

27 April 2021

The Manager Companies
ASX Limited
20 Bridge Street
Sydney NSW 2000

(16 pages by email)

Dear Madam,

QUARTERLY ACTIVITIES REPORT

Attached is the Company's Quarterly Activities Report for the quarter ended 31 March 2021.

The Company's Managing Director, Justin Werner, and Chief Financial Officer, Peter Nightingale, will be presenting by Zoom a summary of the activities for the quarter and available for questions today at 11.00am (Sydney time). The Zoom meeting details are:

Zoom webcast details:
Zoom Meeting ID – 959 0548 5453
Password – 004195
or access at

<https://zoom.us/j/95905485453?pwd=Z3BSQjRhcjJUWUNibGlzd0lQR0lVZz09>

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ASX Release: 27 April 2021

ASX: NIC

Shares on issue: 2.515B

Market capitalisation: A\$3.23B
(@ A\$1.285)

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	18.0%
PT. KBP	15.1%
BlackRock Group	6.8%
Baile Gifford & Co.	5.2%

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QUARTERLY ACTIVITIES REPORT

For the quarter ended 31 March 2021

SOLID START TO 2021 WITH 10,067.5 TONNES OF NICKEL PRODUCTION AND UNDERLYING FREE CASH FLOW OF US\$50.0M

Headline Results

- RKEF quarterly production of **10,067.5** tonnes of nickel metal (100% basis), down 12.7% from the record 11,527.0 tonnes of nickel metal in the December 2020 quarter. NIC attributable nickel production was **8,054.0** tonnes of nickel metal.
- **10,257.1** nickel tonnes sold (100% basis), down 10.0% from 11,401.4 nickel tonnes sold in the December quarter.
- RKEF quarterly sales of **US\$138.2M** (100% basis), down 13.0% from the record US\$158.8M in the December quarter.
- RKEF quarterly EBITDA of **US\$50.7M** (100% basis), down 29.2% from the record US\$71.6M in the December quarter.
- Underlying Free Cash Flow from Operations of **US\$50.0M** (100% basis), down 30.5% from the record US\$71.9M in the December quarter.
- RKEF March quarter cash costs:
 - Hengjaya Nickel: **US\$8,725/tonne**, up 14.6% from the December quarter.
 - Ranger Nickel: **US\$8,641/tonne**, up 16.1% from the December quarter.
- Cash + receivables + inventory at quarter end of **US\$277.4M**, down 46.4% from US\$517.9M in the December quarter following US\$180M payment for Angel Nickel, US\$45M debt repayment and US\$38.8M dividend payment.
- Nickel ore production from Hengjaya Mine of **456,487 wmt**, down 8.7% from the record 499,877 wmt in the December quarter resulted in March quarter EBITDA of **US\$4.5M**. Record monthly nickel ore production of **182,720 wmt** in March.



Ingot casting of NPI

The Directors are pleased to present the March 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 and the Hengjaya Mine. The Company now also holds a 50% interest in the Angel Nickel RKEF project currently under construction at the Indonesia Weda Bay Industrial Park ('IWIP').

RKEF Operations

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

During the March 2021 quarter, Hengjaya Nickel produced 5,064.9 tonnes of nickel metal at an average NPI grade of 13.8% at a production-weighted average cash cost of US\$8,725/tonne.

Nickel Mines' attributable nickel production was 4,051.9 tonnes of nickel metal, a decrease of 11.4% from the December quarter production.

The Hengjaya Nickel operating results for the March quarter were:

HENGJAYA NICKEL		January	February	March	Quarter Total	December Quarter
NPI Production	tonnes	11,527.0	12,740.3	12,544.1	36,811.4	38,389.6
NPI Grade	%	14.2	13.2	14.0	13.8	14.9
Nickel Metal Production	tonnes	1,631.8	1,678.0	1,755.1	5,064.9	5,718.9
Cash Costs	USD/t Ni	8,457	8,681	9,015	8,725	7,612

For the March quarter, Hengjaya Nickel recorded (on a 100% basis) sales of US\$68.2M for 5,031.0 tonnes of nickel metal sold, underlying EBITDA of US\$24.9M¹ and an underlying net profit of US\$23.1M¹.



NPI tap at Hengjaya Nickel

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 the March quarter, before receipt of final assay results, was US\$13,627/t of nickel.

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

During the March 2021 quarter, Ranger Nickel produced 5,002.5 tonnes of nickel metal at an average NPI grade of 14.2% at a production-weighted average cash cost of US\$8,641/tonne.

Nickel Mines' attributable nickel production was 4,002.0 tonnes of nickel metal, a decrease of 13.9% on the December quarter production.

The Ranger Nickel operating results for the March quarter were:

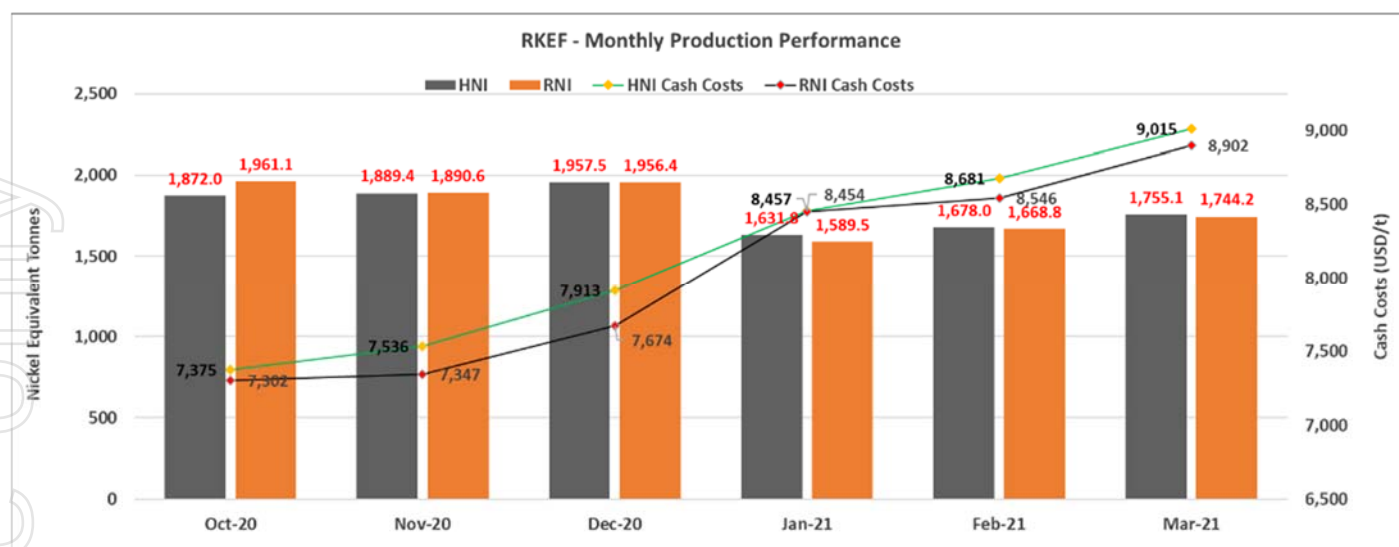
RANGER NICKEL		January	February	March	Quarter Total	December Quarter
NPI Production	tonnes	10,643.8	11,757.0	12,727.0	35,127.8	38,676.0
NPI Grade	%	14.9	14.2	13.7	14.2	15.0
Nickel Metal Production	tonnes	1,589.5	1,668.8	1,744.2	5,002.5	5,808.1
Cash Costs	USD/t Ni	8,454	8,546	8,902	8,641	7,442

For the March quarter, Ranger Nickel recorded (on a 100% basis) sales of US\$70.0M for 5,226.2 tonnes of nickel metal sold, underlying EBITDA of US\$25.8M² and an underlying net profit of US\$23.8M².



Commissioning of ingot conveyer at Ranger Nickel

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 the December quarter, before receipt of final assay results, was US\$13,572/t of nickel.



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

COMBINED RKEF OPERATIONS		January	February	March	Quarter Total	December Quarter
NPI Production	tonnes	22,170.9	24,497.3	25,271.1	71,939.3	77,066.7
NPI Grade	%	14.5	13.7	13.8	14.0	15.0
Nickel Metal Production	tonnes	3,221.3	3,346.9	3,499.3	10,067.5	11,527.0

During the March 2021 quarter, the combined Hengjaya Nickel and Ranger Nickel projects recorded (on a 100% basis) sales of US\$138.2M for 10,257.1 tonnes of nickel metal, underlying EBITDA of US\$50.7M and underlying net profit of US\$46.9M.

Production for the quarter (100% basis) was 10,067.5 tonnes, down 12.7% from the record performance of 11,527.0 tonnes produced in the December quarter.

Commentary on RKEF Operations

Production during the March quarter was adversely impacted by:

- A minor seismic event in early January that saw reduced power availability within the IMIP.
- The Chinese New Year holiday period traditionally sees decreased production levels.
- The decision taken to use a modestly lower ore feed to produce a slightly lower grade NPI. While lower grade NPI translates to lower nickel equivalent units, there is a grade range (typically 13%-14%) where NPI prices are optimised. Higher grade NPI currently attracts a price discount as it needs to be blended down to achieve an optimal composition for stainless steel production.

The March quarter saw a material increase in the Hengjaya Nickel and Ranger Nickel operating costs with cash costs being 14.6% and 16.1% higher respectively than the December quarter. Costs were driven higher predominantly due to increases in nickel ore, reductant agent and thermal coal prices.

As noted in the December quarter, nickel ore purchasing in Indonesia is now priced according to the Indonesian Government's nickel ore benchmark pricing regime that was instituted in May 2020 with nickel ore prices more closely tracking movements in the underlying LME nickel price. With LME nickel prices moving as high as ~US\$20,000/t during the quarter and averaging ~US\$17,500/t, nickel ore prices increased by approximately US\$4/t from ~US\$37/t in the December quarter to ~US\$41/t in the March quarter equating to an approximate US\$500/t increase in cash costs per tonne of nickel produced.

Higher coal prices in the March quarter saw reductant coal and smelting coal prices move materially higher resulting in electricity costs increasing 20% over the quarter from US\$0.05/kwh to US\$0.06/kwh. The combined effects of the higher coal and electricity prices was an approximate US\$700/t increase in cash costs per tonne of nickel produced.

Despite these costs increases, Hengjaya Nickel and Ranger Nickel's relative position at the bottom end of the first cost quartile of NPI producers has been maintained.

Hengjaya Mine Operations

Hengjaya Mine (80% interest held by Nickel Mines)

Production levels at the Hengjaya Mine were pleasing for a second consecutive quarter although they were down slightly from the record December 2020 quarter due to the shorter month of February and a new mine area being opened in central west.

Ore was mined from both the Central and Bete Bete pits with production levels for the quarter from each pit of 264,893 wet metric tonnes ('wmt') (58%) and 191,594 wmt (42%) respectively, for a total of 456,487 wmt. Production remains on track to produce 1.5 million wmt of nickel ore on an annualised basis.

High nickel ore grades remain consistent and periodic reconciliations of mined ore versus the geological model confirm excellent reconciliation results in both volume and grades.

		January	February	March	Quarter Total	December Quarter
Tonnes mined	wmt	156,039	117,728	182,720	456,487	499,877
Overburden mined	BCM	81,528	98,560	82,182	262,270	266,960
Limonite mined	BCM	119,119	137,558	145,880	402,557	294,717
Overburden and limonite mined	BCM	200,647	236,118	228,062	664,827	561,678
Strip ratio*	BCM/wmt	1.3	2.0	1.3	1.5	1.1
Tonnes sold	wmt	152,361	115,248	156,801	424,410	456,758
Average grade	%	1.76	1.78	1.77	1.77	1.81
Average price received	USD/wmt	33.59	35.69	37.07	35.40	32.58
Average cost of production ³	CIF USD/wmt	22.36	23.45	22.71	22.78	25.30

*Strip ratio includes limonite as overburden.

Disclaimer: Whilst the Group's RKEF and mining operations have largely been unaffected by Covid-19 to date, it is not possible to predict the future course and duration of the pandemic and the impact that it may have on future operations.

³ Monthly production costs are a six-month average of mining costs plus port/selling costs for the actual month.



Bete Bete pit still delivering quality ore



Central West pit start up

The Central Pit ore to overburden stripping ratio was slightly higher at 2.2:1 due to opening a second pit mining area at Central West in February. The overall strip ratio for the Central area is scheduled at 2:1 for 2021.

The Bete Bete strip ratio remained low at 1.0:1 and the pit continues to deliver good quality ore at a low strip ratio. The combined average strip ratio for the mine was 1.5:1 in line with the geological and mine planning models.

The overall blended ore grade was reported at 1.77% Ni as planned, which reconciled well against the geological block model with overall ore recovery year to date for combined pits reported at 101% recovery.

Mine production costs continued to drop further, with the six month average now US\$17.0 per wmt FOB.

Limonite ore continued to be stockpiled separately from overburden waste material. Additional assays and test work performed by end users confirm suitability of the limonite ore for the HPAL processing plants at IMIP.

Hengjaya Mine Expansion

Key expansion activities continued to advance during the March quarter in support of the Hengjaya Mine's plan to further increase production of both saprolite and limonite ores in 2021 and beyond.

Main haul road approvals and construction works to IMIP continue to advance in areas around Bete Bete IUP. The internal haul road connecting Bete Bete to Central is now completed and the first haul trucks started using this road in early April 2021.

Three additional 40 tonne dump trucks and ancillary arrived on site during the quarter and will be commissioned to complement the Central mining fleet.



Main haul road works to IMIP



Central East mine operations



Ore Scalping during grizzly commissioning



Internal haul road between Bete Bete and Central pits



Loading consecutive 10,000t barges at the Hengjaya Mine

Safety, Environment and Community

Safety

The continued focus at the mine in safe work culture has resulted in another outstanding result with no Lost Time Injuries ('LTI') or medical treatment injuries reported during the quarter. The hours worked since the last LTI total is over 3,000,000-man work hours. A continued focus remains on sustaining a safe work culture throughout all operations, including training and ongoing updating of safe operating procedures and associated risk management systems.

During the quarter, focus on Covid-19 protocols continued, minimising infections in the workplace while maintaining focus on the workforce's health and fitness. Other initiatives undertaken included mock emergency response audits, firefighting training and revising various standard operational procedures for the operations and change management areas of the mine site.



PT Hengjaya medical check ups

As part of maintaining a healthy workforce the mine site successfully completed comprehensive medical checks for all the workforce during the quarter. The mine also built and commissioned a fitness gym as part of its wellbeing program for the residents.

The Hengjaya Mine continued with strict non-essential visitor access, a proactive protocol that has 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. Various medical and government staff received their first vaccine shots during the quarter. Quarantine rules remain in place for workforce and limited number of visitors.

Environment

No environmental incidents were reported during the March quarter and the environmental team completed all required compliance monitoring and reporting. During the quarter, the ESDM officially awarded a 'Blue Proper' rating to the mine for confirming full compliance with the mines operational licence in respect to associated rehabilitation programs and commitments.

Site rehabilitation continued at the Bete Bete waste dump areas and the Hengjaya Mine areas, along with air, dust and water quality monitoring. The amended AMDAL was successfully submitted to the ESDM in the quarter and planned to be approved in the second quarter of 2021. This included various studies and amendments to the current IUP operations licence such as additional haul roads, mining of saprolite and limonite ores and planning of new mine areas.

The mine was part of a greenhouse gas audit initiative by the Company, including the mine sites operations. When completed, the audit will deliver the current carbon footprint calculation and allow management to focus on greenhouse reductions.



PT Hengjaya Mine KTT (ILHAM) receiving Blue Proper award at ESDM, Palu



Mine site nursery and rehabilitation

Community

Hengjaya Mine continues 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. Whilst most major community projects are still on hold due to the Covid restrictions, several initiatives have been worked on, including the donation of a fleet of 21 mobile rubbish collection units for the Morowali region to promote better waste management and hygiene. Other donations and current projects included sending emergency supplies to Mamuju, West Sulawesi which was devastated by an earthquake on 15 January 2021.

Other projects included sponsorship of regional paramedic training, setting up blood donation systems, sporting events, church and mosque donations.



PT Hengjaya sponsors medical training for local medics



Emergency supplies departing for earthquake region

Finance⁴

Balance Sheet

At 31 March 2021, the Group held:

- Cash and cash equivalents: US\$129.3M (31 December 2020 - US\$351.4M).
- Trade receivables: US\$85.8M (31 December 2020 - US\$105.3M).
- Inventories: US\$62.3M (31 December 2020 - US\$61.2M).

Cash and cash equivalents of US\$129.3M were held by Group companies as follows:

- US\$80.6M held by Nickel Mines (proceeds from US\$175M of Senior Unsecured Notes were received on 6 April 2021);
- US\$26.1M held by Hengjaya Nickel and its related entities, in which Nickel Mines holds an 80% interest;
- US\$17.4M held by Ranger Nickel and its related entities, in which Nickel Mines holds an 80% interest; and
- US\$5.2M held by Hengjaya Mine, in which Nickel Mines holds an 80% interest.

Trade receivables of US\$85.8M were held by Group companies as follows:

- US\$38.2M held by Hengjaya Nickel;
- US\$39.9M held by Ranger Nickel; and
- US\$7.7M held by Hengjaya Mine⁵.

Trade receivables decreased by US\$19.5M from the December quarter due to the lower volume of sales during the quarter.

Trade receivables of US\$105.3M at the end of the December quarter have been received in full.

Inventory (valued at the lower of cost or net realisable value) of US\$62.3M was held by Group companies as follows:

- US\$31.3M held by Hengjaya Nickel comprising US\$3.9M of NPI and US\$27.4M of raw materials;
- US\$30.3M held by Ranger Nickel comprising US\$2.5M of NPI and US\$27.8M of raw materials; and
- US\$0.7M of nickel ore held by Hengjaya Mine.

During the March quarter, Hengjaya Nickel repatriated funds to its Singaporean holding company, Hengjaya Holdings Private Limited, which, in turn, distributes the funds to its shareholders, Nickel Mines and Shanghai Decent and its associates, in proportion to their ownership interests (i.e. 80% to Nickel Mines and 20% to Shanghai Decent and its associates). During the quarter, US\$7.6M was repatriated to Nickel Mines and US\$1.9M was repatriated to Shanghai Decent and its associates. As the intercompany loans arising from the construction of the Hengjaya Nickel RKEF project have been fully repaid, US\$25M, an amount equal to Hengjaya Nickel's issued capital, have been retained in Indonesia while the most efficient methods of funds repatriations are considered.

Ranger Nickel continued routine monthly repatriations of funds to its Singaporean holding company, Ranger Investment Private Limited, which, in turn, distributes the funds to its shareholders, Nickel Mines and Shanghai Decent and its associates, in proportion to their ownership interests through the quarter (i.e. 80% to Nickel Mines and 20% to Shanghai Decent). During the quarter, US\$15.9M was repatriated to Nickel Mines and US\$4.0M was repatriated to Shanghai Decent and its associates.

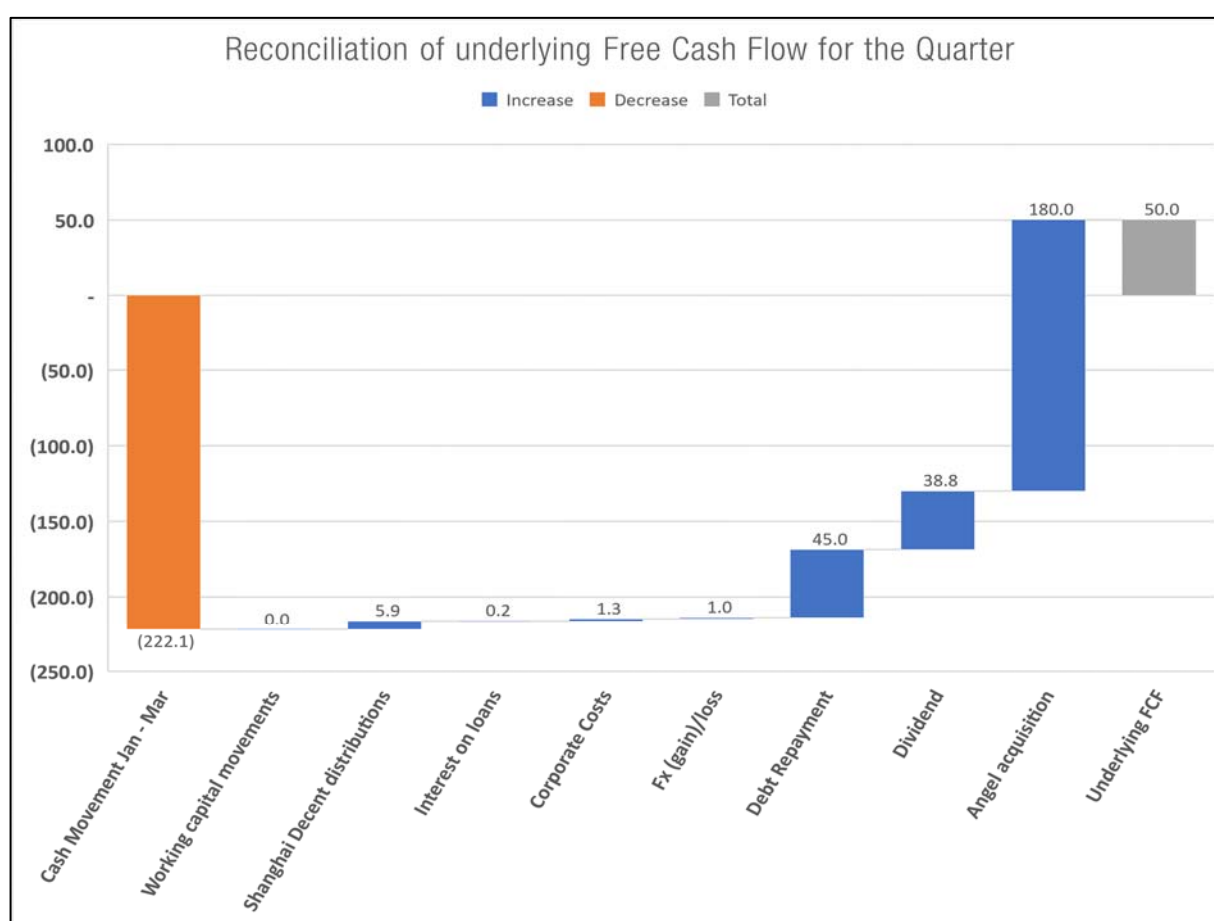
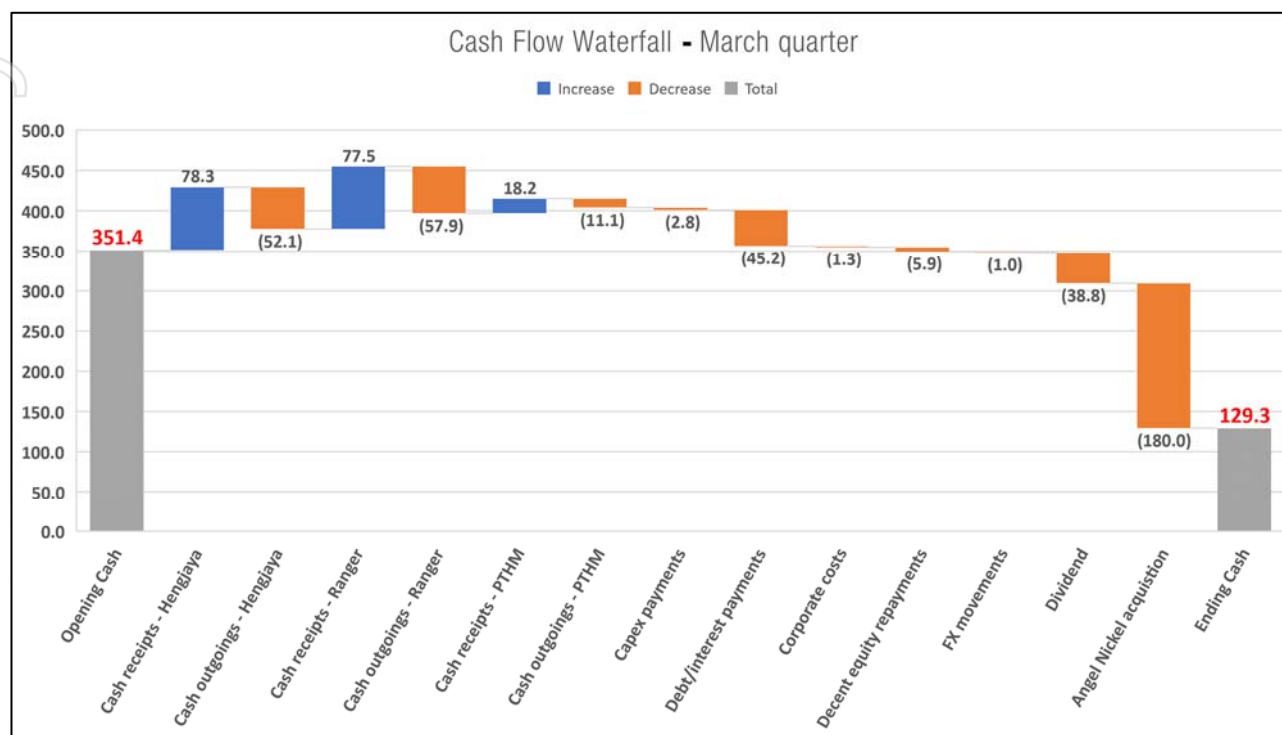
In February 2021, monthly repatriation of funds from the Hengjaya Mine to Nickel Mines commenced, with \$1.0M being repatriated during the quarter. Whilst the Hengjaya Mine has additional capital expenditures to undertake through 2021, principally in relation to the construction of the haul road to IMIP, further repatriations of funds are expected to increase through the year. Nickel Mines will receive 100% of fund repatriations from the Hengjaya Mine until funds advanced by Nickel Mines 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 inter group transactions and are eliminated on consolidation.

Cash Flow

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



Expenditures

Expenditure on mine production and development activities during the quarter totalled US\$13.4M.

Expenditure on mine exploration activities during the quarter totalled US\$0.2M.

Corporate

Completion of 50% interest in Angel Nickel

During the March quarter, the Company completed the first stage of its investment in the Angel Nickel project ('Angel Nickel'). Having received shareholder approval on 19 January 2021 for the Company to acquire a 70% equity interest in Angel Nickel, the Company completed the First Stage Acquisition payment of US\$180M⁶, acquiring a 30% interest in Angel Nickel utilising funds from its December 2020 equity raising.

Subsequent to the above shareholder approval, the Company reached agreement with its collaboration partner, Shanghai Decent, to increase its equity interest in Angel Nickel from 70% to 80%, with the quantum of the Second Acquisition Consideration increasing from US\$280M to US\$350M by no later than 31 December 2021. The Company will seek shareholder approval to acquire the additional 10% interest in Angel Nickel at its Annual General Meeting to be held on 18 May 2021.



Aerial image of IWIP on Halmahera Island

Subsequent to the end of the March quarter, in order to provide additional funding flexibility for the Company, Shanghai Decent agreed to further modify this arrangement by splitting the abovementioned Second Acquisition Consideration payment into two tranches:

- Part A being 20% for payment of US\$137.6M (now completed); and
- Part B being 30% for payment of US\$210.0M by 31 December 2021.

The Part A payment of US\$137.6M is inclusive of a US\$2.4M discount based on the US\$6.0M early payment discount that was negotiated as part of the Company's move to increase its interest from 70% to 80%.

On 21 April 2021, the Company completed Part A, acquiring an additional 20% interest to take its total current interest in Angel Nickel to 50%.

Retirement of Ranger Debt Facility

During the quarter, the Company fully repaid the remaining US\$45M balance of the Ranger Debt Facility.

⁶ US\$30M of the total US\$210M First Acquisition payment had previously been made as down payments upon the signing of the MoU and Collaboration Agreement for the Angel Nickel project.

Payment of Final Dividend

During the quarter, the Company declared and paid a FY2020 final dividend of A\$0.02 per share taking its full year 2020 dividend payment to A\$0.03 per share following the payment of a maiden interim dividend of A\$0.01 per share in September 2020.

Admission to the ASX 200

During the quarter, Nickel Mines was included in the S&P/ASX 200 Index as part of the S&P Dow Jones Indices March quarter rebalance. The effective date for the Company's inclusion in the ASX 200 was 22 March 2021.

Potential Diversification into the EV Battery Supply Chain

In early March, Tsingshan Holding Group Co. ('Tsingshan') announced it had signed a one-year contract to supply 60,000 tonnes of nickel matte to Huayou Cobalt and 40,000 tonnes to CNGR Advanced Material Co. Ltd, commencing from October 2021. Tsingshan advised that the trial production of this high-grade nickel matte (>75%) had commenced in RKEF facilities within the IMIP in July 2020, with these trials successfully concluding at the end of 2020.

This announcement caused a material disturbance across the global nickel market and led to significant speculation as to how these developments might impact Nickel Mines and its RKEF operations within the IMIP.

The Company responded with the following comments:

- The ability for Tsingshan to produce a high-quality nickel matte within the IMIP suitable for use in the EV battery supply chain is an overwhelming positive development for Nickel Mines.
- Tsingshan's ability to make the switch of NPI to an intermediate high-grade nickel matte commercially viable using an RKEF is testament to their ongoing, market leading innovation - for which Nickel Mines continues to be a major beneficiary.
- The potential for Nickel Mines to sell a high-grade nickel matte into the battery nickel supply chain would further transform the Company into a truly diversified nickel producer of global scale and scope.
- The optionality for Nickel Mines (and its collaboration partner Shanghai Decent) to direct nickel units produced by the Hengjaya Nickel and Ranger Nickel Projects into NPI and/or nickel matte according to market demand and prices will enable these businesses to capitalise on any temporary or prolonged disconnections in price between NPI, LME nickel and nickel sulphate, thus ensuring an optimised margin outcome across the Company's operations.
- Tsingshan's trialling of its nickel matte process occurred on other RKEF lines within the IMIP. The Hengjaya Nickel and Ranger Nickel RKEF projects have not yet undergone the minor modifications required to produce a nickel matte so the Company advises there will be no imminent change to normal operations, with both project's NPI continuing to be sold into Tsingshan's stainless steel operations.

The Angel Nickel transaction has diversified the Company's geographic operations, establishing a presence in what will be the two largest nickel production centres globally. This Tsingshan achievement enables the Company to diversify its product range, presenting the opportunity for the Company to participate in the battery nickel supply chain.

Successful Issue of US\$175M of Senior Unsecured Notes

In late March, the Company completed a US\$175M inaugural offering of Senior Unsecured Notes at an interest rate of 6.5%, maturing 1 April 2024. Proceeds from the Senior Unsecured Notes will be applied, along with the Company's existing cash reserves and future earnings from existing operations, to fund the US\$350M second stage acquisition of an additional 50% interest in the Angel Nickel project, taking the Company's aggregate equity interest in Angel Nickel to 80%. Proceeds from the US\$175M issue of notes were received on 6 April 2021.

Due to increased volatility across global credit markets in towards the end of the quarter and based on the terms available, the Company chose to downsize the quantum of the offering to optimise its borrowing rate while still leaving it in a position to complete the second Angel Nickel acquisition funding payment.

Angel Nickel Progress Report

Engineering, procurement and construction activities at Angel Nickel are progressing well. All material earthworks and plant footings now largely completed together with the fabrication of key long lead items including boilers, turbines and generators. The Company looks forward to providing further progress reports on development at Angel Nickel as activities intensify in the months ahead.

The following photographs show recent progress of the Angel Nickel project.



Foundations for Lines #1 and #2



Foundations for Lines #3 and #4



Slag washing precipitating tank



Buggy ladle for Lines #1 and #2



Buggy ladle for Lines #3 and #4



Area for electrostatic precipitator

QUARTERLY PROGRESS

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

"The March quarter represented a solid start to 2021 with another 10,000 plus tonnes of nickel being produced across our RKEF operations. While continued bifurcation in individual nickel products' pricing and increased commodity input costs saw lower realised margins for our RKEF operations, the resilience of our business in these more challenging market conditions was evident with the consolidated group still delivering underlying free cash flow of US\$50M for the quarter.

As a company we are excited about recent developments in the nickel market and the likely potential for our RKEF lines to participate in future nickel matte production from the IMIP that will be sold into the battery supply chain. This move would further diversify not only Nickel Mines' production base but our exposure to the pricing dynamics of individual nickel markets that are expected to emerge over the coming years. We believe this opportunity, along with our expanded scale stemming from our investment in the Angel Nickel project, is set to further enhance our standing as globally significant nickel producer.

Finally, it was pleasing to see continued progress being made at our mining operations with our recent expansion initiatives now paying dividends. Record production levels in March above 180,000 tonnes suggest the strong capacity for Hengjaya Mine to make an increased financial contribution to the group and further enhance its strategic importance to operations at the IMIP."

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Statement of Compliance

The information in this report that relates to Mineral Resources, the Exploration Target and Exploration Results is based on data compiled by Daniel Madre of PT Danmar Explorindo. Information relating to the Mineral Resource was first disclosed in the ASX announcement 'Hengjaya Miner Resource Update' dated 27 August 2020. Mr Madre is a member of the Australian Institute of Mining and Metallurgy (AusIMM) and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activities which are being undertaken to qualify as a Competent Person as defined in the 2012 edition of the "Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Madre is an independent consulting geologist and consents to the inclusion of the matters based on his information in the form and context in which it appears. Mr Madre has more than 18 years' experience in exploration and mining of nickel laterites in Indonesia.

pjn10772