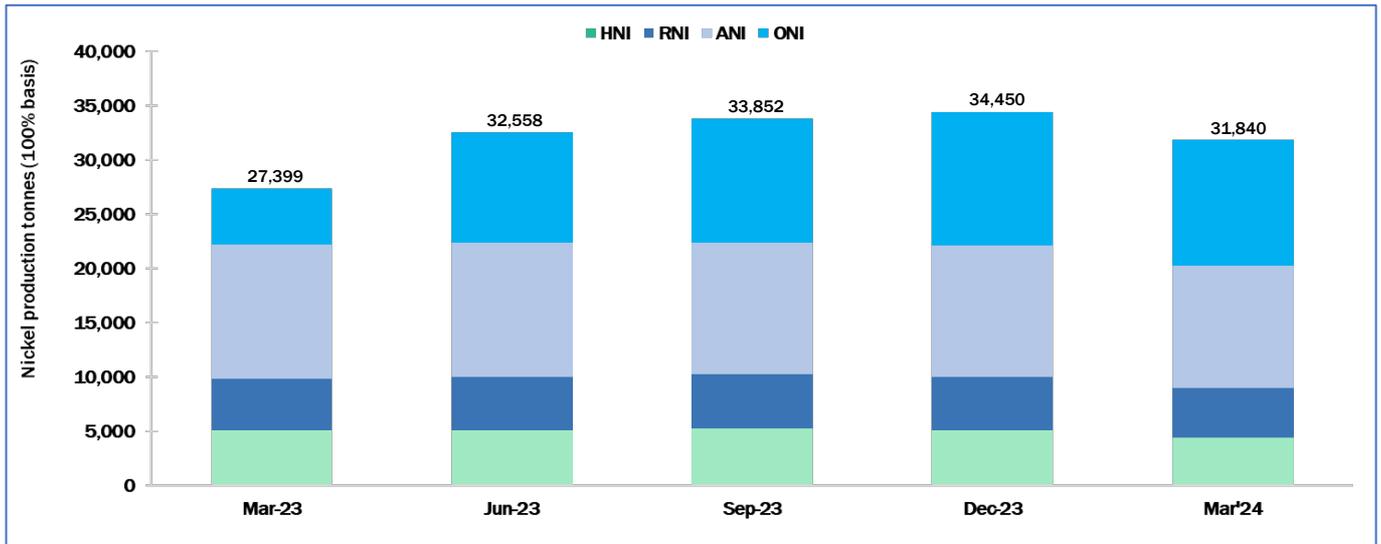
<sup>1</sup> As the NPI produced by ANI is all exported, final contract pricing and consequently revenue and EBITDA numbers are affected by the final settlement variance, and adjustments which cross over quarterly period will be taken up in the following quarter.

<sup>2</sup> EBITDA is defined as profit/(loss) for the period, plus depreciation and amortisation costs, plus net financial income/(costs), plus tax expenses. As a result, EBITDA includes any impact from FX adjustments and also includes other adjustments not directly related to the sale of NPI and nickel matte.

A decision was made to switch HNI’s production from nickel matte back to NPI during the quarter due to (i) declining matte margins compared to NPI, and (ii) an improving demand outlook for stainless steel globally, which we believe will translate into strengthening NPI prices.

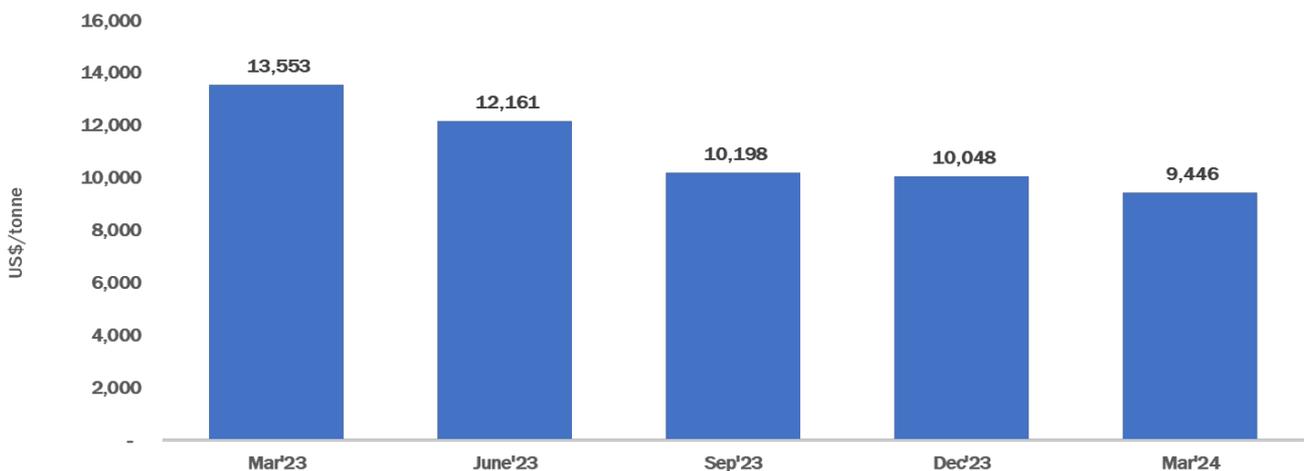
Realised NPI prices for the March quarter were 10% lower than the December quarter which, combined with lower production levels, resulted in RKEF revenues down 15.4%. However, average NPI prices strengthened during the quarter (2.5% higher in March than January) and have continued to strengthen further, with current spot prices (as at 28 April 2024) up 10% higher than the average NPI price received in January.

RKEF production (100% basis)

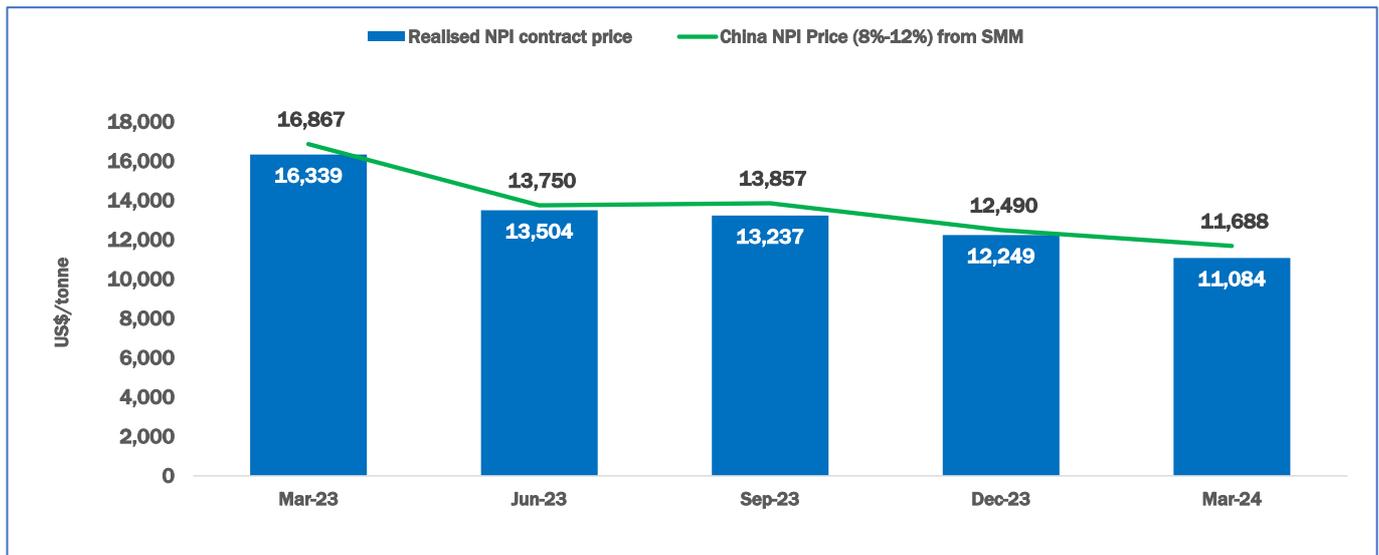


During the quarter, operating cash costs decreased across all operations (between 2.7% and 8.2%) as nickel ore pricing continued to decline, in line with softer LME nickel prices. Lower ore prices were partially offset by increased electricity pricing - higher thermal coal prices resulted in electricity pricing of ~7.5c/kwh at HNI and RNI (up from 7.2c/kwh in December qtr) and ~4.6c/kwh at ANI (up from 4.5c/kwh in December qtr). Electricity pricing at ONI increased to ~5.7c/kwh (up from 4.7c/kwh in December qtr), with the larger increase due to an approximate 10-day shut down for proactive maintenance (whilst RKAB ore delays were occurring) earlier in the quarter. By the end of the quarter electricity costs had returned to below 5c/kwh.

RKEF operating costs



## China NPI price (8%-12%) v NPI contract price



## HPAL Operations

### Huayue Nickel Cobalt Project (10% indirect interest held by Nickel Industries)

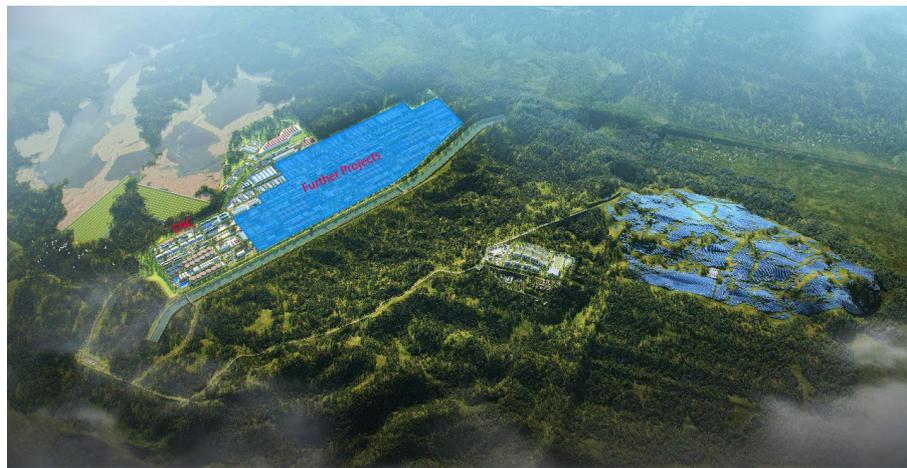
During the March quarter, the HNC Project produced 21,204 tonnes of nickel and 1,884 tonnes of cobalt in mixed hydroxide precipitate (**MHP**). Nickel Industries' attributable share of HNC production was 2,120 tonnes of nickel and 188 tonnes of cobalt.

Whilst HNC undertakes its own sales of MHP, offtake is also distributed to Tsing Creation for sale. The combination of EBITDA of the Company's 100% interest in Tsing Creation and the 10% indirect interest in the net profit of HNC for the March quarter was \$6.9M<sup>3</sup>.

<sup>3</sup> Combination of EBITDA from trading of Tsing Creation, a Hong Kong entity in which the Company owns a 100% interest and the Company's 10% share of the net profit of HNC, which is held through Tsing Creation (excludes any amortisation of the fair value uplift arising on the acquisition of HNC).

**Excelsior Nickel Cobalt Project** (27.5% indirect interest held by Nickel Industries)

During the quarter, on-site earthworks and footings work were advanced and temporary staff accommodation and project administration offices are now in place. Key long lead items are progressively being purchased and fabricated in China ahead of delivery to Morowali in the coming months.



*ENC Project on the left, with SESNA solar project shown on the right*

## Mining operations

### Hengjaya Mine (80% interest held by Nickel Industries)

Key reporting metrics		December quarter	March quarter
<b>Saprolite mined</b>	<b>wmt</b>	<b>1,463,943</b>	<b>1,159,925</b>
<b>Limonite mined</b>	<b>wmt</b>	<b>3,100,155</b>	<b>2,087,865</b>
<b>Nickel ore mined</b>	<b>wmt</b>	<b>4,564,098</b>	<b>3,237,780</b>
Overburden mined	BCM <sup>4</sup>	381,494	385,378
Strip ratio	BCM/wmt	0.08	0.12
Saprolite EBITDA	\$M	25.1	4.3
Limonite EBITDA	\$M	16.9	10.8

March quarter production was affected by higher-than-average rainfall. The Hengjaya Mine remains on track to mine 12 million wmt for 2024.

Following the issuance of an RKAB licence (which was received on 21 February), the month of March 2024 reported a record of 840,138 wmt of ore sales. Additional haul trucks continue to be mobilised to allow the Hengjaya Mine to further increase monthly ore sales.

The Hengjaya Mine was one of the first mines from over 700 in Indonesia to have the RKAB licence approved in 2024. The current RKAB is now approved for 3 years and can be amended during this period to allow the Hengjaya Mine to further increase production as it plans and prepares to supply limonite ore to its majority owned ENC Project.

<sup>4</sup> BCM represents 'bank cubic metres'.

## Finance<sup>5</sup>

### Balance sheet

As at 31 March 2024, the Group held:

- Cash and cash equivalents: US\$553.3M (31 December 2023 - US\$778.7M);
- Trade receivables: US\$293.3M (31 December 2023 - US\$314.6M); and
- Inventories: US\$171.8M (31 December 2023 - US\$209.2M).

Cash and cash equivalents of US\$553.3M were held by Group companies as follows:

- US\$447.1M held by Nickel Industries;
- US\$77.1M held by the Indonesian RKEF entities and their related entities (Nickel Industries interest: 80%);
- US\$18.0M held by Hengjaya Mine (Nickel Industries interest: 80%); and
- US\$11.1M held by Tsing Creation (Nickel Industries interest: 100%).

Trade receivables of US\$293.3M were held by Group companies as follows:

- US\$273.7M held by the RKEF entities; and
- US\$19.6M held by Hengjaya Mine<sup>6</sup>.

Inventories (valued at the lower of cost or net realisable value) of US\$171.8M were held by Group companies as follows:

- US\$120.4M held by the RKEF entities, being nickel matte of US\$1.2M, NPI of US\$8.0M and raw materials of US\$111.2M; and
- US\$51.4M of nickel ore held by Hengjaya Mine.

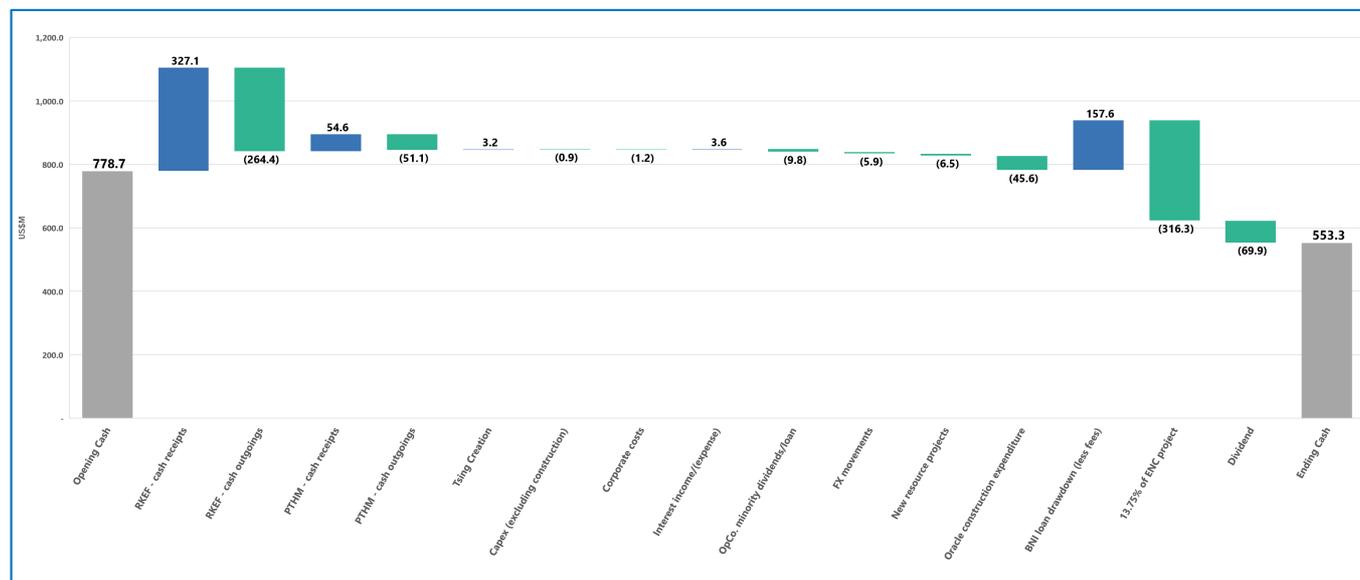
The Hengjaya Nickel, Ranger Nickel and Angel Nickel project distributed dividends and interest, net of withholding tax, during the March quarter to Nickel Industries and Shanghai Decent (and its associates), in proportion to the respective ownership interests. Nickel Industries received US\$48.8M and Shanghai Decent received US\$9.8M.

<sup>5</sup> Unaudited numbers from monthly operating entity financial reporting.

<sup>6</sup> Sales of saprolite ore by Hengjaya Mine to HNI and RNI are intra-group transactions and are eliminated on consolidation. Profit from saprolite ore sales is recognised on a consolidated level as a reduction in the cost of operations, once the saprolite ore has been consumed by the group in NPI operations.

## Cashflow

The following cashflow waterfall provides a reconciliation of cash movements for the Group during the March 2024 quarter.



**Cash flow waterfall – March 2024 quarter**

Whilst the four RKEF lines and power plant of Oracle Nickel were in operation during the quarter, some additional construction trade creditors were paid by Oracle Nickel during the quarter.

## Expenditures

Expenditure on mine production and development activities at the Hengjaya Mine during the quarter totalled US\$45.7M, of which US\$0.9M was capex.

Expenditure on exploration activities undertaken at the Hengjaya Mine during the quarter totalled \$0.7M. Additional expenditures shown in the waterfall above by PTHM, operator of the Hengjaya Mine relate to administration costs and taxes paid. Additional exploration expenditure across new resource project opportunities totalled US\$6.5M.

## Related party expenditures

During the quarter, the aggregate amount of payment to related parties and their associates totalled US\$353,611, comprising US\$302,820 of payments to Directors or Director-related entities for Directors’ consulting fees and US\$50,791 in fees were paid to MIS Corporate Pty Limited (**MIS**), an entity in which Director Norman Seckold has a controlling interest. MIS provides full administrative services, including administrative, accounting, company secretarial and investor relations staff both within Australia and Indonesia, office premises, services and supplies to the Group.

## Corporate highlights

### Increase to a 27.5% equity interest in ENC HPAL Project

During the quarter the Company completed the acquisition of an additional 13.75% interest in the Excelsior Nickel Project (ENC), increasing its equity interest in ENC to 27.5%. The acquisition payment schedule for ENC is set out below.

Date	US\$M	Equity acquired	Cumulative equity
10 business days following shareholder approval (paid)	126.5	5.50%	5.50%
By 1 January 2024 (paid)	189.8	8.25%	13.75%
By 1 April 2024 (paid)	316.3	13.75%	27.50%
By 1 October 2024	379.5	16.50%	44.00%
By 1 July 2025	126.5	5.50%	49.50%
By 1 October 2025 <sup>7</sup>	126.5	5.50%	55.00%
<b>Total</b>	<b>1,265.0</b>	<b>55.00%</b>	

### Trial sales of nickel cathode

During the quarter, the Company commenced delivery of 200 metric tonnes (MT) of nickel cathode to a leading Western space and aeronautical company under a trial sales contract, a necessary step ahead of any longer term, larger volume supply contract.

While the Company has numerous samples of MHP under qualification testing with various counterparties, this contract represents the first trial of nickel cathode and is a strong endorsement of ENC's multi-product offering – the first HPAL plant of its kind that will be capable of producing three class-1 nickel products being MHP, nickel sulphate and nickel cathode. Additionally, this contract underscores a growing recognition that the ENC Project will be one of the lowest carbon-emitting nickel projects globally<sup>8</sup> underpinned by responsible and sustainable mining practices.

### Successful syndication of US\$400m BNI loan facilities

During the quarter, the Company announced the successful syndication of its US\$400M of bank loan facilities provided by PT Bank Negara Indonesia (Persero) Tbk (BNI). The loan facilities, established with BNI in October 2023 to support the Company's ENC funding obligations, were successfully syndicated across an additional eight banks comprising a mix of Asian, European and global banking institutions. This broad-based support is indicative of the Company's growing regional reputation and an industry leader in responsible and sustainable mining in Indonesia.

## CONTACT INFORMATION

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<sup>7</sup> Following commissioning of line 1 of the ENC Project.

<sup>8</sup> ENC's process flow sheet is initially expected to produce a baseline 7 tonnes of carbon per tonne of nickel (compared to conventional HPAL processes of ~18 tonnes of carbon per tonne of nickel), with further reductions expected once the SESNA solar project is commissioned (refer ASX announcement dated 9 October 2023).