IMPORTANT NOTICE

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached Offering Memorandum received by e-mail or otherwise received as a result of electronic communication, and you are therefore advised to read this disclaimer page carefully before reading, accessing or making any other use of the attached Offering Memorandum. In accessing the Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

Confirmation of Your Representation: By accepting the email and accessing the attached Offering Memorandum you will be deemed to have represented to Citigroup Global Markets Limited and Credit Suisse (Singapore) Limited (the "Initial Purchasers") that (i) you are not resident in the United States and, to the extent you purchase the securities described in the attached Offering Memorandum, you will be doing so pursuant to Regulation S under the Securities Act of 1933, as amended (the "Securities Act") and (ii) you consent to delivery of the attached Offering Memorandum and any amendments or supplements thereto by electronic transmission. The attached Offering Memorandum has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Company, the Initial Purchasers, Citicorp International Limited (the "Trustee"), Citibank, N.A., London Branch (the "Paying Agent", the "Transfer Agent" and the "Registrar" and collectively, the "Agents"), or any person who controls, or is a director, officer, employee, agent, representative or affiliate of, any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Memorandum distributed to you in electronic form and the hard copy version available to you on request from Initial Purchasers.

Restrictions: The attached Offering Memorandum is being furnished in connection with an offering exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described in the Offering Memorandum. You are reminded that the information in the attached document is not complete and may be changed. Any investment decision should be made on the basis of a complete final Offering Memorandum.

Nothing in this electronic transmission constitutes an offer of securities for sale in any jurisdiction where it is unlawful to do so.

THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND MAY NOT BE OFFERED OR SOLD WITHIN THE U.S., EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY APPLICABLE STATE OR LOCAL SECURITIES LAWS.

You are reminded that you have accessed the attached Offering Memorandum on the basis that you are a person into whose possession the Offering Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorized to deliver or forward this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

Actions that You May Not Take: You should not reply by e-mail to this electronic transmission, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

THE ATTACHED OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED.

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NICKEL MINES LIMITED

(ACN 127 510 589)

(incorporated with limited liability in the State of New South Wales, Australia)

U.S.$175,000,000 6.50% Notes due 2024

Issue Price: 100%

Nickel Mines Limited (ACN 127 510 589) (the "Company"), a company incorporated with limited liability under the laws of the State of New South Wales, Australia, is issuing U.S.$175,000,000 6.50% Notes due 2024 (the "Notes").

The Notes will bear interest at the rate of 6.50% per annum, payable semi-annually in arrears on April 1 and October 1 of each year, commencing on October 1, 2021 and will mature on April 1, 2024.

At any time prior to April 1, 2023 the Company may at its option redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium (as defined herein) as of, and accrued and unpaid interest to, the redemption date. At any time and from time to time on or after April 1, 2023, the Company may redeem the Notes, in whole or in part, at the redemption price of 103.25% plus accrued and unpaid interest to the redemption date. Upon a Change of Control Triggering Event, the Company will be required to offer to purchase all outstanding Notes at 101% of their principal amount plus accrued and unpaid interest. The Company may redeem all but not less than all of the Notes at the principal amount plus accrued interest upon certain changes in tax law. At any time prior to April 1, 2023, the Company may redeem up to 40% of the aggregate principal amount of the Notes with proceeds from certain equity offerings at a redemption price of 106.50% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

The Notes will be our unsecured and unsubordinated obligations and will rank *pari passu* in right of payment with all other unsecured, unsubordinated indebtedness of the Company (subject to priority rights under applicable law). The Notes will be subordinated to all liabilities of the Company's subsidiaries. For a more detailed description of the Notes, see "Description of the Notes".

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the "SGX-ST") for the listing and quotation of the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Offering Memorandum (this "Offering Memorandum"). Approval in-principle from, admission to the Official List of, and listing and quotation of the Notes on, the SGX-ST are not to be taken as an indication of the merits of the Company or the Notes.

The Notes are expected to be rated "B1" by Moody's Investors Service ("Moody's") and "B+" by Fitch Ratings Limited ("Fitch"). A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, reduction or withdrawal at any time by the assigning rating agency. Credit ratings are for distribution only to a person (a) who is not a "retail client" within the meaning of section 761G of the Corporations Act 2001 (Cth) (the "Corporations Act") and who is a sophisticated investor, professional investor or other investor in respect of whom disclosure is not required under Parts 6D.2 or 7.9 of the Corporations Act, and (b) who is otherwise permitted to receive credit ratings in accordance with applicable law in any jurisdiction in which the person may be located. Anyone who is not such a person is not entitled to receive this Offering Memorandum and anyone who receives this Offering Memorandum must not distribute it to any person who is not entitled to receive it.

Investing in the Notes involves risks. See "Risk Factors" beginning on page 24.

The Notes have not been and will not be registered under the Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any other jurisdiction and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. This offering is being made in offshore transactions outside the United States in reliance on Regulation S under the Securities Act ("Regulation S"). For further details about eligible offerees and resale restrictions, see "Plan of Distribution" and "Transfer Restrictions". The Notes do not constitute a public offering or private placement of debt securities in Indonesia under Law No. 8 of 1995 on Capital Market ("Indonesian Capital Markets Law") and OJK Rule No. 30/POJK.04/2019 of 2019 on the Issuance of Debt-Linked Securities and/or Sukuk issued by ways of Private Placement ("OJK Rule No. 30"). This Offering Memorandum may not be distributed in Indonesia and the Notes may not be offered or sold in Indonesia, to Indonesian citizens or entities, whether domiciled in Indonesia or elsewhere, or to Indonesian residents, in a manner which constitutes a public offering or private placement under the laws and regulations in Indonesia, including OJK Rule No. 30.

Delivery of the Notes is expected to be made to investors in book-entry form through Euroclear Bank SA/NV ("Euroclear"), and Clearstream Banking, S.A ("Clearstream"), on or about April 1, 2021 (the "Closing Date"). See "Plan of Distribution".

Joint Global Coordinators and Joint Bookrunners

Citigroup **Credit Suisse**

The date of this Offering Memorandum is March 29, 2021

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As used in this Offering Memorandum, unless the context otherwise requires, the terms "we", "us", "our", "the Company" and "our Group" refer to Nickel Mines Limited and its controlled subsidiaries, taken as a whole, unless the context indicates otherwise.

NOTICE TO INVESTORS

This Offering Memorandum is a confidential document that we are providing only to prospective purchasers of the Notes. You should read this Offering Memorandum before making a decision whether to purchase any Notes. You must not:

- use this Offering Memorandum for any other purpose;
- make copies of any part of this Offering Memorandum or give a copy of it to any other person; or
- disclose any information in this Offering Memorandum to any other person, other than a person retained to advise you in connection with the purchase of the Notes.

We have prepared this Offering Memorandum and we are solely responsible for its contents. You are responsible for making your own examination of us and your own assessment of the merits and risks of investing in the Notes. You may contact us if you need any additional information. By purchasing any Notes, you will be deemed to have acknowledged that:

- you have reviewed this Offering Memorandum;
- you have had an opportunity to request and to review, and you have received, any additional information that you need from us;
- you have not relied upon the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with your investigation of the accuracy of such information or your investment decision;
- this Offering Memorandum relates to an offering that is exempt from registration under the Securities Act and may not comply in important respects with the rules of the U.S. Securities and Exchange Commission (the "SEC") that would apply to an offering document relating to a public offering of securities; and
- no person has been authorized to give information or to make any representation concerning us, this offering or the Notes, other than as contained in this Offering Memorandum in connection with your examination of us and the terms of this offering.

We have prepared this Offering Memorandum based on information we have or have obtained from sources we believe to be reliable. Summaries of documents contained in this Offering Memorandum may not be complete. We will make copies of actual documents available to you upon request. Neither we nor Citigroup Global Markets Limited and Credit Suisse (Singapore) Limited (together, the "Initial Purchasers"), nor the Trustee or any of the Paying Agent, Transfer Agent or the Registrar (each as defined in the "The Offering" and collectively, the "Agents") are providing you with any legal, investment, business, tax or other advice in this Offering Memorandum. You should consult with your own counsel, accountants and other advisors as needed to assist you in making your investment decision and to advise you whether you are legally permitted to purchase the Notes.

This Offering Memorandum is not intended to provide the basis of any credit or other evaluation, and is not (nor is it intended to be, nor should it be considered as) a recommendation or a statement of opinion (or a report of either of those things) by us, the Initial Purchasers nor the Trustee or any Agent that any recipient of this Offering Memorandum should subscribe for, purchase or otherwise deal in any Notes.

Furthermore, this Offering Memorandum contains only general information and does not take into account the objectives, financial situation or needs of any prospective investor. Each prospective investor contemplating subscribing for, purchasing or otherwise dealing in any Notes should determine for itself the relevance of the information contained in this Offering Memorandum and make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Company.

In particular, each prospective investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes, and the information contained in this Offering Memorandum;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the prospective investor's currency;
- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A prospective investor should not invest in the Notes unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the prospective investor's overall investment portfolio. Any prospective investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

This Offering Memorandum is not intended to constitute and does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. No action has been, or will be, taken to permit a public offering in any jurisdiction where any action would be required for that purpose. Accordingly, the Notes may not be offered, sold or delivered, directly or indirectly, and this Offering Memorandum, any advertisement or other offering material relating any Notes may not be distributed or published in any jurisdiction except in accordance with the legal requirements applicable in such jurisdiction. For a description of certain restrictions on offers, sales and resales of the Notes and distribution of this Offering Memorandum, see "Plan of Distribution" and "Transfer Restrictions".

We are offering the Notes in a transaction pursuant to Regulation S that is not subject to the registration requirements of the Securities Act. The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable securities laws of any other jurisdiction pursuant to registration or exemption therefrom. You may be required to bear the financial risk of an investment in the Notes for an indefinite period. Neither we nor the Initial Purchasers are making an offer to sell the Notes in any jurisdiction where the offer and sale of the Notes is prohibited. Neither we nor the Initial Purchasers nor the Trustee or any Agent are making any representation to you that the Notes are a legal investment for you. By purchasing any Notes, you will be deemed to have made certain acknowledgments, representations and agreements as described in the "Transfer Restrictions" section of this Offering Memorandum.

Each prospective purchaser of the Notes must comply with all applicable laws and rules and regulations in force in any jurisdiction in which it purchases, offers or sells the Notes and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and neither we nor the Initial Purchasers nor the Trustee or any Agent shall have any responsibility therefor.

Neither the SEC, any U.S. state securities commission, any non-U.S. securities authority or any other authority has approved or disapproved of the Notes or determined if this Offering Memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

We accept responsibility for the information contained in this Offering Memorandum. We have made reasonable inquiries and confirm to the best of our knowledge, information and belief that the information contained in this Offering Memorandum with regard to us and our subsidiaries and affiliates and the Notes is true and accurate in all material respects in the context of the issue and offering of the Notes, that the opinions and intentions expressed in this Offering Memorandum are honestly held and that we are not aware of any other facts, the omission of which would make this Offering Memorandum or any statement contained herein misleading in any material respect.

No person is or has been authorised by any of the Company, the Initial Purchasers nor the Trustee or any Agent to give any information or to make any representation not contained in or consistent with this Offering Memorandum or any other information provided by the Company in connection with any Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Company, the Initial Purchasers nor the Trustee or any Agent.

None of the Initial Purchasers, the Trustee, the Agents or any of their respective affiliates, directors, officers or advisers makes any representation or warranty, express or implied, as to, and assume no responsibility for, the accuracy or completeness of the information contained in this Offering Memorandum. Nothing contained in this Offering Memorandum is, or shall be relied upon as, a promise or representation by the Initial Purchasers, the Trustee or the Agents as to the past, the present or the future. The information contained in this Offering Memorandum is as of the date of this Offering Memorandum and is subject to change, completion or amendment without notice. Neither the delivery of this Offering Memorandum at any time nor the offer, sale or delivery of any Note shall under any circumstances create any implication that there has been no change in the information set forth in this Offering Memorandum since the date of this Offering Memorandum or that the information contained in this Offering Memorandum is correct at any time subsequent to its date. To the fullest extent permitted by law, none of the Initial Purchasers, the Trustee, the Agents or any of their respective affiliates, directors, officers or advisers accepts any responsibility for the contents of or any omission from this Offering Memorandum or for any statement made or purported to be made by it or on its behalf in connection with the Company, or the issue and offering of the Notes.

Each of the Initial Purchasers, Trustee, the Agents and their respective affiliates, directors, officers and advisers accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which any of them might otherwise have in respect of this Offering Memorandum or any such statement or any omission therefrom.

We reserve the right to withdraw this offering at any time. We and the Initial Purchasers may reject any offer to purchase the Notes in whole or in part for any reason or no reason, sell less than the entire principal amount of the Notes offered hereby or allocate to any purchaser less than all of the Notes for which it has subscribed. The Initial Purchasers and certain of their respective related entities may acquire, for their own accounts, a portion of the Notes.

The information set out in relation to sections of this Offering Memorandum describing clearing and settlement arrangements, including in the “Description of the Notes” is subject to a change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream currently in effect. While we accept responsibility for accurately summarizing the information concerning Euroclear or Clearstream, we accept no further responsibility in respect of such information.

IN CONNECTION WITH THE ISSUE AND DISTRIBUTION OF THE SECURITIES, CITIGROUP GLOBAL MARKETS LIMITED (THE "STABILIZING MANAGER") OR ANY PERSON ACTING ON ITS BEHALF MAY, SUBJECT TO APPLICABLE LAWS AND REGULATIONS, OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD OF TIME. HOWEVER, THE STABILIZING MANAGER OR ANY PERSON ACTING FOR IT IS UNDER NO OBLIGATION TO DO SO. FURTHERMORE, SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD.

PRIIPS REGULATIONS/PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "EU PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

PRIIPS REGULATIONS/PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the "UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "EUWA"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "FSMA") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

Consequently no key information document required by the EU PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

NOTICE TO PROSPECTIVE INVESTORS IN AUSTRALIA

This Offering Memorandum is not, and is not intended to be, a prospectus or disclosure document within the meaning of the Corporations Act, or a Product Disclosure Statement for the purposes of Chapter 7 of the Corporations Act. No action has been taken by the Company that would permit a public offering of the Notes in Australia. This Offering Memorandum has not been, and will not be, lodged with the Australian Securities and Investments Commission or the Australian Securities Exchange and is not, and does not purport to be, a document containing disclosure to investors for the purposes of Parts 6D.2 or 7.9 of the Corporations Act. It is not intended to be used in connection with any offer for which such disclosure is required and does not contain all the information that would be required by those provisions if they applied. It is not to be provided to any "retail client" for the purposes of section 761G of the Corporations Act. The Company is not licensed to provide financial product advice in respect of the Notes. Cooling-off rights do not apply to the acquisition of the Notes.

Citigroup Global Markets Limited is incorporated in the United Kingdom and is authorised in the United Kingdom by the Prudential Regulation Authority (the "PRA") and regulated in the United Kingdom by the Financial Conduct Authority and the PRA. Citigroup Global Markets Limited does not hold an Australian Financial Services Licence and, in providing the services in relation to this transaction, it relies on various exemptions contained in the Corporations Act 2001 (Commonwealth of Australia) (the "Corporations Act") and the Corporations Regulations 2001 promulgated under the Corporations Act (together the "Corporations Laws"). Citigroup Global Markets Limited hereby notifies all relevant persons that all services contemplated under this document are provided to the Company by Citigroup Global Markets Limited from outside of Australia and to the extent necessary, Citigroup Global Markets Australia Pty Limited (ABN 64 003 114 832 and Australian Financial Services Licence No. 240992) a related body corporate of Citigroup Global Markets Limited within the meaning of the Corporations Laws, has arranged for Citigroup Global Markets Limited to provide these services to the Company.

NOTICE TO PROSPECTIVE INVESTORS IN INDONESIA

The Notes have not been offered or sold and will not be offered or sold in Indonesia or to any Indonesian nationals, corporations or residents, including by way of invitation, offering or advertisement, and this Offering Memorandum and any other offering material relating to the Notes have not been distributed, and will not be distributed, in Indonesia or to any Indonesian nationals, corporations or residents in a manner which would constitute a public offering or private placement of debt securities in Indonesia under the Indonesian Capital Markets Law, OJK Rule No. 30 and their implementing regulations. The Indonesian Financial Services Authority (*Otoritas Jasa Keuangan* or "OJK") does not review or declare its approval or disapproval of the issue of the Notes, nor does it make any determination as to the accuracy or adequacy of this Offering Memorandum. Any statement to the contrary is a violation of Indonesian law.

NOTIFICATION UNDER SECTION 309B(1)(C) OF THE SFA

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA") and the Securities and Futures (Capital Markets Products) Regulations 2018 (the "CMP Regulations 2018"), the Company has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

CERTAIN DEFINED TERMS AND CONVENTIONS

References to “U.S.$”, “$” and “U.S. dollars” are to United States dollars, the legal currency of the United States, references to “Rupiah” and “Rp.” are to Indonesian Rupiah, the legal currency of Indonesia, references to “A$” and “AUD” are to Australian dollars, the legal currency of Australia and references to “S$” are to Singapore dollars, the legal currency of the Republic of Singapore. Unless otherwise specified or the context otherwise requires, all references to “Indonesia” are references to the Republic of Indonesia, all references to “Indonesian Government” are references to the Government of Indonesia, all references to “Australia” are references to the Commonwealth of Australia, all references to “Australian Government” are references to the Government of Australia, and all references to “United States” or “U.S.” herein are references to the United States of America. Certain terms used herein are defined in the “Glossary” contained in this Offering Memorandum.

References to “Noteholders” and “Holders” are to the holders of the Notes.

CURRENCY PRESENTATIONS AND EXCHANGE RATES

For the reader’s convenience, this Offering Memorandum contains translations of certain Australian dollar amounts into U.S. dollars. Unless otherwise stated, such translations of Australian dollar amounts into U.S. dollars have been made at the noon buying rate in New York City for cable transfers in Australian dollars as certified by the Federal Reserve Bank of New York on December 31, 2020, which rate was A$1.00 = U.S.$0.7709. These translations should not be construed as representations that the Australian dollar amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated.

INDUSTRY AND MARKET DATA

This Offering Memorandum includes certain industry and market data (including forecasts and other forward-looking information) obtained from, among others, the report entitled “Nickel Industry Market Report Prepared for Nickel Mines Limited” dated March 2021 (the “Industry Report”) which we have commissioned Wood Mackenzie to prepare at our request and attached as Appendix A to this Offering Memorandum, as well as reports of governmental agencies, industry publications and surveys and internal company surveys. Such industry publications and surveys and forecasts generally state that the data contained therein has been obtained from sources believed to be reliable, but except for any data we may have provided to Wood Mackenzie, we cannot assure you that such data is complete or accurate. Such data has not been independently verified, and neither we, except with respect to any data we may have provided to Wood Mackenzie, nor the Initial Purchasers, make any representation as to the accuracy or completeness of such data or any assumptions relied upon therein.

Financial data with respect to Australia or Indonesia provided in this Offering Memorandum may be subsequently revised in accordance with Australia’s or Indonesia’s ongoing maintenance of their respective economic data, and such revised data will not be updated or distributed by us to any holder of the Notes.

ENFORCEABILITY OF CIVIL LIABILITIES

The Company is an Australian company incorporated under the laws of the State of New South Wales, Australia with limited liability. Substantially all of our directors and executive officers reside in either Australia or Indonesia. Substantially all of our assets and the assets of such persons are located in Australia and Indonesia. As a result, it may be difficult for investors to effect service of process outside of Australia and Indonesia, or to enforce against us or such persons in such jurisdiction, judgments obtained in courts of jurisdictions outside of Australia and Indonesia.

We have been advised by our Indonesian legal advisers that judgments of non-Indonesian courts are not enforceable in Indonesian courts, although such judgments could be admissible as non-conclusive evidence in a proceeding on the underlying claim in an Indonesian court. Our Indonesian legal advisers have also advised us that there is doubt as to whether Indonesian courts will enter judgments in original actions brought in Indonesian courts predicated solely upon the civil liability provisions of jurisdictions other than Indonesia. As a result, Noteholders, as claimants, would be required to pursue claims against us or our commissioners and directors in Indonesian courts on the basis of Indonesian law, which would require re-examination of the underlying claim. Claims or remedies available under Indonesian law may not be the same, or as extensive, as those available in other jurisdictions, and Indonesian courts may not protect the interests of the Noteholders in the same manner or to the same extent as would courts in more developed countries outside of Indonesia.

PRESENTATION OF FINANCIAL INFORMATION AND OTHER DATA

Presentation of our Group's Financial Information

Effective as of December 31, 2019, we changed our financial year-end from June 30 to December 31 to align our reporting schedule with that of our operating subsidiaries in Indonesia. This change resulted in a six-month reporting period for the financial period ended December 31, 2019, also known as the transition period. The six-month transition period ended December 31, 2019 is a shorter reporting period than that of the year ended June 30, 2019, which is the prior reporting period shown in this Offering Memorandum, and that of the year ended December 31, 2020, which is the subsequent reporting period shown in this Offering Memorandum.

Accordingly, this Offering Memorandum contains:

(i) our audited consolidated financial statements as of and for the year ended December 31, 2020;

(ii) our unaudited condensed consolidated interim financial statements as of and for the six months ended June 30, 2020;

(iii) our audited consolidated financial statements as of and for the six months ended December 31, 2019;

(iv) our audited consolidated financial statements as of and for the year ended June 30, 2019; and

(v) our audited consolidated financial statements as of and for the year ended June 30, 2018,

(collectively, our "Financial Statements").

Our Financial Statements have been prepared in accordance with the Corporations Act, Australian Accounting Standards ("AAS") and other authoritative pronouncements of the Australian Accounting Standards Board, and comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Our audited consolidated financial statements as of and for each of the fiscal years ended December 31, 2020, June 30, 2019 and 2018, and as of and for the six months ended December 31, 2019, included in this Offering Memorandum have been audited by KPMG, independent accountants, in accordance with Australian Auditing Standards.

Our unaudited condensed consolidated interim financial statements as of and for the six months ended June 30, 2020 have been reviewed by KPMG, independent accountants, in accordance with the Auditing Standard on Review Engagements (ASRE 2410) Review of a Financial Report Performed by the Independent Auditor of the Entity. Such unaudited interim financial information should not be relied upon to provide the same quality of information associated with information that has been subject to an audit. Potential investors must exercise caution when using such data to evaluate our financial condition, results of operations and results.

Comparability of Financial Information

There are a number of factors affecting the comparability of our financial statements as of and for the periods presented in this Offering Memorandum, as further described below.

Change in Financial Year-end

As a result of the change in our fiscal year discussed above, the amounts presented in our financial statements for the transition period are not entirely comparable to those for the fiscal years ended June 30, 2019 and December 31, 2020. We do not present financial statements for a separate historical period that is comparable to the transition period in this Offering Memorandum.

Increase in the Scope of our Operations

Our historical financial statements are not comparable to our future financial results primarily as a result of the significant increase in the scope of our operations over the last few years.

We currently own an 80% indirect equity interest in the following operating projects – the Hengjaya Mine, the Hengjaya Nickel Project and the Ranger Nickel Project. We also currently own a 30% indirect equity interest (with the right, exercisable at our option, to increase such indirect equity interest up to 80%) in the Angel Nickel Project which is currently under construction. However, our initial investment in the Hengjaya Nickel Project was a 25% indirect equity interest, which was effected in April 2018, and then increased to 60% in September 2018. Prior to April 1, 2019 the Hengjaya Nickel Project was accounted for as an equity accounted investee. Our initial investment in the Ranger Nickel Project was a 17% indirect equity interest, which was effected in November 2018, and then increased to 60% in August 2019. Until August 14, 2019, the Ranger Nickel Project was accounted for as an equity accounted investee. In June 2020, we increased our indirect equity ownership in both the Hengjaya Nickel Project and the Ranger Nickel Project from 60% to 80%. For more information, see "Business — Our NPI Business".

We produced our first batch of nickel pig iron ("NPI") in January 2019 at the Hengjaya Nickel Project. The Ranger Nickel Project produced its first batch of NPI in May 2019. Both the Hengjaya Nickel Project and the Ranger Nickel Project reached steady-state production by the fourth quarter of 2019.

As a result, we have transitioned from being exclusively an upstream miner of nickel ore prior to 2019, to becoming a globally significant producer of NPI. We have thus significantly increased our total assets and our revenues during each financial period presented in this Offering Memorandum leading up to the financial year ended December 31, 2020. Accordingly, our revenues and expenses over that time period reflect the significant ramp up and changes in the nature of our operations, which significantly diminish the comparability of our financial statements across periods.

For more information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Factors Affecting the Comparability of Our Financial Information" and our historical consolidated financial statements and the related notes thereto included elsewhere in this Offering Memorandum.

Unaudited Financial Information

In order to facilitate an understanding of the variations in our income statement line items from 2019 to 2020, this Offering Memorandum contains certain financial information for the six months ended December 31, 2020 which is derived by subtracting (i) our financial information for the six months ended June 30, 2020 taken from our unaudited condensed consolidated interim financial statements as of and for the six months ended June 30, 2020, from (ii) our financial information for the year ended December 31, 2020 taken from our audited consolidated financial statements as of and for the year ended December 31, 2020. Our financial information for the six months ended December 31, 2020 has not been subject to an audit or review by our independent auditors. Investors are therefore cautioned to read our financial information for the six months ended December 31, 2020 together with our consolidated financial statements included elsewhere in this Offering Memorandum.

Rounding

Rounding adjustments have been made in calculating some of the financial information included in this Offering Memorandum. As a result, numerical figures shown as totals in some tables may not be exact arithmetic aggregations of the figures that precede them.

Non-IFRS Financial Measures

This Offering Memorandum includes certain non-IFRS financial measures, including EBITDA, Attributable EBITDA, Opex, Free Operating Cash Flow, Net Debt, Gross Leverage Ratio, Net Leverage Ratio and Attributable Capitalization. For more information on how we calculate these non-IFRS financial measures, including reconciliations to their respective most directly comparable measures under IFRS, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-IFRS Metrics".

EBITDA, Attributable EBITDA, Opex, Free Operating Cash Flow, Gross Debt, Net Debt, Gross Leverage Ratio, Net Leverage Ratio and Attributable Capitalization are supplemental measures of our performance, liquidity and indebtedness that are not required by, or presented in accordance with, IFRS. Such non-IFRS financial measures are not measurements of financial performance, liquidity or indebtedness under IFRS and should not be considered as alternatives to our profit after tax, operating income or any other performance measures derived in accordance with IFRS; as alternatives to cash flow from operating activities or any other measures of liquidity derived in accordance with IFRS; or as alternatives to our borrowings or other measures of indebtedness derived in accordance with IFRS.

We believe that such non-IFRS financial measures serve as useful indicators of our operating performance, liquidity and indebtedness, and are measures commonly used by analysts, investors and peers in our industry. Accordingly, we have disclosed this information to permit a more complete analysis of our operating performance, liquidity and indebtedness. However, EBITDA, Attributable EBITDA, Opex, Free Operating Cash Flow, Gross Debt, Net Debt, Gross Leverage Ratio, Net Leverage Ratio and Attributable Capitalization are not standardized terms; hence, such non-IFRS measures, as calculated by us, may not be comparable to similarly titled measures reported by other companies and a direct comparison between companies using similar terms may not be possible.

MINERAL RESOURCES INFORMATION

We report our nickel ore resources in accordance with the 2012 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code"), published by the Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.

The JORC Code distinguishes between "mineral resources" and "mineral reserves", based on the nature of the technical and economic evaluation carried out. Pursuant to the JORC Code:

- a "mineral resource" is a concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade (or quality), and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade (or quality), continuity and other geological characteristics of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling. The term mineral resource covers mineralization, including dumps and tailings, which has been identified and estimated through exploration and sampling and within which ore reserves may be defined by the consideration and application of modifying factors, including but not restricted to mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, infrastructure, social and governmental factors. Mineral resources are sub-divided, in order of increasing geological confidence, into inferred, indicated and measured categories; and

- a "mineral reserve" or "ore reserve" is the economically mineable part of a measured and/or indicated mineral resource.

We do not have an estimate of our nickel reserves readily available; accordingly, such information has not been presented in this Offering Memorandum.

Our ability to achieve forward-looking production and economic targets is dependent on numerous factors that are beyond the control of and cannot be fully anticipated by the Qualified Person. These factors include the site-specific mining and geological conditions, the capabilities of management and employees, availability of funding to properly operate and capitalize the operation, variations in cost elements and market conditions, development and operation of the Hengjaya Mine in an efficient manner and others. Any unforeseen changes in the legislation and new industry developments could also substantially alter the performance of any mining operation. Therefore, mineral resources should not be interpreted as assurances of mine life or of the profitability of current or future operations.

You should not assume that all or any part of measured or indicated resources will ever be converted into reserves. You are also cautioned not to assume that all or any part of an inferred resource exists or is economically or legally mineable.

Resources Statement

In this Offering Memorandum, we have derived the information relating to our estimates of nickel resources from the PT Hengjaya Mineralindo ("PT Hengjaya") — Nickel Resource Estimate Qualified Persons Report dated June 30, 2020 (the "Nickel Resources Statement"), attached as Appendix B to this Offering Memorandum, which was prepared in accordance with the JORC Code by PT Danmar Explorindo, an independent mining consultant, for the purpose of estimating our nickel resources at the Hengjaya mining project within the laterite nickel mine, in the Regency of Morowali, Province of Central Sulawesi, Indonesia. The Nickel Resources Statement utilizes exploration and mining data up to June 30, 2020. For more information, see the Nickel Resources Statement attached as Appendix B to this Offering Memorandum.

Our estimates of nickel ore resources are performed using various assumptions regarding loss and dilution, drilling depth and other geotechnical constraints. Our resources are sensitive to the cost and revenue assumptions used due to the geological structure of our deposits, which means that, all other factors being the same, if the cost assumption is higher or the price assumption is lower, we estimate lower resources, and if the cost assumption is lower or the price assumption is higher, we estimate more resources. Some of our deposits are more sensitive to the cost and revenue assumptions used than others due to the characteristics and geological structure of those deposits. For more information regarding the factors used to estimate our nickel ore resources presented in this Offering Memorandum, see the Nickel Resources Statement attached as Appendix B to this Offering Memorandum.

Statements of resources prepared by different engineers are estimates based on different technical assumptions and may vary as a result. There is no assurance that had such statements been prepared by the same engineers applying a uniform methodology, they would not differ substantially from the estimates included in this Offering Memorandum.

FORWARD-LOOKING STATEMENTS

This Offering Memorandum includes, and any amendment or supplement, may include forward-looking statements. All statements other than statements of historical facts included in this Offering Memorandum and any amendment or supplement regarding, among other things, our future financial position and results of operations, business, strategy, plans, developments and prospects, the condition and prospects of the mining and nickel industries, and Indonesia's economy, fiscal condition, debt or prospects may constitute forward-looking statements. Forward-looking statements can generally be identified by the use of forward-looking terminology such as “may”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “continue” or similar terminology.

These forward-looking statements involve a number of risks, uncertainties and other factors that could cause actual results, performance or achievements, to differ materially from those expressed, suggested or implied by the forward-looking statements. Forward-looking statements should therefore be considered in light of various important factors, including those set out in this Offering Memorandum. Factors that could cause actual results to differ include, but are not limited to, the following:

- changes in our relationship with the Tsingshan group, our significant shareholder, sole offtaker and primary supplier of utilities and logistics to our operations;
- changes in terms and conditions of the agreements under which we operate our business, such as our collaboration agreements with the Tsingshan group, and the ability of our partners to perform in accordance with contractual terms and specifications;
- economic, social and political conditions in Australia, China, Indonesia or Singapore where we and/or the Tsingshan group has a presence;
- the effects of the COVID-19 pandemic and related response measures, including lockdowns and travel restrictions, and the impact on economic conditions in countries where we operate, our business and operations and our employees, customers and counterparties;
- increases or other changes in regulatory burdens and obligations in Australia, Indonesia and other countries, dividend obligations and environmental regulations and compliance costs;
- accidents, natural disasters, and other catastrophes;
- changes and volatility in market prices of or demand for NPI that we produce and sell or key commodities consumed by us as an input in our operations, as a result of competitive actions, economic factors such as inflation or exchange rate fluctuations, or otherwise;
- our ability to ensure the continuity of senior management and ability to attract and retain key personnel;
- changes in our relationship with government authorities in Australia, Indonesia and other countries in which the Tsingshan group has a presence;
- the implementation of new projects, including future acquisitions and financings;
- changes in import or export controls, duties, levies or taxes, either in international markets or in Indonesia;
- changes in laws and regulations and their interpretation, applicable taxes and tax rates, accounting standards or practices, and reserve reporting guidelines; and
- our ability to manage the risks described above and in the section entitled “Risk Factors”.

Although we believe that the expectations of our management as reflected by such forward-looking statements are reasonable based on information currently available to us, no assurances can be given that such expectations will prove to be correct.

Our ability to grow our revenues, profit after tax and cash flows depends upon continued capital expenditure. In addition, our capital expenditure and investment plans are subject to a number of risks, contingencies and other factors, such as fluctuations in the price of, or demand for, the NPI we sell, unexpected or prolonged disruptions at our production or other facilities, and our inability to obtain, maintain or renew necessary government permits and approvals for our operations, some of which are beyond our control. We may make additional capital expenditures and investments as opportunities or needs arise, and may increase, reduce or suspend our planned capital expenditures or investments or change the timing and use of our capital expenditures from what is currently planned in response to market conditions, feasibility studies, changes in government policies, or for other reasons.

Should one or more of these uncertainties or risks, among others, materialize, our actual results may vary materially from those estimated, anticipated or projected. Specifically, but without limitation, capital costs could increase, expansion projects could be delayed, and anticipated improvements in capacity or performance might not be fully realized or realized at all.

Accordingly, prospective purchasers are cautioned not to place undue reliance on forward-looking statements. In any event, these statements speak only as of their dates, and we undertake no obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

SUMMARY

This summary highlights information contained elsewhere in this Offering Memorandum. This summary is qualified by, and must be read in conjunction with, the more detailed information and the consolidated financial statements appearing elsewhere in this Offering Memorandum. Prospective investors should read this entire Offering Memorandum carefully, including the information set forth in the section entitled "Risk Factors", and our consolidated financial statements and the related notes thereto included in this Offering Memorandum.

Overview

We are an ASX-listed company and a significant player in the global nickel industry. We have a financial, operational and strategic partnership with Shanghai Decent Investment Group Co., Ltd. ("Shanghai Decent"), a member of the Tsingshan group. The Tsingshan group is a privately-held group based in China and one of the world's largest producers of stainless steel by capacity. By virtue of our partnership with the Tsingshan group, we have transitioned from being an exclusively upstream miner of nickel ore to a predominantly downstream producer of higher value-added NPI – an essential component in the manufacture of stainless steel.

We believe we currently operate some of the world's most efficient nickel smelting facilities and benefit from a low-cost position in the production of our NPI. The rotary kiln electric furnace ("RKEF") operations where we produce our NPI have been designed and built by the Tsingshan group, who were one of the pioneers of the RKEF process for producing NPI from nickel laterite ore sources. This allows us to produce NPI at a significant cost advantage to most other producers of NPI. In addition, we benefit from tax concessions granted to us by Indonesian tax authorities that amount to significant competitive advantages for our business.

Our NPI business is vertically integrated, and we undertake all stages of mining and processing of the nickel ore into NPI. We currently have an 80% indirect equity ownership interest in, and operate, each of the following nickel-producing assets:

- ***Hengjaya Nickel Project***: located within the Indonesia Morowali Industrial Park ("IMIP"), the Hengjaya Nickel Project comprises two RKEF lines with an aggregate nameplate production capacity of 15,000 NiEq tonnes per annum. For the year ended December 31, 2020, this project exceeded its aggregate nameplate production capacity by approximately 43%, producing 21,514 NiEq tonnes.

- ***Ranger Nickel Project***: also located within the IMIP, the Ranger Nickel Project similarly comprises two RKEF lines with an aggregate nameplate production capacity of 15,000 NiEq tonnes per annum. For the year ended December 31, 2020, this project exceeded its nameplate production capacity by approximately 47%, producing 22,107 NiEq tonnes.

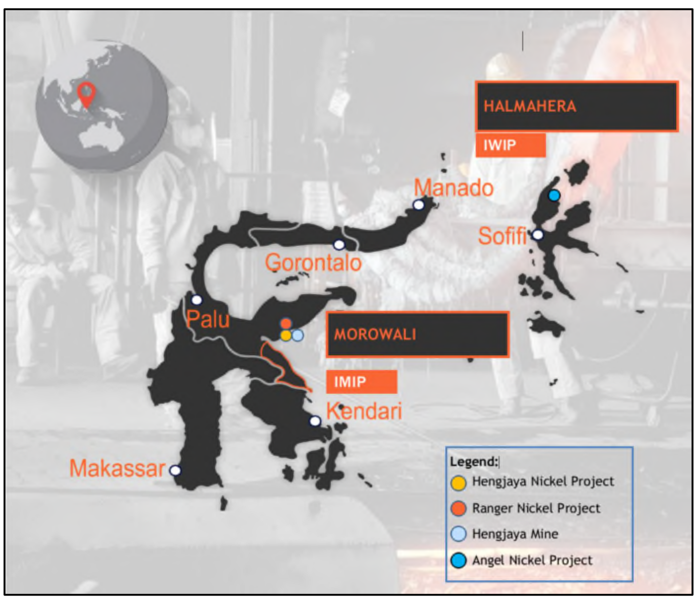
- ***Hengjaya Mine***: a long-life, high-grade nickel laterite deposit located approximately 12 kilometers from the IMIP, with a JORC compliant resource of 185 dmt at 1.3% nickel including 39.7 dmt at 1.8% nickel. Since December 2018, all of the Hengjaya Mine's nickel ore production has been used as an input in the Hengjaya Nickel Project and the Ranger Nickel Project, representing approximately 40% of the nickel ore required by the Hengjaya Nickel Project and the Ranger Nickel Project during the year ended December 31, 2020.

As of the date of this Offering Memorandum, we also own a 30% indirect equity interest in the Angel Nickel Project, an NPI producing project being constructed within the Indonesia Weda Bay Industrial Park ("IWIP"), located on Halmahera Island in Indonesia's North Maluku province, which is contractually required to be commissioned by October 16, 2022 (the "Angel Nickel Project"). Pursuant to our binding agreement with Shanghai Decent, we are committed to acquire an additional 50% indirect equity interest in the Angel Nickel Project (the "Angel Nickel Acquisition") by December 31, 2021, which will take our total indirect equity interest in the Angel Nickel Project to 80%. Once completed, the Angel Nickel Project will comprise four RKEF lines, with an aggregate nameplate production capacity of 36,000 NiEq tonnes per annum, as well as a captive 380 MW power plant and ancillary facilities required for the operation of each of the RKEF lines and the power plant.

As of December 31, 2020, our aggregate nameplate production capacity totalled 30,000 NiEq tonnes per annum (24,000 NiEq tonnes per annum attributable nameplate production capacity). Following our completion of the Angel Nickel Acquisition and the commissioning of the Angel Nickel Project, our aggregate nameplate production capacity is expected to more than double to a total of 66,000 NiEq tonnes per annum (52,800 NiEq tonnes per annum attributable nameplate production capacity), which would place us among the top-ten largest nickel producers globally by production capacity based on market data provided by Wood Mackenzie.

Our NPI-producing assets are integrated into some of the world's largest nickel production centers in terms of production output: the IMIP, which is the largest producer of processed nickel globally and the fourth largest producer of stainless steel by production capacity with a current production capacity of 3.0 million tonnes of stainless steel per annum, and the IWIP, which began operations in 2020 and is expected to be the third largest producer of processed nickel globally by 2023, according to Wood Mackenzie.

The map below shows the location and extension of our current operations, including the Angel Nickel Project:



Despite only reaching a steady-state level of operations at our existing facilities in the fourth quarter of 2019, we have been able to leverage our structural competitive advantages to expand our business in a sustainable manner while maintaining a high level of operating and financial performance. Our sales revenue has increased from U.S.$64.9 million for the fiscal year ended June 30, 2019 to U.S.$523.5

million for the fiscal year ended December 31, 2020. Meanwhile, our profit after tax has increased from U.S.$71.8 million for the fiscal year ended June 30, 2019 to U.S.$153.7 million for the fiscal year ended December 31, 2020, and our EBITDA has increased from U.S.$23.0 million for the fiscal year ended June 30, 2019 to U.S.$197.1 million for the fiscal year ended December 31, 2020. As of March 9, 2021, our market capitalization was A$3.4 billion (approximately U.S.$2.6 billion).

Strengths

We believe that we have the following key competitive strengths:

Growing part of the global nickel supply chain within the Tsingshan group's world-leading stainless-steel production facilities

Our operations are integrated within the leading IMIP and IWIP industrial parks in Indonesia, which are some of the world's largest nickel production centers in terms of production output. The IMIP, where the Hengjaya Nickel Project and the Ranger Nickel Project are located, is the largest producer of processed nickel globally and among the world's largest vertically integrated stainless-steel production centers, with a current production capacity of 3.0 million tonnes of stainless steel per annum, according to Wood Mackenzie. The IWIP, where the Angel Nickel Project is to be located, began operations in 2020 and is expected to be the third largest producer of processed nickel globally by 2023, according to Wood Mackenzie.

Both the IMIP and the IWIP are operated by the Tsingshan group. As a result, we have become a growing part of the Tsingshan group's global stainless-steel supply chain. NPI comprises approximately 65% of the stainless-steel mix by volume, and the NPI that we produce at our RKEF plants is either "hot-charged" in molten form as a feedstock into the Tsingshan group's stainless steel production facilities at the IMIP (and, in the future, the IWIP), or exported in the form of ingots to feed the Tsingshan group's stainless steel operations in China. In addition, between 2015 and 2020, the Hengjaya Mine has produced between 300 kt to 800 kt of nickel ore per year, with this volume expected to increase above 1.5 mt per year over the near-to-medium term as a result of various expansion initiatives that we have implemented at the Hengjaya Mine over the last 12 months.

Moreover, the Tsingshan group also provides us with access to utilities and logistics to support our operations, such as the supply of power, raw materials and other consumables, as well as access to port facilities and ancillary services required for our NPI operations – for example, training for our staff and providing support and maintenance services, among others. As a result, we derive significant benefits from the Tsingshan group's large scale, vertical integration and logistics management. In particular, we benefit from access to the Tsingshan group's large supply base, which it obtains at favorable prices due to their large scale and greater bargaining power with suppliers, thus yielding cost savings and other optimizations and efficiencies for our operations.

Critically, Shanghai Decent has contractually committed to purchase all of the NPI produced by the Hengjaya Nickel Project, the Ranger Nickel Project and the Angel Nickel Project at the average price for NPI in China. This provides us with greater assurance of offtake for the NPI that we produce, which we believe translates into a relatively more stable and predictable revenue stream.

Established partnership with one of the world's largest stainless-steel producers

We maintain a mutually beneficial partnership with the Tsingshan group that is of critical importance to our business and forms the foundation for our successful growth.

We are strongly aligned with the Tsingshan group in many ways, which underpins our mutual strategic partnership:

- through Shanghai Decent and its associates, the Tsingshan group currently holds an approximately 18% shareholding in our Company, and therefore has a flow-through economic interest in our performance;
- through Shanghai Decent, the Tsingshan group holds a 20% indirect equity interest in the Hengjaya Nickel Project and the Ranger Nickel Project, and this ownership model is expected to be replicated for the Angel Nickel Project, thus further aligning performance incentives with our mutual interests; and
- NPI output from our RKEF projects is used as a key input in the Tsingshan group's stainless-steel operations within the IMIP and, after the Angel Nickel Project commences production, the IWIP.

The Tsingshan group controls the largest stainless steel production capacity globally (with the exception of the combined capacity of Chinese state owned enterprises) according to Wood Mackenzie, and is ranked in the Fortune Global 500 list. They were one of the pioneers of the RKEF process, are now a leading player in the Indonesian NPI industry and a global leader in NPI processing technology, according to Wood Mackenzie. Among its achievements, the Tsingshan group successfully implemented the argon oxygen decarburization process, which incorporates the direct hot-charging of NPI into the stainless-steel production process. This removes the time required to cool the NPI and eliminates the energy required to re-heat it before feeding into the stainless-steel plant, thus resulting in significant cost savings. Our partnership with the Tsingshan group has allowed us to benefit from their advanced RKEF process, which has allowed us to produce NPI at a significant cost advantage relative to most other NPI producers.

As a result of our relatively strong alignment of interests, the Tsingshan group has supported our operations by providing us with technology, supplies and ancillary services, among others, which has allowed us to maximize efficiencies, as well as a commitment to purchase all offtake of NPI produced by the Hengjaya Nickel Project, the Ranger Nickel Project and the Angel Nickel Project based on the average prices for NPI in China.

One of the largest nickel producers globally by capacity

Since producing our first batch of NPI in 2019, we have become a globally significant, low cost producer of NPI, a key ingredient in the production of stainless steel. Following our completion of the Angel Nickel Acquisition and the commissioning of the Angel Nickel Project, our aggregate nameplate production capacity is expected to more than double to a total of 66,000 NiEq tonnes per annum (52,800 NiEq tonnes per annum attributable nameplate production capacity), which would place us among the top-ten largest nickel producers globally by production capacity based on market data provided by Wood Mackenzie. We believe that the scale of our operations provides us with a key competitive advantage relative to our peers.

Lower quartile operating costs reflecting advantages of integrated production chain

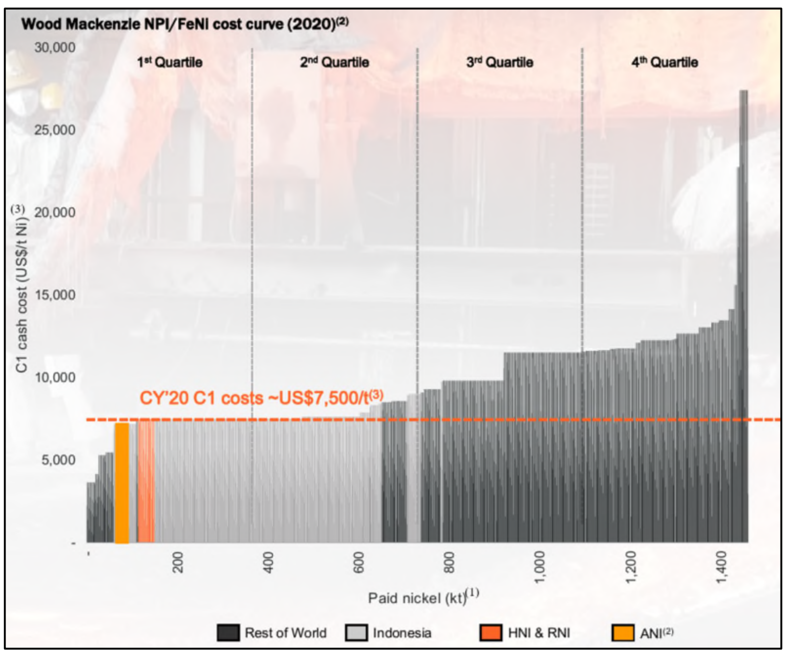
The IMIP and the IWIP are competitively positioned on the global nickel cost curve, thus placing our operations within the lowest cost quartile of nickel producers globally, according to Wood Mackenzie. In addition, as a result of our nickel ore sales from the Hengjaya Mine, we enjoy a partial natural hedge against higher nickel ore costs within our NPI operations that can result from a rising LME nickel price. This provides us with a relative degree of protection from downside fluctuations in nickel prices.

Our competitive operational cost structure is underpinned by the following key factors:

- the ability to source an abundance of local, higher grade (> 1.7% nickel grade) nickel ore, which is now restricted from export as a result of the Indonesian Government's ban on the exportation of unprocessed nickel ore;
- the availability of competitive electricity costs stemming from the IMIP's purpose-built 3GW coal-fired power generation plant; and
- the vertically integrated nature of operations within the IMIP, which delivers significant cost savings and other optimizations and efficiencies as a result of the supply by the Tsingshan group and its affiliated companies of the logistics, utilities, including access to port facilities, and power and consumables required to operate our RKEF plants in the IMIP.

The Angel Nickel Project is expected to provide us with further structural cost advantages, as its 380MW captive power plant which will supply power to IWIP is expected to result in approximately 20% in power cost savings for us as compared to our current operations. According to Wood Mackenzie, the Angel Nickel Project is expected to be one of the lowest-cost nickel producers globally. We believe this will allow us to a enjoy further margin advantage over other NPI producers and provide us with an additional degree of protection against downturns in the nickel price cycle.

These cost advantages are illustrated by the cost curve analysis below:



Source: Industry Report prepared by Wood Mackenzie. See Appendix A to this Offering Memorandum.

Notes:

(1) Paid nickel refers to the price paid for nickel in U.S. dollars adjusted to a 100% nickel basis.

(2) ANI cost curve position based on Wood Mackenzie 2023 forecasts of 28.8 kt of paid metal and U.S.$7,218.6 per tonne of nickel.

(3) C1 Costs presented as the average for the year ended December 31, 2020. C1 Cash Cost refers to a standard metric used in the nickel industry as a reference point to denote the basic cash costs of running a nickel operation to allow a comparison across the industry, and includes costs incurred in mining and processing (such as labor, power, reagents, materials) nickel, plus local general and administrative expenses, freight and realization and selling costs.

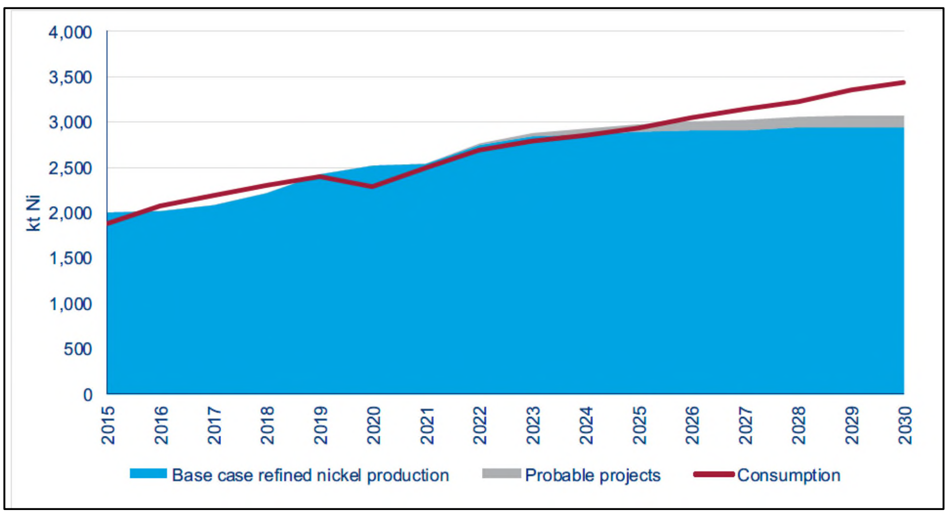
Beyond our structural cost advantages, we also undertake efficiency-maximizing initiatives to unlock the full strategic value of our operations and maintain our cost-competitive position. For example, our improvements at the Hengjaya Mine have decreased our mining costs by approximately U.S.$20 per tonne since November 2020. These efforts have included, among others, the expansion of our jetty to increase barge capacity and shipment frequency. In addition, we are constructing a direct haul road from the Hengjaya Mine to the IMIP which we believe will lead to further cost savings.

We believe that the lower-cost base of the IMIP and the IWIP operations, of which we are a part, along with the technical expertise we have derived from the Tsingshan group's advanced RKEF process, provide us with a distinct competitive advantage and can act as a significant barrier to entry for new producers of NPI outside of the IMIP and the IWIP.

Well-positioned to capitalize on favorable supply/demand dynamics underpinning the nickel market

According to Wood Mackenzie, the outlook for the NPI market currently exhibits favorable supply/demand fundamentals. According to Wood Mackenzie, global stainless-steel production grew by around 5.4% compound annual growth rate between 2015 and 2019, reaching 52.3 Mt in 2019, with most of that growth originating in China. Stainless steel production capacity is heavily concentrated in China, with over 50% of global capacity residing there. While Chinese and Indonesian production continued to grow in 2020, production contracted in other regions due to the COVID-19 pandemic and global stainless-steel production fell to 50.8 Mt in 2020. Wood Mackenzie expects primary nickel uptake in stainless steel to increase from 1.61 Mt in 2020 to 1.94 Mt in 2030, representing a 1.9% compound annual growth rate.

The graph below sets forth Wood Mackenzie's forecast of global nickel supply and demand from existing operations and identified probable projects:



Source: Industry Report.

Wood Mackenzie expects that demand for nickel will continue to be dominated by stainless steel. It also expects that the market will require around 500 kt of new nickel supply by 2030, of which only 130 kt are expected to be provided by projects within Wood Mackenzie's "probable" category. Therefore, it expects that a further 368 kt of new nickel supply, from as yet unidentified resources, will be needed by 2030. Given our significant planned capacity, we believe that we are well-positioned to capitalize on these favorable supply/demand dynamics underpinning the nickel market.

Proven commissioning and production expansion track record, with the Angel Nickel Project as the next growth leg for our business

Since 2019, we have built a business within the IMIP with attributable nameplate production capacity of 24,000 NiEq tonnes per annum and aggregate nameplate production capacity of 30,000 NiEq tonnes per annum, with each of our existing RKEF projects having been commissioned ahead of schedule. The Hengjaya Nickel Project produced its first batch of NPI in January 2019, less than 12 months after ground was broken. The Ranger Nickel Project produced its first batch of NPI in May 2019 after a similar construction timeframe.

Since the ramp-up of our operations, we have operated each of our existing RKEF projects above their respective nameplate production capacity of 15,000 NiEq tonnes per annum, with the Hengjaya Nickel Project having produced over 21,500 NiEq tonnes in 2020 at an average cash cost of U.S.$7,340 per tonne, and the Ranger Nickel Project having produced over 22,200 NiEq tonnes in 2020 at an average cash cost of U.S.$7,327 per tonne. At the same time, we have demonstrated a strong track record of maintaining relatively stable production and cash costs at both of our RKEF projects.

The Angel Nickel Acquisition and the commissioning of the Angel Nickel Project are expected to more than double our nameplate production capacity by 2022, bringing our aggregate nameplate production capacity to a total of 66,000 NiEq tonnes per annum (52,800 NiEq tonnes per annum attributable nameplate production capacity). The Angel Nickel Project will also increase our geographic diversity, given that the project is located within the IWIP on Halmahera Island, Indonesia. First production at the Angel Nickel Project is contractually required to be fully operational by October 2022, although we will aim to commence production at the Angel Nickel Project ahead of schedule as we have done with our other existing RKEF projects.

Conservative capital structure and high cash conversion supporting the expansion of our operations and sustainable, robust profitability

We conduct our operations within a strong financial framework underpinned by robust financial risk management policies and processes. We believe these factors have allowed us to maintain a strong balance sheet despite the rapid rate of our growth in recent years. As of December 31, 2020, we had U.S.$351.4 million in cash and U.S.$45 million of debt outstanding under a debt facility instrument, which we have subsequently repaid in full. Consistent with our conservative capital structure and prudent financial framework, we are now debt free and no longer have any debt facilities in place. This demonstrates a successful history of debt repayment which we intend to carry on into the future.

In addition, the Hengjaya Nickel Project and the Ranger Nickel Project currently benefit from tax concessions granted by the Indonesian Government that effectively sees both projects paying zero corporate income tax for seven years until 2026, with an additional two-year period thereafter where our RKEF projects will enjoy a 50% discount to the prevailing Indonesian corporate tax rate. The Angel Nickel Project is also expected to be granted the same or similar tax concessions once it is commissioned. These material tax concessions combined with our low levels of sustaining capital expenditures has resulted in high cash flows from operating activities, since reaching our steady-state operations. For the fiscal year ended December 31, 2020, we derived U.S.$150.0 million in cash flows from operating activities. For the six months ended December 31, 2019 and for the fiscal year ended June 30, 2019, we derived U.S.$38.2 million and U.S.$4.1 million, respectively, in cash flows from operating activities.

The graphic below sets forth certain financial and operating highlights from our results for the year ended December 31, 2020 (figures shown in U.S.$ million):

Notes:

(1) We define Opex as our sales revenue minus our EBITDA. Opex is not a measure derived in accordance with IFRS. For a reconciliation of Opex to our sales revenue, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-IFRS Metrics — Opex".

(2) We define EBITDA as profit/(loss) for the year or period, plus income tax expense, withholding tax, less reversal of income tax expenses, plus net financial income/(expense) and depreciation and amortization expense. EBITDA is not a measurement of financial performance or liquidity under IFRS. For a reconciliation of EBITDA to profit/(loss) for a period, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-IFRS Metrics — EBITDA and Attributable EBITDA".

(3) Based on nickel production in 2020 from HNI and RNI on a 100% basis of 43,621.1 tonnes.

(4) Does not give effect to non-controlling interests.

(5) Free Operating Cash Flow / EBITDA is a non-IFRS measure. For a reconciliation of EBITDA to profit/(loss) for a period, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-IFRS Metrics — EBITDA and Attributable EBITDA". For a reconciliation of Free Operating Cash Flow to net cash from/(used in) operating activities for a period, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-IFRS Metrics — Free Operating Cash Flow".

Proven and highly experienced management team

We have a highly experienced management team with a successful track record of executing our growth and development strategies. This team includes Norman Seckold, our Deputy Chairman, with over 35 years of full time management experience of natural resource companies both in Australia and overseas. Additionally, our Managing Director, Justin Werner, has been involved in the mining industry for 20 years including being a founding partner of PT Gemala Borneo Utama, a private Indonesian exploration and mining company. Our Chief Financial Officer and Executive Director, Peter Nightingale, has been responsible for the financial control, administration, secretarial and in-house legal functions of a number of private and public listed companies for over 30 years across Australia, the United States and Europe. Further, our Chief Development Officer, Zhao (Rachel) Fanfan, has obtained over 15 years of investment experience in China and overseas, and was involved in the establishment of the IMIP. Ms. Zhao has been a key contributor to the establishment and growth of the collaboration between us and the Tsingshan group.

Our management team has guided us from solely owning an 80% indirect equity interest in the Hengjaya Mine in 2009, to progressively stepping up our acquisition of indirect equity interests in the Hengjaya Nickel Project and the Ranger Nickel Project to 80% at present, and entering into the agreement with the

Tsingshan group to acquire an 80% indirect equity interest in the Angel Nickel Project by the end of 2021. Specifically, they have demonstrated a strong track record for project delivery, with the Hengjaya Nickel Project and the Ranger Nickel Project completing construction and ramp-up in a timely fashion and consistently exceeding nameplate production capacity since ramp-up while maintaining stable and competitive operating costs. We believe that the experience of our management team in developing the Hengjaya Nickel Project and the Ranger Nickel Project, and fostering the relationship we have with the Tsingshan group will contribute to the ongoing success of our future operations.

Strategies

The main elements of our business strategy include the following:

Complete our acquisition of the Angel Nickel Project and commence operations

On November 24, 2020, we executed a binding definitive agreement with Shanghai Decent to acquire a 70% indirect equity interest in the Angel Nickel Project, a development project within the Indonesia Weda Bay Industrial Park on Halmahera Island in Indonesia's North Maluku province. On January 20, 2021, we announced an increase in our planned acquisition stake from 70% to an 80% indirect equity interest in the Angel Nickel Project.

We have already acquired our initial 30% indirect equity interest in the Angel Nickel Project, having completed the remaining first acquisition payment of U.S.$180 million in January 2021, together with an earlier deposit of U.S.$30 million for a total first acquisition consideration of U.S.$210 million, and we expect to complete the second stage acquisition payment of U.S.$350 million by December 31, 2021. If the second stage acquisition payment is completed on or before June 30, 2021 we will pay a reduced consideration of U.S.$344 million.

Site preparations and foundation works for construction of the Angel Nickel Project are currently underway. Once completed, the Angel Nickel Project is planned to comprise (a) four RKEF lines, with an aggregate nameplate production capacity of 36,000 NiEq tonnes per annum; (b) a captive 380MW power plant which will supply power to IWIP; and (c) ancillary facilities required for the operation of each of the RKEF lines and the power plant. Commissioning is contractually required to occur by October 16, 2022.

The Angel Nickel Project is also expected to have relatively low operating costs, and will increase our geographic diversification of NPI production. As a joint collaboration with Shanghai Decent, we also expect the Angel Nickel Project to further strengthen our relationship with Tsingshan group. Similarly to the Hengjaya Nickel Project and the Ranger Nickel Project, Shanghai Decent has committed to purchase, and we have agreed to sell, all offtake of NPI produced by the Angel Nickel Project at the average price of NPI in China.

Evaluate and selectively pursue growth opportunities

We will continue selectively evaluating opportunities to expand the scale and scope of our operations, including, but not limited to new acquisitions, joint ventures, as well as vertical integration opportunities. With regard to upstream operations, we may seek to acquire additional mining assets that are located in regions other than our existing Hengjaya Mine with the objective of securing additional strategic ore resources for the IMIP and/or the IWIP. We may also consider downstream acquisitions, including smelters, to the extent that they would beneficially complement our operations, meet our targeted returns on invested capital, and potentially increase our margins.

We may use debt, cash, equity, or a combination of all three, in order to finance any such acquisitions.

Continue to implement initiatives to keep costs structurally low, increase operational efficiencies and exercise prudent financial management and flexibility

We plan to continue to undertake initiatives to develop the Hengjaya Mine, our RKEF plants and associated infrastructure in order to maintain our cost-competitive position and maximize our profitability. For example, construction is currently underway on a haul road from the Hengjaya Mine to the IMIP, with over nine kilometers already completed out of the total 16 kilometers of pilot road already planned. We expect this will reduce haulage costs for our nickel ore, which is currently transported by barges to the IMIP, as well as the related risks involved with barge transit.

We also seek to maintain a conservative financial position and intend to maintain the financial flexibility to pursue opportunities that fit our operating profile and support our long-term growth strategies. For example, we currently have no plans to take on any additional indebtedness beyond the Notes being offered hereby. We intend to continue to prioritize financial management and focus on maintaining healthy operating cash flows in order to allow us to continue to ramp up our NPI production and achieve long-term sustainable growth.

Maintain compliance with all applicable environmental laws, promote high safety standards and deepen commitment to the community

We promote compliance with all laws, rules and regulations applicable to our operations, including environmental laws. We are subject to environmental regulations in Indonesia, and we regularly monitor compliance with those regulations which mandate, among other things, the establishment of adequate environmental protection and enhancement measures, including safety and housekeeping, and implementation of progressive rehabilitation of mined-out areas. As a key focus area for our operations, we perform environmental rehabilitation at waste dump areas and participate in numerous local and regional environmental rehabilitation programs, including regional forestry rehabilitation projects. In 2020, we were included as one of the "blue" ranked companies by the Indonesian Minister of Environment and Forestry, indicating that we were considered to have complied with all applicable environmental regulations based on the Minister of Environment and Forestry's assessment.

We are also concerned for the welfare of our nearby local communities and related stakeholders. As another key focus area for us, we are committed to working with the local village populations assisting with basic health checks, health and hygiene education, first aid and education in reducing the use of plastics in day to day living.

Recent Developments

Increase in the Angel Nickel Project equity stake to be acquired

In January 2021, we announced an amendment to the earlier binding definitive agreement with the Tsingshan group to increase our equity stake in the Angel Nickel Project from 70% to 80%. The acquisition price was correspondingly adjusted upwards by U.S.$70 million, increasing the total consideration payable from U.S.$490 million to U.S.$560 million. For more information, see "Our Partnership with the Tsingshan Group — Our Material Agreements with Shanghai Decent — Angel Nickel Project".

Acquisition of 30% indirect equity interest in the Angel Nickel Project

In February 2021, we completed the initial acquisition of a 30% indirect equity interest in the Angel Nickel Project, following the payment of U.S.$180 million, together with an earlier deposit of U.S.$30 million for a total first acquisition consideration of U.S.$210 million, out of a total purchase price of U.S.$560 million for the acquisition of a total 80% indirect equity interest in the Angel Nickel Project.

Repayment of outstanding indebtedness

In January 2021, we fully repaid the remaining U.S.$45 million under our only debt facility instrument outstanding as of December 31, 2020. As a result, we no longer have any current or non-current borrowings outstanding as of the date of this Offering Memorandum. For more information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Indebtedness".

Amendments to NPI Reference Price in Offtake Agreements

In January 2021, we also announced an amendment to our agreements with Shanghai Decent which changed the reference price for the NPI produced at the Hengjaya Nickel Project and the Ranger Nickel Project and sold to Shanghai Decent from the LME nickel price to the average price of NPI in China. We believe this development is in line with our past practice and tracks the recent evolution of the nickel market, with the pricing of specific nickel products increasingly driven by their own supply/demand fundamentals rather than the prices of nickel ore.

COVID-19 pandemic

In December 2019, a novel strain of the coronavirus (also known as COVID-19), was reported to have surfaced in Wuhan, China. COVID-19 has since spread to over 200 countries and territories and has been declared a pandemic by the World Health Organization. The current COVID-19 pandemic and the preventative or protective actions that governments around the world have taken to counter the effects of the pandemic have resulted in a period of business disruption and a decrease in economic activity in several countries, including in Indonesia and countries where our suppliers, customers and third-party contractors are located. As a result, the current COVID-19 pandemic has led to uncertainty in the global economy and significant volatility in global financial markets. In addition, since March 2020, the Indonesian Government has issued several regulations in response to the current COVID-19 pandemic in order to contain the spread of the virus across the country as well as curb the negative financial impact of the outbreak on the country's economy. For example, on March 31, 2020, the Indonesian Government issued Indonesian Government Regulation in lieu of law (*Perppu*) No. 1/2020 (which remains subject to ratification by the Indonesian Parliament), providing that the income tax rate for corporations shall be reduced from 25.0% to 22.0% for 2020 and 2021, and shall be further reduced to 20.0% from 2022 onwards.

Although we have not yet observed any material direct impacts on our operations from the COVID-19 pandemic, the indirect impacts we have observed to date have included periods of significant volatility in financial, commodities and other markets. For example, in the first quarter of 2020, the nickel price dropped to U.S.$11,000 per tonne caused by the COVID-19 outbreak and the resulting fragile industrial demand. Such volatility, if it continues, could have an adverse impact on our suppliers, businesses, financial condition and results of operations.

Although there have been no confirmed cases of COVID-19 in our work sites to date, the COVID-19 pandemic has nonetheless created new challenges in maintaining the health and safety of our employees. We have been monitoring developments relating to the COVID-19 pandemic, and we have implemented strict access controls and procedures in order to mitigate the potential impact of COVID-19 on the health and wellbeing of our employees. These have included:

- regular temperature checks and symptom screenings carried out prior to every shift;
- personal protective equipment, hygiene and monitoring of workers health conducted daily;
- mine site medical clinic with additional medical supplies, medical staff and quarantine rooms;

- work rosters being rescheduled to ensure the continuation of normal operations; and
- restrictions on nonessential movements in and out of the Hengjaya Mine.

We continue to proactively identify and manage the challenges presented by the COVID-19 pandemic, with a focus on protecting our people, working closely with our key stakeholders to ensure operational continuity and preparing our business for future scenarios that may result from the COVID-19 pandemic.

Addressing the disruptions caused by COVID-19 has required our senior management team and staff to devote time and resources to address the impact of the pandemic on our business. For example, the Tsingshan group's operations at the IWIP experienced worker demonstrations during the COVID-19 pandemic in May 2020, including demonstrations from workers demanding a lockdown of the IWIP during that period. The occurrence of similar types of worker demonstrations at our operations in the future could adversely affect our business.

Nonetheless, our operating performance was largely unaffected throughout the calendar year 2020. Our workforce is made up of more than 90% local employees from the surrounding community, which has allowed us to continue our operations despite the border closures by the Indonesian Government of Central Sulawesi in March 2020.

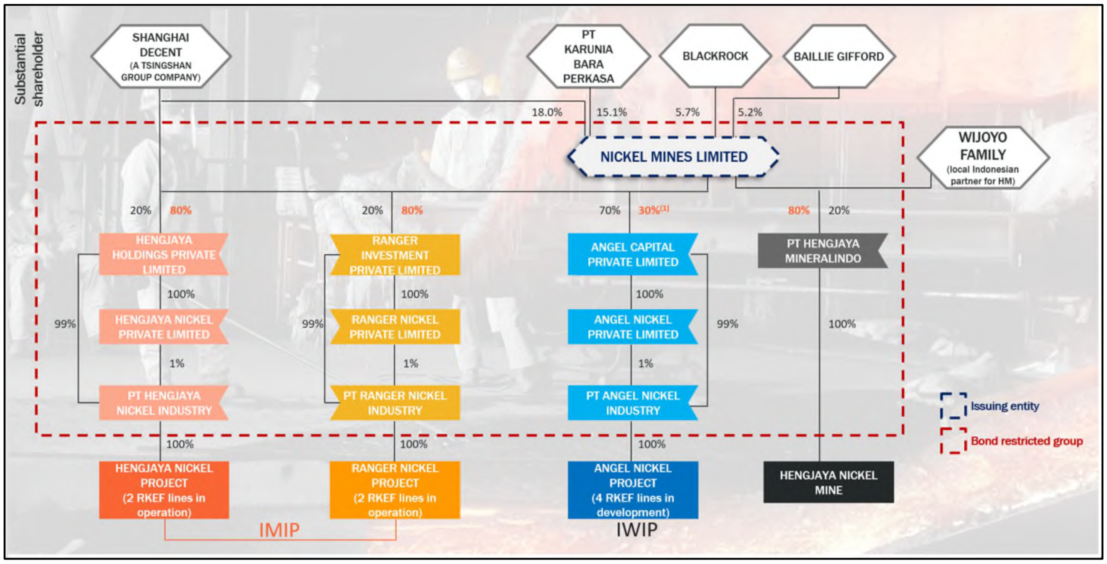
Given the ongoing and dynamic nature of the circumstances surrounding the COVID-19 pandemic, it is difficult to predict the impact of the COVID-19 pandemic on our business or operations, and there is no guarantee that our efforts to address the adverse impacts of COVID-19 will be effective.

There continues to be considerable uncertainty as to the duration and further impact of the COVID-19 pandemic, including, but not limited to, government, regulatory or health authority actions, work stoppages, lockdowns, quarantines, and travel restrictions in Australia, China and Indonesia in particular, as well as globally. It is also possible that the Indonesian Government may shut down all operating work sites, even without a positive case of COVID-19. A suspension of business operations will affect our overall operations and operating results. The quarantining of our employees and contractors may affect our overall operations, investments and operating results. However, given the rapidly changing implications of the spread of COVID-19, it is difficult to assess its impact on our business and results of operations at this time. To the extent the current COVID-19 pandemic adversely affects us, it may also significantly increase the effect of the aforementioned factors affecting our business and results of operations.

See "Risk Factors — Risks relating to our Business — Outbreak of an infectious disease or fear of an outbreak, or any other serious public health concerns in Asia, including Indonesia, and elsewhere, may adversely impact our business, financial condition and results of operations" and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Factors affecting our Business and Results of Operations — COVID-19 pandemic".

Corporate Structure

The organizational chart below shows our corporate structure as of December 31, 2020:



Note:

(1) As of the date of this Offering Memorandum, we hold a 30% indirect equity interest in the Angel Nickel Project. Pursuant to our binding definitive agreement with Shanghai Decent, we will acquire an additional 50% indirect equity interest in the Angel Nickel Project, following which our total indirect equity interest in the Angel Nickel Project will increase to 80%.

Corporate Information

Our full legal name is Nickel Mines Limited. Our headquarters are located in Level 2, 66 Hunter Street, Sydney, NSW, 2000 Australia. Our board of directors and executive team perform their activities from various locations across the world. Our website is www.nickelmines.com.au/. Information provided on our website is not part of this Offering Memorandum and is not incorporated by reference herein.

SUMMARY OF THE OFFERING

The following is a brief summary of the terms of the offering and is qualified in its entirety by the remainder of this Offering Memorandum. It is not intended to be complete and is subject to important limitations and exceptions. For a more complete description of the terms of the Notes, see the section entitled "Description of the Notes". Terms used in this summary and not otherwise defined shall have the meanings given to them in "Description of the Notes".

Company	Nickel Mines Limited (ACN 127 510 589), a company incorporated with limited liability in the State of New South Wales, Australia.
Notes Offered	U.S.$175,000,000 in aggregate principal amount of 6.50% Notes due 2024.
Issue Price	100% of the principal amount of the Notes.
Maturity Date	Unless previously repurchased, canceled or redeemed in accordance with their terms, the Notes will mature on April 1, 2024.
Interest	The Notes will bear interest from April 1, 2021 at the rate of 6.50% per annum, payable semi-annually in arrears on April 1 and October 1 of each year, commencing October 1, 2021. Interest will be calculated on the basis of a 360-day year, consisting of twelve 30-day months.
Ranking	The Notes will be: • general unsecured obligations of the Company; • senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes; • *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law); and • effectively subordinated in right of payment to all secured Indebtedness of the Company to the extent of the value of the assets serving as security therefor and to all liabilities (including trade payables and indebtedness) of each Subsidiary of the Company that does not guarantee the Notes.
Optional Redemption	At any time on or after April 1, 2023, the Company may redeem the Notes, in whole or in part, at the redemption price of 103.25% plus accrued and unpaid interest, if any, to the redemption date. At any time and from time to time prior to April 1, 2023, the Company may at its option redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, and Additional Amounts, if any, on the Notes redeemed, to (but not including) the redemption date. At any time and from time to time prior to April 1, 2023, the Company may at its option redeem up to 40% of the aggregate principal amount of

	the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 106.50% of the principal amount of the Notes, plus accrued and unpaid interest, if any, and Additional Amounts, if any, on the Notes redeemed, to (but not including) the redemption date; *provided* that at least 60% of the aggregate principal amount of the Notes issued on the Original Issue Date (excluding Notes held by the Company and its Restricted Subsidiaries) remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.
Repurchase of Notes upon a Change of Control Triggering Event	Not later than 30 days following a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding Notes at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date.
Additional Amounts	All payments of principal of, and premium (if any) and interest on the Notes and any future Subsidiary Guarantees will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company, any Subsidiary Guarantor or any Surviving Person of the Company or any Subsidiary Guarantor is organized or resident for tax purposes or through which payment is made (or any political subdivision or taxing authority thereof or therein), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required by a Relevant Jurisdiction, the Company, the applicable Subsidiary Guarantor or any Surviving Person of any of the foregoing, as the case may be, will pay such additional amounts as will result in receipt by the Holder of such amounts as would have been received by such Holder had no such withholding or deduction been required. See "Description of the Notes — Additional Amounts".
Redemption for Taxation Reasons	Subject to certain exceptions and as more fully described herein, the Notes may be redeemed, in whole but not in part, at the option of the Company, upon giving not less than 30 days' nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest (including any Additional Amounts) to (but not including) the Tax Redemption Date, if, as a result of any changes in the laws, treaties, regulations or rulings (or the application or interpretation thereof) affecting taxes of relevant jurisdictions, the Company (as the case may be) would be required to pay Additional Amounts.
Covenants	The Indenture will limit the ability of the Company and the Restricted Subsidiaries to, among other things: • incur additional Indebtedness and issue preferred stock; • make investments or other specified Restricted Payments;

	• enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends and transfer assets or make intercompany loans; • issue guarantees by Restricted Subsidiaries • enter into transactions with equity holders or affiliates; • create any Lien; • sell assets; • engage in different business activities; and • effect a consolidation or merger. These covenants will be subject to a number of important exceptions and qualifications. See "Description of the Notes — Certain Covenants".
Selling and Transfer Restrictions	The Notes will not be registered under the Securities Act or under any state securities law of the United States and will be subject to customary restrictions on transfer and resale. See "Plan of Distribution" and "Transfer Restrictions".
Form, Denomination and Registrations	The Notes will be issued only in fully registered form, without coupons, in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof and will be initially represented by one or more Global Note registered in the name of a nominee of Euroclear and Clearstream.
Book-Entry Only	The Notes will be issued in book-entry form through the facilities of Euroclear and Clearstream. For a description of certain factors relating to clearance and settlement, see "Description of the Notes — Book-Entry; Delivery and Form".
Delivery of the Notes	We expect that delivery of the Notes will be made on or about the closing date specified on the cover page of this Offering Memorandum, which we expect will be the third business day following the date of this Offering Memorandum, which we refer to as "T+3". You should note that initial trading of the Notes may be affected by the T+3 settlement. See "Plan of Distribution".
Use of Proceeds	The net proceeds of the offering of the Notes, after deduction of fees and commissions and estimated expenses in connection with the offering of the Notes, are expected to be approximately U.S.$171.4 million. We intend to use the net proceeds of the offering of the Notes, together with cash on hand as well as cash we expect to generate from our operating activities and/or cash raised from other financing sources (which may include debt or equity financing), for the Angel Nickel Acquisition, taking our aggregate indirect equity interest in the Angel Nickel Project to 80%. For more information, see "Use of Proceeds".
Governing Law	The Notes and the Indenture will be governed by, and will be construed in accordance with, the laws of the State of New York.
Security Codes	ISIN: XS2325213689 Common Code: 232521368
Trustee	Citibank International Limited

Paying Agent, Transfer Agent and Registrar	Citibank, N.A., London Branch
Listing	Approval in-principle has been received from the SGX-ST for the listing and quotation of each series of Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Offering Memorandum. Approval-in-principle from, admission to the Official List of, and listing and quotation of the Notes on, the SGX-ST are not to be taken as an indication of the merits of the Company or the Notes. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies). Accordingly, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of U.S.$200,000.
Ratings	The Notes are expected to be rated "B1" by Moody's and "B+" by Fitch. The credit ratings accorded the Notes are not a recommendation to purchase, hold or sell the Notes inasmuch as such ratings do not comment as to market price or suitability for a particular investor. There can be no assurance that the ratings will remain in effect for any given period or that the ratings will not be revised by the rating agencies in the future if, in their judgment, circumstances so warrant. See "Risk Factors — Risks Relating to the Notes — The ratings assigned to the Notes may be lowered or withdrawn entirely in the future".
Risk Factors	See "Risk Factors" and the other information in this Offering Memorandum for a discussion of factors that should be carefully considered before deciding to invest in the Notes.
Issuer Legal Entity Identifier	54930007K0WX53TSIK16

SUMMARY CONSOLIDATED FINANCIAL INFORMATION AND OTHER DATA

You should read the following summary consolidated financial information in conjunction with our consolidated financial statements and the related notes thereto included in this Offering Memorandum and the sections entitled "Presentation of Financial Information and Other Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations". Our consolidated financial statements have been prepared and presented in accordance with AAS and other authoritative pronouncements of the AASB and the Corporations Act, which also comply with IFRS.

Effective as of December 31, 2019, we changed our financial year-end from June 30 to December 31 to align our reporting schedule with that of our operating subsidiaries in Indonesia. This change resulted in a six-month reporting period for the financial period ended December 31, 2019, also known as the transition period. The six-month transition period ended December 31, 2019 is a shorter reporting period than that of the year ended June 30, 2019, which is the prior reporting period shown in this Offering Memorandum, and that of the year ended December 31, 2020, which is the subsequent reporting period shown in this Offering Memorandum.

Consolidated Financial Data

Our summary consolidated financial information included below is derived from our consolidated financial statements and the related notes thereto included in this Offering Memorandum.

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended December 31, 2020, for the six months ended June 30, 2020 and December 31, 2019 and for the years ended June 30, 2019 and 2018

	For the year ended June 30,		**For the six months ended December 31, 2019**	**For the six months ended June 30, 2020**	**For the year ended December 31, 2020**
	2018	**2019**			
			(U.S.$ in thousands)		
Consolidated Statement of Profit or Loss and Other Comprehensive Income					
Sales revenue	13,551	64,937	236,059	227,843	523,492
Cost of sales	(10,439)	(40,906)	(136,207)	(153,090)	(321,566)
Depreciation and amortisation expense	(319)	(9,277)	(16,419)	(18,308)	(36,787)
Gross profit	2,793	14,754	83,432	56,444	165,140
Administration expenses:					
Directors' fees and consultants' expenses	(1,987)	(2,642)	(2,893)	(2,103)	(4,068)
Agency fee charges	(1,800)	—	—	—	—
Share of profit of equity accounted investees	—	2,623	1,239	—	—
Other expenses	(626)	(1,123)	(1,024)	(2,769)	(3,403)
Results from operating activities	(1,620)	13,613	80,754	51,572	157,668
Financial income	676	58,316	13,036	261	2,166
Financial expense	(1,326)	(36)	(2,336)	(6,301)	(5,268)
Finance income/(expense)	(651)	58,280	10,699	(6,040)	(3,102)

	For the year ended June 30, 2018	2019	For the six months ended December 31, 2019	For the six months ended June 30, 2020	For the year ended December 31, 2020
			(U.S.$ in thousands)		
Profit/(loss) before income tax	(2,271)	71,893	91,454	45,532	154,567
Income tax expense	(656)	(67)	(173)	—	(868)
Profit/(loss) for the year	(2,927)	71,826	91,280	45,532	153,699
Other comprehensive income					
Items that may be classified subsequently to profit or loss	—	—	(22)	—	(3)
Total comprehensive profit/(loss) for the year/period	(2,927)	71,826	91,258	45,532	153,696
Profit/(loss) attributable to:					
Owners of the Company	(3,312)	65,526	56,504	24,384	110,611
Non-controlling interest	385	6,300	34,776	21,148	43,088
Profit/(loss) for the year/period	(2,927)	71,826	91,280	45,532	153,699
Total comprehensive profit/(loss) attributable to:					
Owners of the Company	(3,312)	65,526	56,486	24,384	110,609
Non-controlling interest	385	6,300	34,772	21,148	43,088
Total comprehensive profit/(loss) for the year/period	(2,927)	71,826	91,258	45,532	153,696
Basic and diluted earnings per share (cents) for the year/period	(0.72)	4.95	3.46	1.40	5.68

Our summary consolidated financial information included below is derived from our consolidated financial statements and the related notes thereto included in this Offering Memorandum.

Consolidated Statements of Financial Position as at December 31, 2020 and 2019 and June 30, 2019 and 2018

	As at June 30,		As at December 31,	
	2018	**2019**	**2019**	**2020**
		(U.S.$ in thousands)		
Consolidated Statements of Financial Position				
Current assets				
Cash and cash equivalents	807	49,003	49,820	351,445
Trade and other receivables	387	43,666	97,209	117,759
Inventory	589	8,917	56,239	61,285
Other current assets	769	6,618	1,293	8,151
Total current assets	2,551	108,204	204,561	538,640

	As at June 30,		As at December 31,	
	2018	2019	2019	2020
	(U.S.$ in thousands)			
Non-current assets				
Other non-current asset	242	4,459	9,014	9,868
Deposits	50,000	49,961	—	30,000
Property, plant and equipment	26,628	340,090	628,517	600,764
Goodwill	—	29,219	55,405	55,405
Total non-current assets	76,870	423,730	692,936	696,037
Total assets	79,421	531,934	897,497	1,234,677
Current liabilities				
Trade and other payables	2,855	42,249	52,489	40,260
Current tax payable	657	304	653	3,751
Provision – employee's benefit obligation	479	498	662	841
Borrowings	—	4,180	4,333	12,857
Total current liabilities	3,991	47,231	58,138	57,709
Non-current liabilities				
Provision – rehabilitation	285	198	150	1,929
Deferred income tax liability	—	29,391	55,405	55,405
Other non-current liability	—	347	1,018	1,261
Borrowings	—	—	60,667	32,143
Total non-current liabilities	285	29,936	117,240	90,739
Total liabilities	4,276	77,167	175,378	148,448
Net assets	75,145	454,767	722,119	1,086,229
Equity				
Share capital	103,105	275,938	315,501	732,929
Reserves	(595)	(639)	19,207	19,205
Retained profits/(Accumulated losses)	(29,272)	36,254	92,758	187,927
Total equity attributable to equity holders of the Company	73,237	311,552	427,465	940,061
Non-controlling interest	1,908	143,214	294,654	146,168
Total equity	75,145	454,767	722,119	1,086,229

Resources Data

The following table sets forth our aggregate net working interest resources, as of June 30, 2020.

	Resources[(1)]			
	Measured	Indicated	Inferred	Total
Nickel (dmt in millions)	20	109	56	185

	Resources(1)			
	Measured	Indicated	Inferred	Total
Ni (%)	1.3	1.3	1.3	1.3
Co (%)	0.08	0.08	0.07	0.08
Fe (%)	28	29	27	28

Note:

(1) According to the Nickel Resources Statement attached as Appendix B to this Offering Memorandum.

Selected Production, Sales and Operating Data

The following table sets forth certain of our production, sales and operating data for the periods indicated.

	For the year ended June 30,		For the six months ended December 31,	For the year ended December 31,
	2018	2019	2019	2020
Hengjaya Mine				
Tonnes mined (wmt)	391,362	454,615	393,215	870,503
Overburden mined (bcm)	498,623	852,962	860,083	1,432,626
Strip ratio (bcm/wmt)(1)	1.3	1.9	1.2	1.6
Tonnes sold (wmt)	449,955	484,268	428,382	795,650
Average grade (%)	2.06	1.96	1.94	1.82
Average price received (U.S.$/tonne)	29.84	28.84	32.26	29.98
Average Mining Cash Costs(2)	23.66	27.72	24.30	28.69
RKEFs				
NPI Production (tonnes)	—	42,105.8	152,408.4	295,896.7
NPI Grade (%)	—	13.7	13.8	14.7
NiEq Production (tonnes)	—	5,787.7	20,987.9	43,621.1
NiEq Production Attributable to our Company (tonnes)(3)	—	3,338.8	11,742.0	30,617.3

Notes:

(1) Strip ratio in 2019 and 2020 includes limonite as overburden.

(2) Mining Cash Cost is a standard industry measure used by most major nickel mining companies which reflects the direct costs involved in producing each tonne of nickel ore, including related transportation costs. Mining Cash Cost is calculated as U.S. dollars per tonne of payable nickel ore produced.

(3) NiEq Production Attributable to our Company is calculated as NiEq Production for the period multiplied by the Company's controlling interest percentage as of the end of the relevant period.

Other Financial Information

The following table sets forth certain financial information for the periods indicated:

	As of/for the year ended June 30, 2019	As of/for the six months ended December 31, 2019	As of/for the six months ended June 30, 2020	As of/for the six months ended December 31, 2020	As of/for the year ended December 31, 2020
			(U.S.$ in thousands)		
Sales revenue	64,937	236,059	227,843	295,649	523,492
EBITDA[(1)]	22,979	97,564	72,389	124,726	197,115
Interest expense	36	2,336	2,622	2,646	5,268
EBITDA / Interest expense	640x	42x	28x	47x	37x
Net cash from/(used in) operating activities	4,134	38,209	78,704	71,251	149,955
Free Operating Cash Flow[(2)]	(15,368)	8,592	73,599	68,968	142,567
Cash and cash equivalents (at period end)	49,003	49,820	91,255	351,445	351,445[(3)]
Gross Debt (at period-end)[(4)]	4,180	65,000	55,000	45,000	45,000
Net Debt[(5)]	(44,823)	15,180	(36,255)	(306,445)	(306,445)
Attributable Capitalization[(6)]	315,732	492,465	653,063	985,061	985,061

Notes:

(1) We define EBITDA as profit/(loss) for the year or period, plus income tax expense, less reversal of income tax expenses, plus withholding tax, net financial income/(expense) and depreciation and amortization expense. EBITDA is not a measurement of financial performance or liquidity under IFRS. For a reconciliation of EBITDA to profit/(loss) for a period, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-IFRS Metrics — EBITDA and Attributable EBITDA".

(2) We define Free Operating Cash Flow as net cash from/(used in) operating activities less purchases of property, plant and equipment. Free Operating Cash Flow is not a measurement of financial performance or liquidity under IFRS and should not be considered as an alternative to cash flow from operating activities or other measures of liquidity derived in accordance with IFRS. For a reconciliation of Free Operating Cash Flow to net cash from/(used in) operating activities for a period, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-IFRS Metrics — Free Operating Cash Flow".

(3) As of December 31, 2020, our cash and cash equivalents were comprised of the following:

	(in U.S.$ millions)
Nickel Mines	321.3
Hengjaya Nickel Project	10.0
Ranger Nickel Project	18.1
Hengjaya Mine	2.0
Total	351.4

Subsequent to December 31, 2020, we used U.S.$45.0 million of cash at Nickel Mines to repay our outstanding indebtedness and U.S.$.180.0 million of cash at Nickel Mines for the acquisition of a 30% indirect equity interest in the Angel Nickel Project.

(4) We define Gross Debt as the sum of our borrowings (current) and borrowings (noncurrent). For a reconciliation of Gross Debt to our borrowings (current and noncurrent), see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Non-IFRS Metrics — Gross Debt, Net Debt, Gross Leverage Ratio and Net Leverage Ratio”.

(5) We define Net Debt as the sum of our borrowings (current and noncurrent), less consolidated cash and cash equivalents. Net Debt is not a measurement of financial performance or liquidity under IFRS. Cash and cash equivalents used to calculate Net Debt is on a consolidated basis and includes 100% of the cash balances in subsidiaries which have minority interests. For a reconciliation of Net Debt to our borrowings (current and noncurrent), see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Non-IFRS Metrics — Gross Debt, Net Debt, Gross Leverage Ratio and Net Leverage Ratio”.

(6) Attributable Capitalization consists of Gross Debt, plus total equity attributable to equity holders of the Company. Attributable capitalization is not a measurement of financial performance or liquidity under IFRS. For a reconciliation of Gross Debt to our borrowings (current and noncurrent), see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Non-IFRS Metrics — Attributable Capitalization”.

RISK FACTORS

An investment in the Notes is subject to significant risks. You should carefully consider all of the information in this Offering Memorandum and, in particular, the risks described below before deciding to invest in the Notes. The following describes some of the significant risks that could affect us and the value of the Notes as well as our ability to pay interest on, and repay the principal of, the Notes. Additionally, some risks may be unknown to us and other risks, currently believed to be immaterial, could turn out to be material. All of these could materially and adversely affect our business, financial condition and results of operations. The market price of the Notes could decline due to any of these risks and you may lose all or part of your investment. This Offering Memorandum also contains forward-looking statements that involve risks and uncertainties including those described under "Forward-Looking Statements" elsewhere in this Offering Memorandum. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below and elsewhere in this Offering Memorandum.

Risks relating to our Business

Outbreak of an infectious disease or fear of an outbreak, or any other serious public health concerns in Asia, including Indonesia, and elsewhere, may adversely impact our business, financial condition and results of operations

The outbreak of an infectious disease in Asia, including Indonesia, or elsewhere, or fear of an outbreak, together with any resulting restrictions on travel or quarantines imposed, could have a negative impact on the economy and business activity in Indonesia and thereby adversely impact our revenue. Examples include the outbreak in 2003 of Severe Acute Respiratory Syndrome ("SARS"), the outbreak in 2004 and 2005 of avian influenza (also known as bird flu), the outbreak in 2009 of influenza H1N1 and the outbreak from 2014 through 2016 of Ebola.

More recently, in December 2019, a human infection originating in China was traced to a novel strain of coronavirus (also known as COVID-19). The COVID-19 virus has since spread to most countries and territories around the world. On March 11, 2020, the World Health Organization declared the current outbreak of COVID-19 a pandemic, expanding its assessment of the threat beyond the global health emergency it had announced in January. On April 13, 2020, the President of Indonesia issued Presidential Decision No. 12 of 2020 declaring the current COVID-19 pandemic a national disaster. The current COVID-19 pandemic and preventative or protective actions that governmental authorities around the world have taken to counter the effects of COVID-19, including social distancing, office closures, travel restrictions and the imposition of quarantines, have resulted in a period of business disruption, including prolonged disruptions to manufacturing and global supply chains as well as restrictions on business activity and the movement of people comprising a significant portion of the world's population, and a decrease in economic activity in several countries, including Indonesia. As a result, the current COVID-19 pandemic has led to uncertainty in the global economy and significant volatility in global financial markets, which may have a negative impact on global economic conditions and lead to significant declines in the demand for and prices of the commodities we produce and sell. In particular, a number of governments and organizations have revised GDP growth forecasts for 2020 downward in response to the economic slowdown caused by the spread of COVID-19, and it is possible that the current COVID-19 pandemic will cause a prolonged global economic crisis or recession.

Although we have not yet observed any material direct impacts on our operations from the COVID-19 pandemic, the indirect impacts we have observed to date have included periods of significant volatility in financial, commodities and other markets. For example, in the first quarter of 2020, the nickel price dropped to U.S.$11,000 per tonne caused by the COVID-19 outbreak and the resulting fragile industrial demand. This volatility, if it continues, could have an adverse impact on our suppliers, businesses, financial condition and results of operations.

Addressing the disruptions caused by COVID-19 has also required our senior management team and staff to devote time and resources to address the impact of the pandemic on our business. The COVID-19 pandemic has created new challenges in maintaining the health and safety of our employees. In order to mitigate the potential impact of COVID-19 on the health and wellbeing of our employees and other stakeholders, and on our business and operations, we have been monitoring developments relating to the COVID-19 pandemic and have implemented strict access controls and procedures. As an example, the Tsingshan group's operations at the IWIP experienced worker demonstrations during the COVID-19 pandemic in May 2020, including demonstrations from workers demanding a lockdown of the IWIP during that period. Although the current COVID-19 pandemic has not led to any major disruptions to operations at our mine or production facilities, we may be required to suspend or shut down operations at some or all of our facilities as a result of the pandemic. In such event, our business, financial condition and results of operations may be materially and adversely affected.

There continues to be considerable uncertainty as to the duration and further impact of the COVID-19 pandemic, including, but not limited to, government, regulatory or health authority actions, work stoppages, lockdowns, quarantines, and travel restrictions in Australia, China and Indonesia in particular, as well as globally. It is also possible that the Indonesian Government may shut down all operating work sites, even without a positive case of COVID-19. A suspension of business operations would affect our overall operations and operating results. The quarantining of our employees and contractors may affect our overall operations, investments and operating results. However, given the ongoing and dynamic nature of the circumstances surrounding the COVID-19 pandemic, it is difficult to predict the impact of the COVID-19 pandemic on our business or operations, and there is no guarantee that our efforts to address the adverse impacts of COVID-19 will be effective. The extent to which the current COVID-19 pandemic will impact our operations and revenues will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the scope, severity and duration of the pandemic, the actions taken to contain COVID-19 or mitigate its impact, and the direct and indirect economic effects of the illness and containment measures, among others.

Any intensification of the current COVID-19 pandemic or any recurrence of SARS, influenza, Ebola or other contagious disease in Asia, including Indonesia, or elsewhere may adversely affect our business, financial condition and results of operations. Further, to the extent the outbreak of any infectious disease, including the current COVID-19 pandemic, adversely affects our business and financial results, it may also have the effect of exacerbating many of the other risks described in this "Risk Factors" section, such as those relating to the fluctuations in the demand, supply and prices for the products we sell, successful implementation of our expansion projects, the downgrade of credit ratings of Indonesia, and our ability to maintain sufficient levels of working capital and comply with the restrictions and covenants contained in our debt agreements. See also "Management's Discussion and Analysis of Financial Condition and Results of Operations — Factors Affecting Our Business and Results of Operations — COVID-19 pandemic" and "Business — Recent Developments — COVID-19 pandemic".

We derive all of our revenue from operations from sales to Tsingshan group companies, and partial or full loss of revenues from this customer would adversely affect us.

All of our revenues for the year ended December 31, 2020 were derived from sales of NPI produced at the Hengjaya Nickel Project and the Ranger Nickel Project to group companies within the Tsingshan group. Accordingly, we exclusively rely on the Tsingshan group as an offtaker of the NPI that we produce. In the event that the Tsingshan group companies cease to purchase our NPI and we are not able to find alternative customers in a timely manner, our business, financial condition and results of operations may be materially and adversely affected.

Although Shanghai Decent has agreed to purchase, and we have agreed to sell to Shanghai Decent, all offtake of NPI produced by the Hengjaya Nickel Project, the Ranger Nickel Project and, once commissioned, the Angel Nickel Project, we cannot assure you that the Tsingshan group will not attempt to temporarily suspend or renegotiate such commitments, for example, under certain force majeure scenarios which are beyond our control. Furthermore, the Tsingshan group may decide to not fully comply with their contractual obligations, challenge certain provisions of such contracts, or repudiate such contracts in their entirety. The ability of the Tsingshan group to perform its obligations under a contract with us will depend on a number of factors that are beyond our control and may include, among other things, general economic conditions, the condition of the commodities industry, prevailing prices for oil, nickel ore and other inputs, the overall financial condition of the Tsingshan group, and general market conditions. If the Tsingshan group defaults on a contract, we may seek to replace such lost revenues by entering into new contracts with other offtakers, which may not be on the same or similar terms as our previous contracts. Since the markets in which we operate have a high concentration of large customers, it is also possible that we would be unable to secure a contract at all. If we enter into new contracts at lower rates or are unable to replace the contracts, our financial condition and results of operations could be materially and adversely affected. For more information on our material agreements with the Tsingshan group, see “Business — Our Partnership with the Tsingshan Group — Our Material Agreements with Shanghai Decent”.

During periods of challenging market conditions such risk is increased, since the Tsingshan group’s ability to perform their obligations under their multi-year contracts with us may be negatively impacted by the prevailing uncertainty surrounding its industry and the credit markets. We could also become involved in legal disputes relating to our contracts, be it through litigation, arbitration or otherwise, which could lead to delays in, or suspension or termination of our offtake agreements and result in time-consuming, disruptive and expensive litigation or arbitration. If such contracts are suspended for an extended period of time, or if our material contracts are terminated or renegotiated, our financial condition and results of operations could be materially adversely affected. Even if we prevail in legal disputes relating to our offtake agreements, which could entitle us to compensation, we cannot assure you that we would receive such compensation on a timely basis or in an amount that would fully compensate us for our losses.

We rely on the support of Tsingshan group companies for our operations, and the cessation of support from Tsingshan group companies could have an adverse effect on our business.

The overall prospects of our business are closely tied to our relationship with the Tsingshan group companies. The collaboration agreements we have in place with Shanghai Decent, a member of the Tsingshan group, are material contracts which set out the terms of our relationship with Shanghai Decent and its associates in respect of the Hengjaya Nickel Project, the Ranger Nickel Project and the Angel Nickel Project. Pursuant to our collaboration agreements, the Tsingshan group is required to procure that its affiliated companies supply utilities and logistics within the IMIP required to operate the Hengjaya Nickel Project and the Ranger Nickel Project, and will be required to do the same for the Angel Nickel Project in the IWIP. These services include training our staff, providing technical and maintenance services to support and optimize our operations, and supplying power and consumables, as well as access to port facilities, among others. Beyond these contractual requirements, although the Tsingshan group has continued to support our operations by providing us with technology, raw material supplies (such as nickel ore) and ancillary services necessary for the operations of the Hengjaya Nickel Project and the Ranger Nickel Project within the IMIP, among other things, we do not have any formal agreements governing such arrangements. We expect similar arrangements to govern the technical operations of the Angel Nickel Project. For more information, see “Business—Our Partnership with the Tsingshan Group— Our Material Agreements with Shanghai Decent”. In particular, we are reliant on the

Tsingshan group to design and construct the Angel Nickel Project in accordance with the specifications and terms agreed in the collaboration agreement and we also rely on Shanghai Decent and its associates to procure or obtain all the relevant permits, licenses, land and other requirements to develop the Angel Nickel Project. For more information, see "Business—Our Partnership with the Tsingshan Group— Our Material Agreements with Shanghai Decent".

Any refusal, significant delay or failure by the Tsingshan group in the performance of their obligations under our collaboration agreements to a satisfactory level, or at all, whether as a result of financial or operational difficulties or otherwise, or if they fail or refuse to continue carrying out our informal arrangements whereby they support our operations by providing us with technology, raw material supplies (such as nickel ore) and ancillary services, among other things, may result in production delays and/or shortfalls in our planned productions or inability to move product. In particular, if the Tsingshan group breaches its obligations under one of our collaboration agreements, or otherwise fails or refuses to provide any services necessary for the operations of the Hengjaya Nickel Project, the Ranger Nickel Project or the Angel Nickel Project, our RKEF facilities may not operate in accordance with the manner specified under the applicable collaboration agreements or at all, which may have a material adverse impact on our results, operations and financial performance. If such delays, failures and/or contractual breaches were to occur, we may be exposed to, lost revenue and additional costs which could adversely affect our business, financial condition and results of operation.

There can be no assurance that Shanghai Decent and its associates will continue to supply the necessary raw materials, ancillary services or continue to provide us with access to utilities and logistics to support our operations on competitive terms. In the absence of the Tsingshan group as a provider of these goods and services, we would likely be unable to procure alternative vendors to support our operations at the IMIP or the IWIP at viable commercial costs or at all, our cost of production may increase, and our business, financial condition and results of operations may be materially and adversely affected.

We do not have any control over the Tsingshan group companies. Any adverse changes in our relationship with the Tsingshan group could have an adverse impact on our business, results of operations and financial condition.

Conflicts of interest may arise out of common business objectives shared by the Tsingshan group and us.

The Tsingshan group is a large, vertically integrated steelmaker with global operations. Accordingly, it engages in a broad spectrum of activities, including the operation of RKEF projects for the production of NPI that it uses as a feedstock in its stainless steel production processes. In the ordinary course of its activities, the Tsingshan group may engage in activities where the interests of certain of its business divisions, its affiliates, or the interests of its clients may conflict with our interests. In particular, we may compete with any other existing RKEF projects that may be either owned or operated by the Tsingshan group, or future RKEF plants that the Tsingshan group may establish or invest in. Certain of these divisions and entities have or may have a business or investment strategy similar to our business strategy and therefore may compete with us, which may present various conflicts of interest. For example, as of December 31, 2020, the Tsingshan group owned numerous RKEF projects globally with the capacity to produce NPI, some of which were located within the IMIP or the IWIP, and have a common business pursuit as ours.

In the event that any such conflicts of interest arise, the Tsingshan group may make decisions regarding our operations, supplies or offtake arrangements that may not be in our best interests. It may also enable a competitor to take advantage of a corporate opportunity at our expense. Such decisions could have a material adverse effect on our business, financial condition, results of operations and prospects.

We have relied on information provided by the Tsingshan group for certain data which we have included in this Offering Memorandum, but such third-party information has not been independently verified by us.

Our business prospects are closely tied to the Tsingshan group, from which we derived all of our sales in the year ended December 31, 2020 and which is one of our principal suppliers. There is no audited financial information publicly available on the Tsingshan group, which are a private group of companies, and therefore this Offering Memorandum does not contain any Tsingshan group financial information. In addition, our RKEF operations are all currently located within the IMIP, and following the Angel Nickel Acquisition will also be located within the IWIP, both of which are private entities for which there is no publicly available information.

This Offering Memorandum includes certain data that we have obtained from the Tsingshan group which we believe to be reliable. Such data includes, but is not limited to, the Tsingshan group's production levels, capacity and operations, cost base, details in respect of the IMIP and the IWIP, among others. However, their accuracy and completeness have not been independently verified by us or any independent source and their reliability cannot be assured by us, nor do we make any representation regarding the accuracy of such third-party data.

We may face difficulties integrating any future acquisitions which could lower any projected profits.

From time to time, we have made acquisitions to pursue market opportunities and increase our existing capabilities. For example, as part of our plans to expand our smelting operations, we executed a binding definitive agreement with Shanghai Decent and Decent Resource Limited to acquire a 70% indirect equity interest in the Angel Nickel Project. In January 2021, we announced an amendment to this earlier agreement whereby we increased the ultimate indirect equity interest that we will acquire in the Angel Nickel Project from 70% to 80%. The acquisition price was correspondingly adjusted upwards by U.S.$70 million, totalling U.S.$560 million. In order to acquire the additional 10% interest in the Angel Nickel Project to bring our ultimate indirect equity interest in the Angel Nickel Project to 80%, we will need to seek approval from our shareholders, which we intend to do at our Annual General Meeting, currently scheduled to be held in May 2021. There can be no guarantee that such shareholder approval will be obtained and failure to obtain shareholder approval will mean that we cannot proceed with the acquisition. For more information, see "Business — Our Partnership with the Tsingshan Group — Our Material Agreements with Shanghai Decent — Angel Nickel Project".

We expect to complete the Angel Nickel Acquisition by December 2021, with commissioning of the four RKEF lines contractually required to occur by October 2022. We intend to use the net proceeds of the offering of the Notes, together with cash on hand as well as cash we expect to generate from our operating activities and/or cash raised from other financing sources (which may include debt or equity financing), for the Angel Nickel Acquisition. However, in the event we do not generate sufficient cash from our operating activities or are not able to raise sufficient cash from other financing sources, we may not be able to complete the Angel Nickel Acquisition and would be in breach of the acquisition agreement, which could have a material adverse impact on our results, operations and financial performance. Moreover, the construction and the commissioning process for the Angel Nickel Project is still in the preliminary stages, and may be impacted by risks including, but not limited to weather, work stoppages (resulting from the COVID-19 pandemic or otherwise), availability of materials, availability and productivity of skilled and experienced workers and contractors, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of labor, consumables, spare parts, plant and equipment. The commissioning process may uncover failures or deficiencies in processes, systems, plant and equipment required for the Angel Nickel Project, and addressing such failures or deficiencies may result in the Tsingshan group or us incurring unexpected costs.

Although the Tsingshan group has agreed to indemnify us for any construction costs exceeding U.S.$700 million, we are exposed to counterparty risks in this arrangement, and we cannot assure you that the Tsingshan group would not renege on its contractual obligations. Any of these outcomes could have a material adverse impact on our results of operation and financial performance. While our acquisition of the Angel Nickel Project is expected to increase our annual NPI production capacity, there can be no assurance that we will be able to achieve the anticipated benefits from the Angel Nickel Acquisition or that we will successfully integrate the Angel Nickel Project with the rest of our existing operations.

Moreover, there can be no assurance that the Angel Nickel Project will achieve its production and cost expectations, which could have a material adverse effect on its cash flows and profitability. Production and cost estimates are dependent on many factors including, but not limited to, mine, power station and processing plant commissioning, our ability to procure resources and other requirements at competitive prices, and logistic challenges such as barging and shipping. Other factors that may affect production and costs include: industrial accidents, natural phenomena such as weather conditions, floods, rock slides and earthquakes, changes in fuel and power costs and potential fuel and power shortages, shortages of and cost of supplies, labor costs, shortages or strikes, civil unrest and restrictions or regulations imposed by government agencies or other changes in the regulatory environment.

As part of our overall business strategy, we may also pursue additional, select acquisitions in the future, in which case we could encounter some difficulties integrating any such acquisitions and/or in successfully managing or realizing the growth we expect from any such acquisitions.

Acquisitions involve various typical risks, including:

- the ability to identify appropriate businesses or assets for acquisition or to negotiate acquisitions on favorable terms;
- obtaining the financing necessary to complete future acquisitions;
- difficulties in assimilating the operations of the acquired business;
- difficulties in maintaining financial and strategic focus while integrating the acquired business;
- adequately addressing any pre-existing liabilities or claims involving the acquired businesses;
- unexpected increases in costs;
- historical under-investment in sustaining capital expenditure; and
- the ability to successfully integrate the acquired business, including by implementing uniform standards, controls, procedures and policies.

Business combinations and acquisitions may entail a number of risks including the effective integration of acquisitions to realize synergies, significant one-time write-offs or restructuring charges, and unanticipated costs and liabilities. We may also be liable for the past acts, omissions or liabilities of the acquired business that are unforeseen or greater than anticipated. Where we actively pursue a number of opportunities simultaneously, we may encounter unforeseen expenses, complications and delays, including difficulties in employing sufficient staff and maintaining operational and management oversight. To the extent we encounter problems integrating any of our acquisitions, our operations could be impaired as a result of business disruptions and lost management time, which could materially adversely affect our results of operations.

Our NPI processing business may be adversely affected by increases in the cost of raw materials, power and other key inputs.

Our NPI processing business is affected by changes in the cost of these raw materials, power and other key inputs, as well as freight costs associated with transportation of raw materials to our RKEF facilities. The principal cost components of our NPI business are nickel ore (generally representing between 35% and 40% of input costs), power usage (generally representing between 30% and 35% of input costs) and other ancillary costs including labor costs (generally representing between 25% and 35% of input costs).

Although the cost of raw materials, power and other key inputs have not yet presented a significant challenge for our operations due to the abundance of relatively inexpensive nickel ore, thermal coal for power generation and labor and ancillary services at the IMIP and the IWIP, any future increases in these cost components could decrease the competitiveness of our operations, which could adversely affect us. To the extent that we are unable to fully offset the effects of higher costs of raw materials, power and other key inputs through price increases, productivity improvements, cost reduction programs or otherwise, our business, financial condition and results of operations may be adversely affected.

Shortages of electricity or water supply may adversely affect our operations.

We require significant amounts of electricity for our operations at the Hengjaya Nickel Project and the Ranger Nickel Project, and we obtain substantially all of the necessary electric power for the operation of our equipment and facilities from power plants operated by the Tsingshan group within the IMIP. The Angel Nickel Project, once constructed, will also require a substantial amount of energy for its operations.

Prolonged interruptions of electricity supply can result in lengthy production shutdowns, increased costs associated with restarting production and the waste of production in progress. In extreme cases, interruptions of electricity supply can also cause damage to or destruction of the equipment and facilities. In addition, the prices for energy resources may be subject to volatility or curtailment, respectively, due to, among other factors, new laws or regulations, imposition of new taxes or tariffs, supply interruptions and equipment damage. In the event of any disruptions in our electricity plants, we cannot assure you that we will have access to other sufficient electricity sources at favorable prices and conditions, which could have a material adverse effect on our business, financial condition and results of operations.

We also require significant quantities of water for our operations and obtain the majority of the water we use for our operations from IMIP's water facilities. Although each operation currently has access to sufficient water resources to cover its operational demands, the extinction of some or all water resources, failure in the water supply infrastructure, or the loss of some or all water supply contracts or relevant rights in relation to our mine or operations, in whole or in part, or shortages of water, could require us to curtail or shut down operations and could prevent us from pursuing expansion opportunities. We cannot assure you that water will be available in sufficient quantities to meet our future production needs or will prove sufficient to meet our water supply needs particularly if other conflicting uses of water, such as human consumption, are prioritized over industrial uses. A reduction of our water supply may adversely affect our business, financial condition and results of operation.

The prices of the products we sell are cyclical in nature and subject to fluctuations.

Our revenue is derived from our sales of the NPI that we produce, which is sold at a price based on average prices for NPI in China, with minor adjustments applied for nickel grade specifications, freight and foreign exchange. Accordingly, results of our operations are highly dependent upon the prices we receive for the sale of our NPI.

Prices of NPI have historically been correlated to nickel prices. In recent years, however, the pricing of specific nickel products, such as NPI, have increasingly been driven by their own supply/demand fundamentals rather than the prices of nickel, with the NPI market being particularly China-centric and featuring its own particular characteristics as compared to LME deliverable nickel metal. These demand characteristics include Chinese demand for NPI, production cost levels, macroeconomic factors such as expectations regarding inflation, interest rates and global and regional demand for, and supply of, commodities as well as general global economic conditions. Demand for NPI is mostly driven by its use in the stainless-steel industry. A decrease in demand for our products as a result of economic slowdowns or recessions or other factors could decrease the demand for and the volume of products we sell. Any significant decrease in the demand for the products we sell may adversely affect our business, financial condition and results of operations. In addition, an increase in the global supply of NPI and/or a decrease in world consumption levels of NPI may result in an oversupply of and downward selling pressure on such products. An oversupply in the global markets in any of the products we sell could, in turn, reduce global prices of such products and the prices we receive under new sales contracts.

We do not currently hedge our cash flows against the risks of price fluctuations. An extended or substantial decline in NPI prices may adversely affect our business, financial condition and results of operations.

Although we have not yet observed any material direct impacts on our operations from the COVID-19 pandemic, the indirect impacts we have observed to date have included periods of significant volatility in financial, commodities and other markets. For example, in the first quarter of 2020, the nickel price fell to U.S.$11,000 per tonne associated with the COVID-19 outbreak and the resulting fragile industrial demand. This volatility, if it continues, could have an adverse impact on our employees, communities, suppliers, businesses, financial condition and results of operations. Given the rapidly changing implications of the spread of COVID-19, it is difficult to assess the full nature and extent of the impact that the outbreak will have on the demand and prices for our products and, in turn, our financial performance for 2021 and future periods. We cannot assure you that commodity prices will not continue to decrease, and a prolonged or significant decline in the prices for our products may materially and adversely affect our business, financial condition and results of operations. See also the Industry Report included as Appendix A to this Offering Memorandum.

The Hengjaya Mine is a supplier of nickel ore to the Hengjaya Nickel Project and the Ranger Nickel Project, and we expect to relinquish control over its operations from June 2024 onwards.

The Hengjaya Mine is a significant supplier of the nickel ore that we use as an input in our RKEF operations, having supplied approximately 40% of our nickel ore needs in the year ended December 31, 2020, with the balance of ore supplied from the IMIP's nickel ore stockpiles which are acquired from numerous mines across the Indonesian archipelago. To the extent that our operations at the Hengjaya Mine may be subject to a temporary or prolonged disruption as a result of risks inherent to its operations, such as a suspension or termination of mining licenses, major equipment failure, failure to receive required supplies in a timely manner or at all, or the occurrence of catastrophic events such as fires, floods or adverse weather conditions, we may be unable to source the nickel ore needed to produce NPI at our RKEF plants at commercial terms which we deem timely and reasonable, or at all.

Moreover, our ownership of the Hengjaya Mine is subject to the divestment obligation under Ministry of Energy and Mineral Resources ("MEMR") Regulation No. 9 of 2017 on the Procedure of Share Divestment and the Mechanism of Divestment Share's Price Determination in Coal and Mineral Mining Business Activities, as amended by MEMR Regulation No. 43 of 2018 ("2017 Regulation on Divestiture of Ownership"), which requires that we gradually divest our indirectly held equity interests in the Hengjaya Mine, commencing on the sixth year of production, so that a minimum 51% interest in the Hengjaya Mine be held by Indonesian owners by the 10th year of production, being June 2024 in the case of the Hengjaya Mine. We cannot assure you that the Hengjaya Mine's future controlling shareholder will continue to supply us with the nickel ore we need for our operations, or that we would be able to replace this source of nickel ore at the same commercial terms or at all. In that case, our smelting operations at our RKEF plants would be adversely affected, which could adversely affect our business, financial condition and results of operations.

We may be unable to divest control over the Hengjaya Mine at terms which we deem attractive, and our loss of control over the Hengjaya Mine could adversely affect us.

Under the 2017 Regulation on Divestiture of Ownership, all foreign-owned holders of Indonesian Operation Production Mining Business Licenses are required to divest their shares in stages so that domestic investors shall have minimum ownership of 51% by the end of the 10^{th} year of production. The Hengjaya Mine is subject to the 2017 Regulation on Divestiture of Ownership, and a minimum 51% indirect equity interest in the Hengjaya Mine is to be held by an Indonesian investor by the 10th year of production, being June 2024 in the case of the Hengjaya Mine.

Although the 2017 Regulation on Divestiture of Ownership stipulates that, at the end of each divestment period, the price for the divested shares offered by the existing foreign owner to the local investors must be determined based on "fair market value", we cannot assure you that our own assessments of the inherent commercial value of the Hengjaya Mine to our operations, including related synergies, will be fully realized in any such sale. In addition, in the event that Indonesian governmental entities or government-owned companies refuse to purchase a controlling stake in the Hengjaya Mine, the 2017 Regulation on Divestiture of Ownership stipulates that the assets may be offered to a private Indonesian investment entity by way of an auction. In these circumstances, we cannot assure you that such mandatory auction would yield a price for the Hengjaya Mine which we deem attractive or that bears any relationship to its underlying value to our business.

Moreover, once we no longer hold a controlling equity stake in the Hengjaya Mine, we will be exposed to actions by the new controlling shareholder which may be inconsistent with or adverse to our interests. For example, the new controlling shareholder may exercise its voting rights so as to block actions that we believe to be in our best interest or in the best interest of the Hengjaya Mine, take actions which are contrary to our policies and objectives, or as a result of financial or other difficulties, be unable or unwilling to fulfill their obligations to the Hengjaya Mine, such as contributing capital to expansion or maintenance projects. These circumstances could adversely impact our business, financial condition and results of operation.

We may be adversely affected by changes to laws and regulations relating to our operations, and our failure to comply with those regulations, may adversely affect us.

The Indonesian mining industry is subject to extensive regulation within Indonesia, and there have been major developments in laws and regulations applicable to mining concession holders and related businesses, such as ours. For example, on January 11, 2014, the Indonesian Government introduced a ban on the export of unprocessed minerals, including the export of low-grade nickel ore. As a consequence, our mining operations at the Hengjaya Mine temporarily ceased. Mining operations at the Hengjaya Mine were recommenced in October 2015 following the signing of a series of ore offtake agreements to supply nickel ore to Tsingshan group companies within the IMIP. In 2017 there was some relaxation of this export ban. However, on January 1, 2020, the ban on export of low-grade nickel ore was fully reinstated again by the Indonesian Government. The Indonesian export ban has significantly benefited the large-scale adoption of RKEF processing in Indonesia, in light of an abundance of high-grade nickel ore no longer able to be exported. Therefore, if this ban is overturned or relaxed, there is a risk that the domestic unprocessed ore producers may supply international markets, driving up prices for Indonesian high-grade nickel ore and negatively impacting the profitability of our NPI processing business.

We have no control over changes in Indonesian laws and regulations, and we are not able to accurately predict all future developments in this space. Future developments and changes to laws and regulations relating to our operations could adversely affect us. Compliance with these laws and regulations can be costly and can increase our exposure to litigation or governmental investigations or proceedings. Failure to comply with the laws and regulations may result in the imposition of penalties or other sanctions.

We do not yet have valid legal title to the land on which our RKEFs are located.

Although we have the contractual rights to possess the land on which our RKEF facilities are located for the Hengjaya Nickel Project and the Ranger Nickel Project pursuant to conditional land sale agreements, as of the date of this Offering Memorandum, we do not have valid legal titles to such plots of land. Pursuant to the conditional land sale agreements, IMIP is obliged to obtain the land right certificates on such plots of land. After IMIP has obtained such land titles, the titles will be transferred to us pursuant to land sale agreements which will be drawn up before an Indonesian land deed official. Afterwards, our title to such plots of land will be subject to registration and certification formalities with the relevant land office. Similarly, the Angel Nickel Project has entered into a conditional land sale agreement with IWIP in relation to the land on which the Angel Nickel Project is being constructed. IWIP is responsible for procuring that the Angel Nickel Project land is registered and certificated and subsequently transferred to the Angel Nickel Project. Shanghai Decent is required to ensure that IWIP provides the Angel Nickel Project with rights to occupy and construct on the land pending formal registration and transfer of that land to the Angel Nickel Project. In the event that we do not obtain valid legal title to the land or procure the necessary registration formalities in relation to the land where our operations are located, our business, financial condition and results of operations may be materially and adversely affected.

Furthermore, the aforementioned conditional land sale agreements are subject to the requirement to use Indonesian language, but certain of these conditional land sale agreements were entered into in English and/or Chinese language. Any challenge from the relevant seller on the validity of any such conditional land sale agreements due to the absence of Indonesian language versions of such agreements may adversely affect our acquisition of the relevant land parcels. See "Regulatory Framework — Indonesian Language Law".

Certain of our subsidiaries do not maintain company work guidelines.

The Indonesian Labor Law provides that any employer that employs ten or more employees is required to maintain company work guidelines (*Peraturan Perusahaan*). Such company work guidelines must be approved by the Minister of Manpower ("MOM") and is valid for two years as from the date it is registered with the MOM and must be renewed once expired. If the employer maintains a collective labor agreement (*Perjanjian Kerja Bersama*) with its labor union, the maintenance of company work guidelines is not necessary. We operate in labor intensive industries and depend on more than 3,050 workers to carry out our operations, most of which are employed in Indonesia and are therefore subject to the Indonesian Labor Law. As of the date of this Offering Memorandum, certain of our Indonesian subsidiaries do not maintain either company work guidelines or a collective labor agreement and therefore may be subject to warning letters and/or monetary fines prescribed under the Indonesian Labor Law. Although as of the date of this Offering Memorandum, none such subsidiaries has received any correspondence from the MOM with respect to this, there can be no assurance that the MOM will not impose the prescribed sanctions on us. Any such imposition might expose us to fines, and in turn could have an adverse effect on our reputation, business and results of operations. See "Regulatory Framework – Indonesian Labor Law".

PT Hengjaya did not obtain approval from, and/or provide notification to, MEMR for the change of its shareholders, directors and commissioners.

Pursuant to Law No. 3 of 2020 on Amendment to Law 4/2009 ("Law 3/2020") including MEMR Regulation No. 7 of 2020 on Procedures for Granting Area, Licensing and Reporting in Mineral and Coal Mining Business Activities ("Mining License Regulation") and MEMR Regulation No. 48 of 2017 on the Monitoring of the Business Activities in Energy and Mineral Resources Sector, a holder of Mining Business License (*Izin Usaha Pertambangan* or "IUP"), such as PT Hengjaya, is required to obtain a prior approval from the MEMR to make changes to its shareholders composition. PT Hengjaya is also required to obtain a prior approval and/or notify the MEMR to make changes to the composition of its board of directors and/or board of commissioners. PT Hengjaya did not obtain any such approvals from nor provide any notifications to the MEMR with respect to the changes of this shareholding, board of directors and board of commissioners' compositions. The Mining Law (as amended) and Mining License Regulation prescribe various administrative sanctions ranging from warning letters to revocation of IUP, see "Regulatory Framework – Mandatory approval from MEMR and notification to MEMR". As of the date of this Offering Memorandum, PT Hengjaya has not received any correspondence from the MEMR on the absence of such approvals and notifications. While we have notified the local MEMR agency of the past changes to the directors and commissioners of PT Hengjaya in May 2019 and the annual Work and Budget Plan (*Rencana Kerja Anggaran dan Biaya* or "RKAB") has been approved every year, up to the latest RKAB for the year 2021, we have not officially updated the MEMR on the latest change to the shareholder composition of PT Hengjaya and there can be no assurance that the MEMR will not impose the prescribed sanctions on us which in turn could have an adverse effect on our reputation, business and results of operations.

Our operations and expansion programs depend on our ability to obtain, maintain and renew necessary permits and approvals from the Indonesian Government.

We are required to obtain, maintain and renew various permits and approvals from the Indonesian Government for our operations. Moreover, we rely on the Tsingshan group to procure and obtain all the relevant permits, licences, land and other requirements to develop and operate the Angel Nickel Project. The permits and approvals required for operating a mining and NPI processing business include, among others, general corporate, mining, capital investment, labor, environmental and land utilization licenses. We also rely on the IMIP to obtain and maintain certain licenses required for our RKEF operations located in the IMIP. Most of these permits have various expiration dates and we must renew all of our permits and approvals before they expire, as well as obtain new permits and approvals when required.

We cannot assure you that the relevant government authorities (whether at the Indonesian Government or regional government level) will not revoke or renew our existing permits, refuse to issue new permits, or issue permits that conflict with our concessions for the approvals which we require to operate our business and implement any expansion programs or that they will not impose unfavorable terms and conditions in connection with the issuance or renewal of such permits or approvals. This uncertainty partly arises as a result of the regulatory regime within which we operate. For example, PT Hengjaya is looking to obtain an underground water intake license (*Izin Pengambilan Air Bawah Tanah*) for its operations on the Hengjaya Mine. We cannot assure you that these licenses will be granted or that unfavorable terms and conditions will not be imposed in relation to such licenses. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Factors affecting our Business and Results of Operations — Indonesian Government Policies and Changes in Law" and "— Risks relating to Australia and Indonesia — The interpretation and implementation of legislation on regional governance in Indonesia is uncertain and may adversely affect our business, financial condition, results of operations and prospects".

Although we have not yet experienced any material issues or an inability to obtain, maintain or renew a license required to operate our business, we cannot assure you that the Indonesian Government will not revoke existing licenses and permits for whatever reason or issue or renew the required licenses or permits within the anticipated timeframe or at all. A loss of, or failure to obtain, maintain or renew, any permits, agreements and approvals necessary for our business operations may adversely affect our business, financial condition and results of operations. In addition, if laws and regulations applicable to these authorizations, concessions, permits or licenses change, modifications to our technologies and operations could be required, and we may need to make unexpected capital expenditures and even make certain of our operations economically or otherwise unfeasible, which could adversely affect us.

We may be adversely affected if any of the tax benefits granted to us expire, are revoked or if we are unsuccessful in qualifying for, renewing or extending such tax benefits.

Our operations at the Hengjaya Nickel Project and the Ranger Nickel Project currently benefit from certain tax benefits granted to us by the Government of Indonesia on the following basis:

- a corporate income tax reduction of 100% for a period of seven tax years, starting from the tax year in which commercial production is achieved (2019);
- a corporate income tax reduction of 50% of payable income tax for a period of two tax years, starting from the end of the initial seven year period; and
- exemption from withholding and tax collection by third parties on sales proceeds that would normally be remitted to the Indonesian Revenue Department for a period of seven years, also commencing from the tax year in which commercial production is achieved.

The Angel Nickel Project is expected to be granted tax benefits on a basis consistent with those currently enjoyed by the Hengjaya Nickel Project and the Ranger Nickel Project. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Factors affecting our Business and Results of Operations – Indonesian Government Policies and Changes in Law — Regulation on Divestiture of Ownership”. We may also seek to qualify for or obtain additional tax benefits in the future whenever available and practicable. However, we cannot assure you that we will be able to obtain any such tax concessions on acceptable terms or at all.

In order to qualify for and maintain such tax benefits, we are required to comply with certain general requirements, such as timely filing of tax returns and compliance with certain applicable laws, and we may be unable to retain such tax benefits if we fail to satisfy the conditions on which such benefits are granted. Penalties for noncompliance with such obligations may result in suspension of incentives until they are corrected, loss of tax incentives and under certain circumstances payment of penalties.

Such tax benefits may also be revoked, may not continue beyond their scheduled expiration date or, if they continue, the benefits received may not be at the same level. The revocation, expiration or amendment of any one or more of these tax benefits, or our failure to comply with the applicable legal requirement, could cause us to lose these tax benefits and our effective tax rate to increase, which could adversely affect us.

The Hengjaya Mine and our RKEF plants are subject to inclement weather and natural disasters.

Our operations are located in Indonesia, which is subject to inclement weather, particularly during the rainy season, as well as natural disasters such as earthquakes and landslides. See “— Risks relating to Australia and Indonesia — Indonesia is located in an earthquake zone and is subject to significant geological risk and other natural disasters that could lead to property damage, loss of life, social unrest and economic loss”. A prolonged rainy season can have a significant impact on mining operations, equipment utilization rates and overburden removal rates. In addition, actual rainfall and rain hours can vary significantly in the regions where we operate from year to year and can result in our utilization and production volumes for a period or a particular year being significantly lower than anticipated and targeted, even after we build in allowances for typical rainfall and rain hours due to seasonal weather conditions. We are also subject to the risks of natural disasters such as earthquakes and landslides, which could significantly damage our mining and RKEF plants and general infrastructure. Further, extensive damage to our facilities and employee casualties whether as a result of earthquakes, landslides or other natural disasters may adversely affect our ability to conduct our operations and, as a result, reduce our future operating results. These risks may be heightened by the geographical proximity of our existing operations, which are all located within or nearby the IMIP. Our insurance policies may not be adequate to cover any losses or liabilities resulting from the occurrence of these events, and such events may adversely affect our business, financial condition and results of operations. See "— Risks relating to our Business — Our insurance may not be adequate to cover our losses or liabilities".

We are currently in technical breach of a provision in one of our material agreements, which could result in the Tsingshan group ceasing to perform its obligations under, or terminating, such agreement.

We are presently in technical breach of a provision under the Hengjaya CSA (as defined below) which requires that we have no more than eight directors on our Board of Directors. As at the date of this Offering Memorandum, we have nine directors on our Board of Directors, placing us in technical breach of the Hengjaya CSA. We have not yet sought a waiver or consent from the Tsingshan group or taken any other action in respect of this technical breach under the Hengjaya CSA. Although the Tsingshan group was involved in the discussions around the appointment of the ninth director and did not at that time express, nor have they since expressed, any disapproval or taken any action in relation to this technical breach, we cannot assure you that such actions by the Tsingshan group necessarily constitute an implicit waiver, or that the Tsingshan group will not take any action in connection with this technical breach which could have an adverse effect on us. In the event that, as a consequence of the technical breach, the Tsingshan group seeks to claim damages or seek an injunction, specific performance or other equity remedies against us, ceases to perform its obligations under the Hengjaya CSA or terminates the Hengjaya CA, such events may have a material adverse impact on our results, operations and financial performance. See "— Risks relating to our Business — We rely on the support of Tsingshan group companies for our operations, and the cessation of support from Tsingshan group companies could have an adverse effect on our business" and "Business—Our Partnership with the Tsingshan Group— Our Material Agreements with Shanghai Decent".

Economic, political and other conditions in China, as well as government policies, could adversely affect our business and prospects.

Our business depends on the general economic conditions in China, as well as its political and social conditions. The Chinese market has become a significant source of global demand for commodities and our entire revenues are derived from sales to entities affiliated with the China-based Tsingshan group, and whether the NPI that we produce is utilized within Indonesia or exported to China is largely a function of the Tsingshan group's overall stainless steel requirements. For the fiscal year ended December 31, 2020 and the six months ended December 30, 2019, our export sales to China accounted for 100% and 77%, respectively, of our total sales.

The Chinese economy is in the process of transitioning from a centrally planned economy to a more market-oriented economy. For approximately three decades, the Chinese government has implemented economic reform measures to utilize market forces in the development of the economy. However, the Chinese government continues to play a significant role in regulating industries and the economy through policy measures.

Any political tension between the Chinese and Indonesian or Australian governments may also have an adverse effect on our business and operations if such tension escalates and has effects on commerce and economic relations. We cannot predict the extent of any adverse effect on our current or future business, financial condition or results of operations that could be caused by any changes in Chinese economic, political or social conditions and in Chinese laws, regulations and policies. Any such changes may cause restrictions or impose costs on our business and may inhibit our future opportunities.

Moreover, particularly related to our business, China, in response to its increased demand for commodities, is increasingly seeking self-sufficiency in key commodities, including nickel, through investments in nickel mining operations in other countries. In addition, NPI is used in the production of stainless steel and a slowdown in the stainless steel industry in China, or China's economic growth in general, could result in lower Chinese demand for our products and therefore reduce our revenue. In the event that the demand for our NPI from our China-based Tsingshan affiliated offtakers materially decreases and we are unable to find new customers to replace these customers, our business, results of operations, and financial condition could be materially and adversely affected.

Our operations may be disrupted by opposition from local communities.

We face the risk that our operations may be disrupted by local community opposition or unrest. Due to the adverse environmental impact associated with our mining and NPI processing activities, local communities surrounding the areas in which we conduct operations may oppose, at times violently, the carrying out of further mining and NPI processing activities. Local communities may also cause disruptions arising out of, but not limited to, disputes relating to compensation claims for land acquisitions and land use rights, and contractor or employee death or serious injury. We cannot assure you that we will be able to successfully resolve or overcome opposition from local communities that we may encounter in the future. In the event that our operations are disrupted by local community opposition or unrest and we are unable to resolve such disruption in an amicable or timely manner or at all, we may not be able to meet production targets, and our business, financial condition and results of operations may be adversely affected.

Our operations are subject to environmental laws and regulations which may cause us to incur significant costs, liabilities or interrupt or cease operations, any of which may adversely affect our results of operations.

Due to the significant impact of our mining and NPI processing operations on the environment, our facilities and operations are subject to a variety of national, state and local environmental laws and regulations in Indonesia, which are becoming more stringent and more strictly enforced, and may result in increased liabilities and impose additional compliance costs on us. These laws and regulations can cause delays, cause us to incur significant costs to comply with them, or even prohibit or restrict certain activities in regions or areas subject to environmental protection. In addition, new or more stringent environmental standards (including measures seeking to address global warming) imposed on us, or stricter enforcement of such standards, could require us to make increased capital expenditures that may vary widely from those currently anticipated, and which could adversely affect us. We expend significant financial and managerial resources to comply with these regulations, and we anticipate that we will be required to continue to do so in the future as the recent trend towards stricter environmental laws is likely to continue. Failure to comply with these laws and regulations (including failure to obtain or maintain relevant environmental permits, as well as compliance with the technical constraints imposed in the environmental licensing process) may subject the offender to administrative sanctions, such as warnings, fines, compulsory interruption of activities, demolition and criminal sanctions, in addition to the obligation to repair environmental damages and indemnify third parties.

Mining for nickel ore and processing NPI can be potentially environmentally hazardous, and may give rise to potentially substantial costs for environmental rehabilitation, damage control and losses, which risks may not be covered by our insurance policies. For example, there could be spills and discharges from maintenance and service activities at our facilities and our other logistical operations, or environmental damage caused by previous occupiers, for which the extent and costs of our liability we are not able to determine. In addition, air pollution from coal-fired power plants has been linked to significant environmental and public health impacts. We may be required to clean up any contamination resulting accidents caused by us and would be required to pay fines in connection with some of these accidents, as well as to monitor and manage to any related legal or administrative proceedings, which could adversely affect us.

Our mine reclamation and post-mining liabilities can change significantly if our actual costs incurred in connection with mine reclamation and post-mining activities vary from our assumptions or if governmental laws or regulations change either while we hold the current license or upon the renewal of our licenses. See

"Regulatory Framework — Indonesian Regulatory Framework — Regulation of Nickel Mining in Indonesia". Any significant unanticipated increase in our reclamation and rehabilitation costs may adversely affect our business, financial condition and results of operations. If we or any of our third-party contractors fail to comply with applicable Indonesian environmental laws and regulations, or if an incident were to occur on a site owned by us, we may be liable for any damages or expenses arising out of or in connection with such incident, and our business, financial condition and our results of operations may be adversely affected.

Climate change, as well as the regulatory and industry responses to it, could significantly increase our operating costs and adversely affect our operations.

We conduct our operations in the Central Sulawesi and North Maluku regions of Indonesia. We are therefore subject to the local climate patterns of these regions. Exploration, mining production and transportation activities may be susceptible to risks and hazards resulting from sustained precipitation or other weather conditions. An intensification of extreme weather events and longer-term changes in weather patterns may impact operations, resulting result in more frequent production delays, increased costs and increased liabilities.

In addition, regulatory and industry response to climate change, restrictions, caps, taxes, or other controls on emissions of greenhouse gases, including on emissions from the combustion of carbon-based fuels, controls on effluents and restrictions on the use of certain substances or materials, could significantly increase our operating costs. A number of governmental bodies have introduced or are contemplating regulatory changes in response to the potential impacts of climate change. For example, Indonesia and many other nations are signatories to international agreements related to climate change including the 1992 United Nations Framework Convention on Climate Change, which is intended to limit or capture emissions of greenhouse gas, such as carbon dioxide, the 1997 Kyoto Protocol, which established a potentially binding set of emissions targets for developed nations and, most recently, the 2016 Paris Agreement, which extended the potentially binding set of emissions targets to all nations. The enactment of comprehensive legislation focusing on greenhouse gas emissions could adversely affect us due to the high energy usage involved in the RKEF process, which can make it uncompetitive in regions with high energy prices.

Although this has not yet presented a significant challenge for our operations due to the availability of low energy prices as a result of the abundance of relatively inexpensive coal resources near the IMIP, any changes in laws and policies, including in relation to carbon pricing, greenhouse gas emissions, energy efficiency or restricting our access to or use of coal as an energy source, could adversely affect us. Further, our compliance with any new environmental laws or regulations, particularly relating to greenhouse gas emissions, may require significant capital expenditure or result in the incurrence of fees and other penalties in the event of noncompliance. Shifts in commodity demand may also arise in response to climate risks and opportunities, including a potential decrease in demand for NPI and nickel.

We cannot assure you that future legislative, regulatory, international law, industry, trade or other developments will not negatively impact our operations and the demand for the NPI we sell. In addition, we may be subject to activism from environmental groups and organizations campaigning against our mining and NPI processing activities, which could affect our reputation and disrupt our operations. See also "— Risks relating to our Business — Our operations may be disrupted by opposition from local communities" and "— Risks relating to our Business — Our operations are subject to environmental laws and regulations which may cause us to incur significant costs, liabilities or interrupt or cease operations, any of which may adversely affect our results of operations". If any of the foregoing were to occur, our business, financial condition and results of operations may be adversely affected.

Our operations require a significant amount of working capital and may be adversely affected if we experience limited availability of funds.

We expend a significant amount of cash as part of our operations, principally on nickel ore (generally representing between 35% and 40% of input costs), power usage (generally representing between 30% and 35% of input costs) and other ancillary costs including labor costs (generally representing between 25% and 35% of input costs). We may also require significant capital expenditures to maintain, upgrade and expand our facilities to keep pace with competitive developments, technological advances and changing safety and environmental standards in our industry.

We fund our operations principally through equity funding and cash flow from our operations. We expect to fund our acquisition of the Angel Nickel Project through cash on hand (including proceeds from our recent equity raising) as well as the issuance of the Notes hereby. See "— Risks relating to our Business — We derive all of our revenue from operations from sales to Tsingshan group companies, and partial or full loss of revenues from this customer would adversely affect us" and "— Risks relating to our Business — Our operations require a significant amount of working capital and may be adversely affected if we experience limited availability of funds".

As of December 31, 2020, we had cash and cash equivalents of U.S.$351.4 million. In January 2021, we repaid our U.S.$45 million debt facility instrument and paid the remaining first acquisition payment of U.S.$180 million for a 30% indirect equity interest in the Angel Nickel Project (noting that a U.S.$30 million deposit had previously been made, for a total first acquisition consideration of U.S.$210 million). We cannot assure you that we will not experience negative cash flows in the future. Changes to operational requirements, market conditions and the identification of other opportunities may mean further funding is required by us at an earlier stage than is currently anticipated.

We may be required to meet our funding needs by procuring financing on commercially unattractive and/or restrictive terms. In particular, funding of power-intensive operations which consume significant amounts of power derived from thermal coal power plants, such as ours, is becoming increasingly restricted, including in connection with climate change, or may require covenants that impact pricing or operations. Our ability to attract future funding and investment may be impacted by changing business and community expectations regarding environmental, social and governance matters and more stringent environmental assessments of proposed projects. These changes may increase our cost of funding or otherwise increase the cost of our development and mining activities or delay or preclude those activities altogether.

In the event that we are unable to obtain or secure sufficient borrowings or generate sufficient revenue from our operations, or if we fail to maintain sufficient cash to meet our operating requirements, we may not have sufficient cash flow to fund our operations and our business and results of operations will be adversely affected. Further, our level of borrowings would mean that an increased portion of our expected cash flow may have to be set aside for the payment of interest and principal repayment on our borrowings, thereby reducing the funds available to us for use in our general business operations.

Our exploration efforts are highly speculative in nature and we may be unable to locate additional resources at the Hengjaya Mine.

Our resources will decline as mining continues and we depend on our ability to replenish our resources for our long-term viability. This, in turn, depends on our ability to acquire additional mining concessions and/or locate additional resources that are economically recoverable within our concession areas or in such other areas where we have permission to carry out exploration activities. See "Business — Our Mining Operations — Exploration". Mining exploration is highly speculative in nature, involves many risks, including the risk that we will encounter no commercially mineable reserves, and is frequently unsuccessful. Moreover, once mineable reserves are discovered, it may take a number of years from the initial phases of drilling before production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish resources through drilling, to determine processes to extract the metals and, if required, to construct mining and processing facilities and obtain the rights on the land and resources required to develop the mining activities. Although we devote efforts to undertake exploration activities at the Hengjaya Mine, we cannot assure you that our exploration programs will result in the expansion or replacement of current production with new resources. Our inability to acquire additional mining concessions or locate economically viable reserves could lead to a decrease in our production levels, which may adversely affect our business, financial condition and results of operations.

We may experience unexpected disruptions to our mining and NPI processing operations as a result of operational and infrastructure risks.

Our mining and NPI processing operations and transportation activities are subject to risks that could disrupt production for varying lengths of time. These risks and changing conditions include operating and infrastructure risks such as fires, explosions, embargoes, injuries and casualties arising from industrial and mining accidents, labor disputes, unexpected geological conditions, engineering and design issues, mine collapses and environmental hazards; failure by us or any of our contractors to obtain key machinery, equipment and spare parts; unexpected failures and maintenance problems of machinery, equipment, and power plants; changes in geological conditions and geotechnical instability of our mining pits; delays or disruptions in drilling, excavating and other third-party delays; barging delays due to port congestion and limited capacity at the port facilities we use in our barging operations; and inability to access haulage roads, jetties, ports and other infrastructure, which we do not currently own. For example, unexpected maintenance and repairs at one of our RKEF plants in July 2020 resulted in production halts for a period of approximately 10 days. Future occurrences of such mechanical failures may lead to interruptions in our operations and the incurrence of associated costs. We do not maintain any business interruption insurance. If any of the foregoing operational and infrastructure risks were to reoccur or materialize, we could incur substantial losses that may involve serious personal injury or loss of life, severe damage to or destruction of property and equipment, pollution, destruction of natural resources or other environmental damage, environmental remediation responsibilities, regulatory investigation and penalties and suspension of operations. As a result, our business, financial condition and results of operations may be adversely affected.

We may be adversely affected by labor disputes and may not be able to renew our arrangements with our employees on favorable terms.

We operate in labor intensive industries and depend on more than 3,050 workers to carry out our operations, of which 83% was under direct payroll and 17% was from third-party contractors, as of December 31, 2020. Although we consider that our relations with employees and contractors are currently positive, we cannot assure you that we will not experience work slowdowns, work stoppages, strikes or other labor disputes in the future. For example, during the COVID-19 pandemic in May 2020, the Tsingshan group’s operations at the IWIP experienced worker demonstrations during the COVID-19 pandemic in May 2020, including demonstrations from workers demanding a lockdown of the IWIP during that period. The occurrence of similar types of work stoppages or other work slowdowns, strikes or other labor disputes at our operations in the future may adversely affect our business, results of operations and financial condition.

We may experience safety incidents or accidents at the Hengjaya Mine or our RKEF plants.

Operations at our mine sites and our RKEF plants are subject to inherent risks which involve, among other things, the operation of heavy machinery and exposure to energy sources; accordingly, industrial accidents may occur, resulting in damage to property, personal injury or death. Although we employ risk management strategies aimed at maintaining a safe workplace, if such events were to occur, we may still be liable for loss of life and property, medical expenses, medical leave payments and fines or penalties for violation of applicable Indonesian laws and regulations. For example, in November 2019, an employee of a contractor was fatally injured when the air pressure system of the brakes of his truck failed. We do not maintain any business interruption insurance and we may also be subject to business interruption or negative publicity as a result of equipment shutdowns for Indonesian Government investigations or the implementation or imposition of enhanced safety measures as a result of such accidents. See “Business — Environment, Health and Safety Compliance”. These types of accidents or enhanced safety measures imposed by Indonesian Government authorities could have a material adverse effect on the manner in which we conduct operations, thereby materially and adversely affecting our business, financial condition and results of operations.

We are dependent on the experience and expertise of our key management personnel and failure to retain such personnel may materially and adversely affect our business, results of operations, financial condition and prospects.

We depend on the vision, expertise, experience and managerial skills of our Board of Directors and other members of our management team, who have all been critical to the success of our business. However, there is no assurance that we will be able to retain the services of our Board of Directors and other members of our management team. A loss of any member of our management team could adversely affect our ability to operate our business efficiently and may also result in changes in the implementation of our existing strategies and expansion plans. As a result, if for any reason one or more of the management personnel cease to be involved in our management, our business, results of operations, financial condition and prospects may be materially and adversely affected.

In addition, our success also depends to a significant extent upon the abilities and collective efforts of a number of our key senior management and personnel, in particular our highly skilled team of engineers and geologists. Experienced engineers and geologists are not quickly replaceable and the loss of highly skilled employees over a short period of time could impair our ability to conduct our operations. Factors critical to retaining our staff and attracting additional highly qualified personnel include our ability to provide competitive compensation arrangements. Difficulties in retaining or attracting highly qualified individuals in key management positions and highly skilled engineers and geologists could adversely affect our business, financial condition and results of operations.

Failing to hire and retain sufficient numbers of management and other skilled personnel could have a material and adverse effect on our business, financial condition, results of operations and prospects.

Our insurance may not be adequate to cover our losses or liabilities.

Our business is subject to a number of risks and hazards generally, including without limitation, adverse environmental conditions, industrial accidents, labor disputes, unusual or unexpected geological conditions, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or facilities, personal injury or death, environmental damage to our properties, delays in development, monetary losses and possible legal liability. We maintain insurance against risks incurred in the operation of our business, in the types and amounts which our management believes to be consistent with industry practice. We also maintain insurance against some, but not all, operational and infrastructure risks and natural disasters.

We cannot assure you that our insurance will be adequate to cover losses or liabilities that may arise or the continued availability of insurance at acceptable premium levels or at all. In particular, certain financial institutions, asset managers and insurance companies could in the future limit the availability of insurance coverage to enterprises which derive their revenues from the use of thermal coal power plants, such as us, or other fossil fuels. Accordingly, we may not always be able to obtain insurance for certain risks because of high premiums or other reasons, and we may ultimately incur uninsured losses which could adversely affect us.

Deterioration in our credit profile could increase our costs of borrowing money and limit our access to the capital markets and commercial credit.

We have requested that the major credit rating agencies evaluate our creditworthiness and give us specified corporate credit ratings, which corporate credit ratings are expected to be "B1" from Moody's and "B+" from Fitch. These ratings would be based on a number of factors, including our financial strength and financial policies as well as our strategies, operations and execution. These credit ratings are limited in scope, and do not address all material risks related to investment in us, but rather reflect only the view of each rating agency at the time the rating is issued. Nonetheless, the credit ratings we receive will impact our cost of borrowings as well as our ability to access sources of capital on terms that will be advantageous to our business. Failure to obtain sufficiently high credit ratings could adversely affect the interest rate in future financings, our liquidity or our competitive position and could also restrict our access to capital markets. In addition, our credit ratings could be lowered or withdrawn entirely by a rating agency if, in its judgment, the circumstances warrant. If a rating agency were to downgrade our credit rating, our borrowing costs would increase and our funding sources could decrease. As a result of these factors, a downgrade of our credit ratings may adversely affect our business, financial condition and results of operation.

The nature of our business includes risks related to litigation and administrative proceedings that may adversely affect our business and financial performance in the event of an unfavorable ruling.

The nature of our business exposes us to litigation relating to labor, environmental, health and safety matters, regulatory, tax and administrative proceedings, governmental investigations, tort claims and contract disputes, and criminal prosecution, among other matters. In the context of these and any future proceedings we may not only be required to pay fines or money damages but also be subject to complementary sanctions or injunctions affecting our ability to continue our operations. While we may contest these matters vigorously and make insurance claims when appropriate, litigation and other proceedings are inherently costly and unpredictable, making it difficult to accurately estimate the outcome of actual or potential litigation or proceedings. Although we may establish provisions as we deem necessary, the amounts that we reserve could vary significantly from any amounts we actually pay due to the inherent uncertainties in the estimation and judicial processes. We cannot assure you that administrative or other legal proceedings will not have a material adverse effect on our ability to conduct our business, financial condition and results of operations in the event of an unfavorable ruling.

We may not be able to detect and prevent fraud or other misconduct committed by our employees, representatives, agents, customers or other third parties.

We may be exposed to fraud or other misconduct committed by our employees, representatives, agents, customers or other third parties that could subject us to litigation, financial losses and sanctions imposed by governmental authorities, as well as affect our reputation. This misconduct could include:

- hiding unauthorized or unsuccessful activities, resulting in unknown and unmanaged risks or losses;
- intentionally concealing material facts, or failure to perform necessary due diligence to identify potential risks which are material to us in deciding whether to make investments or dispose of assets;
- improperly using or disclosing confidential information;
- engaging in improper activities such as accepting or offering bribes;
- misappropriation of funds;
- conducting transactions that exceed authorized limits;
- engaging in misrepresentation or fraudulent, deceptive or otherwise improper activities;

- engaging in unauthorized or excessive transactions to the detriment of our customers; or
- otherwise not complying with applicable laws or our internal policies and procedures.

Our internal control procedures are designed to monitor our operations and ensure overall compliance. However, such internal control procedures may be unable to identify all incidents of non-compliance or suspicious transactions in a timely manner, if at all. Furthermore, it is not always possible to detect and prevent fraud and other misconduct, and the precautions we take to prevent and detect such activities may not be effective. However, we cannot assure you that fraud or other misconduct will not occur in the future. If such fraud or other misconduct does occur, it may cause negative publicity as a result, and may adversely affect our reputation, businesses, financial condition and results of operations.

Our estimates of resources may be inaccurate and materially different from mineral quantities we actually recover.

There is a significant degree of uncertainty attributable to the estimation of resources. The process of estimating resources is complex and requires us to make significant assumptions in the evaluation of available geological, metallurgical and other data. In addition, for reserve estimates, we must make assumptions as to commodity prices, drilling expenses, operating expenses and royalty taxes as well as legal, environmental and social factors, among other things. Many of these assumptions are inherently subjective, and the accuracy of our estimates relies in part on our ability to make accurate assumptions. Actual future commodity prices, production, operating expenses, royalty taxes and quantities of recoverable minerals may vary substantially from our assumptions. As a result, our estimates of resources may be materially inaccurate. The resources disclosed by us are not necessarily indicative of future results of operations and should not be interpreted as assurances of mining life or the profitability of our future operations. Until minerals are actually mined and processed, the quantity of ore and grades must be considered as estimates only. We cannot assure you that our resources conform to geological, metallurgical or other expectations or that the estimated volume or grade of ore will be recovered.

The Hengjaya Mine’s mineral resource estimate is classified as measured, indicated and inferred resources. Mineral resources, which are not ore reserves, do not have demonstrated economic viability. An ore reserve is the economically mineable part of a measured or indicated mineral resource demonstrated by at least a preliminary feasibility study. Such study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. Approximately one third of the Hengjaya Mine mineral resource estimate falls into the “inferred” category. Inferred resources provide a low level of confidence in the continuity of grade. There can be no assurance that there will not be further reduction in the continuity of the grade, which may adversely affect our business, financial condition and results of operations.

We have a limited operating history on which to base an evaluation of our business and prospects.

We have a limited operating history. We produced our first batch of NPI in January 2019 at the Hengjaya Nickel Project. The Ranger Nickel Project produced its first batch of NPI in May 2019, with the Hengjaya Nickel Project and Ranger Nickel Project operations having reached steady-state production by the fourth quarter of 2019. As a result, we have transitioned from being exclusively an upstream miner of nickel ore to becoming a globally significant producer of NPI. We have thus significantly increased our total assets and our revenues during each financial period presented in this Offering Memorandum leading up to the financial year ended December 31, 2020. Accordingly, our revenues and expenses over that time period reflect the significant ramp up and changes in the nature of our operations, which significantly diminish the comparability of our financial statements across periods. For more information, see “Management's Discussion and Analysis of Financial Condition and Results of Operations — Factors Affecting the Comparability of Our Financial Information”.

In light of this, our historical financial statements may not be representative of our business and financial condition as they exist today and are unlikely to be indicative of our future cash flows, results of operations or rate of growth. Accordingly, our past performance should therefore not be relied upon as an indication of our future performance or prospects.

Risks relating to Australia and Indonesia

Our financial statements are subject to changes in accounting standards.

We prepare our financial statements in accordance with the Australian Accounting Standards adopted by the Australian Accounting Standards Board and the Corporations Act. The Australian Accounting Standards Board may issue new and revised accounting standards and pronouncements from time to time. Applying such standards and pronouncements to our financial statements may result in a change in our accounting policies and the recognition, measurement and presentation of our financial information, and thus may result in a change in the way we record our revenues, expenses, assets, liabilities or reserves, among other items. Changes to the Australian Accounting Standards, the Corporations Act or interpretations thereof may also cause our future reported results and financial position to differ from current expectations, or historical results to differ from those previously reported due to the adoption of accounting standards.

Going forward, we may elect or be required to revise our accounting policies and estimates according to the amendment of domestic and international accounting standards, the interpretation and guidance of promulgations and other regulatory changes. If we implement significant changes to our accounting policies, our business, financial condition and results of operations may be materially and adversely affected.

Risks Arising in a Winding-Up.

In the event that we become subject to insolvent external administration, that administration will be governed by Australian law and insolvency laws of Australia may differ from equivalent laws of another jurisdiction with which Noteholders may be familiar.

Australian insolvency laws are different from the insolvency laws of other jurisdictions. If we become insolvent, the treatment and ranking of Noteholders, our other creditors and shareholders under Australian law may be different from the treatment and ranking of Noteholders, other creditors and shareholders if we were subject to the bankruptcy laws of other jurisdictions. In particular, in Australia some statutory claims by shareholders for breach of statutory requirements (like disclosure) can rank equally with claims of other creditors.

Political and social instability in Indonesia may materially and adversely affect us.

We are incorporated in Australia and substantially all of our assets and operations are located in Indonesia. As a result, future political, economic, legal and social conditions in Indonesia, as well as certain actions and policies that the Indonesian Government may, or may not, take or adopt could materially and adversely affect our business, financial condition, results of operations and prospects and our ability to make payments under the Notes.

Indonesia continues to face various socio-political issues and has, from time to time, experienced political instability and social and civil unrest. Such instances of unrest have highlighted the unpredictable nature of Indonesia’s changing political landscape. Indonesia also has many political parties, with no political party winning a clear electoral majority to date. These events have resulted in political instability, as well as general social and civil unrest on certain occasions in recent years.

Following the collapse of President Soeharto’s regime in 1998, Indonesia has experienced a process of democratic change and successfully conducted its first free elections for Parliament and President in 1999. In

2004, Indonesians directly elected the President, the Vice President and representatives of the Indonesian Parliament through a proportional voting system for the first time. Direct elections were also held in 2009, 2014 and 2019 in Indonesia to elect the President, Vice President and representatives in the Indonesian Parliament. Increased political activities can be expected in Indonesia as a result of these democratic developments in its political system. Although the 2009, 2014 and 2019 elections were conducted peacefully, any future political campaigns and elections may bring a degree of political and social uncertainty to Indonesia. As a new democratic country, Indonesia continues to face various socio-political issues and has, from time to time, experienced political instability and social and civil unrest.

Since 2000, there have been numerous demonstrations involving thousands of Indonesians in Jakarta and other Indonesian cities both for and against several of Indonesia's former presidents and current President Joko Widodo, as well as in response to specific issues, including fuel tariff increases, fuel subsidy reductions, potential increases in electricity tariffs, labor matters, privatizations of state assets, anti-corruption measures, decentralizations and provincial autonomy, actions of former Indonesian Government officials and their family members and the U.S. led military campaigns in Afghanistan and Iraq. Although these demonstrations were generally peaceful, some have turned violent.

For example, gubernatorial elections in Jakarta in February and April 2017 led to protests with religious undertones against Basuki Tjahaja Purnama (also known as "Ahok"), a Christian and the incumbent Governor of Jakarta at that time. Former education and culture minister Anies Baswedan won the election for Governor of Jakarta in April 2017, defeating Ahok, who was later convicted and imprisoned for blasphemy of the Quran, the Islamic holy book. Further, on April 17, 2019, for the first time in history, Indonesia held a general election where the President, Vice President and members of the People's Consultative Assembly (*Majelis Permusyawaratan Rakyat*) and the People's Representative Council (*Dewan Perwakilan Rakyat*) were elected on the same day. Following the official announcement by the General Elections Commission (*Komisi Pemilihan Umum*) on May 21, 2019 that incumbent President Joko Widodo had been re-elected as the President of Indonesia, protests and demonstrations erupted throughout Jakarta over two days, from May 21 to 22, 2019, which resulted in hundreds of civilians being injured and several deaths. On May 24, 2019, the defeated presidential candidate, Prabowo Subianto, filed a lawsuit with the Indonesian Constitutional Court contesting the official results of the presidential election. On June 27, 2019, the Indonesia Constitutional Court issued a final and binding decision in which it rejected the entirety of the lawsuit filed by Prabowo Subianto and upheld the results of the 2019 presidential election. As events surrounding these recent elections have highlighted, political campaigns in Indonesia may result in civil disturbances and political and social instability. We cannot assure you that any future election disputes or results will not lead to further political and social instability in Indonesia.

Political and social developments have been unpredictable in the past and, as a result, confidence in the Indonesian economy has remained low. Any resurgence of political instability could adversely affect the Indonesian economy, which could adversely affect our business. We cannot assure you that social and civil disturbances will not occur in the future and on a wider scale, or that any such disturbances will not, directly or indirectly, materially and adversely, affect our business, financial condition, results of operations and prospects.

It may not be possible for investors to effect service of process or to enforce certain judgments against us or our management.

We are a company incorporated with limited liability in the State of New South Wales, Australia. Substantially all of our directors and executive officers reside in either Australia or Indonesia. Substantially all of our assets and the assets of such persons are located in Australia and Indonesia. As a result, it may be difficult for investors to effect service of process upon us or such persons outside of Australia and Indonesia, or to enforce against us or such persons in such jurisdiction, judgments obtained in courts of that jurisdiction.

We have been advised by our Indonesian legal advisers that judgments of non-Indonesian courts are not enforceable in Indonesian courts, although such judgments could be admissible as non-conclusive evidence in a proceeding on the underlying claim in an Indonesian court. Our Indonesian legal advisers have also advised us that there is doubt as to whether Indonesian courts will enter judgments in original actions brought in Indonesian courts predicated solely upon the civil liability provisions of jurisdictions other than Indonesia. As a result, Noteholders, as claimants, would be required to pursue claims against us or our commissioners and directors in Indonesian courts on the basis of Indonesian law, which would require re-examination of the underlying claim. We cannot assure you that the claims or remedies available under Indonesian law will be the same, or as extensive, as those available in other jurisdictions. We cannot assure you that the Indonesian courts will protect the interests of the Noteholders in the same manner or to the same extent as would courts in more developed countries outside of Indonesia.

Indonesia is located in an earthquake zone and is subject to significant geological risk and other natural disasters that could lead to property damage, loss of life, social unrest and economic loss.

The Indonesian archipelago is one of the most volcanically active regions in the world. Because it is located in the convergence zone of three major lithospheric plates, it is subject to significant seismic activity that can lead to destructive volcanoes, earthquakes, tsunamis and tidal waves. In recent years, a number of natural disasters have occurred in Indonesia such as heavy rain, flooding and major earthquakes that resulted in tsunamis and volcanic activity. These disasters have resulted in the loss of life, displacement of a large number of people and widespread destruction of property. For example, in December 2004, an underwater earthquake off the coast of Sumatra released a tsunami that devastated coastal communities in Indonesia, Thailand, India and Sri Lanka. In Indonesia, more than 220,000 people died or were recorded as missing in the disaster. Aftershocks from the December 2004 tsunami and additional high-magnitude earthquakes have occurred in Indonesia, causing significant fatalities and damage. More recently, in December 2018, a tsunami occurred in the Sunda Strait as a result of the eruption of the Anak Krakatau volcano, which killed more than 400 people and injured more than 7,000 people. There have been several other earthquakes throughout Indonesia with some of the most recent major earthquakes occurring in Sumatra, Java, Sulawesi, Manokwari and Maluku.

In addition to these geological events, heavy rains in December 2006 resulted in floods that killed more than 100 people and displaced over 400,000 people on the northwestern Sumatra island. More flooding in January and February 2007 around the capital, Jakarta, killed at least 30 people and displaced at least 340,000 people from their homes. In July 2007, at least seven people were killed and at least 16,000 people were forced to flee their homes because of floods and landslides caused by torrential rains on the island of Sulawesi. In January 2009, torrential rain caused a colonial-era dam to burst outside Jakarta, sending a wall of muddy water crashing into a densely packed neighborhood and killing at least 58 people. The flood also left scores missing and submerged hundreds of homes. In October 2010, at least 158 people died and 148 people were declared missing in a flash flood in Wasior district, West Papua. In January 2013, floods in Jakarta resulted in disruptions to businesses and extensive evacuations in the city. More recently, throughout the first week of January 2020, heavy and persistent rainfall caused severe flooding in and around Jakarta which killed at least 67 people and displaced nearly 400,000 people.

While recent seismic events and meteorological occurrences have not had a significant economic impact on Indonesian capital markets, the Indonesian Government has had to spend significant amounts on emergency aid and resettlement efforts. Most of these costs have been underwritten by foreign governments and international aid agencies. However, we cannot assure you that such aid will continue to be forthcoming, or that it will be delivered to recipients on a timely basis. If the Indonesian Government is unable to timely deliver foreign aid to affected communities, political and social unrest could result. Additionally, recovery and relief efforts are likely to continue to impose a strain on the Indonesian Government's finances and may affect its ability to meet its obligations on its sovereign debt. Any such failure on the part of the Indonesian Government, or declaration by it of a moratorium on its sovereign debt, could trigger an event of default under numerous private-sector borrowings, including ours, thereby materially and adversely affecting our business, financial condition and results of operations.

In addition, we cannot assure you that future geological or meteorological occurrences will not significantly harm the Indonesian economy. A significant earthquake or other geological disturbance or weather-related natural disasters in any of Indonesia's more populated cities and financial centers could severely disrupt the Indonesian economy and undermine investor confidence, thereby materially and adversely affecting our business, financial condition, results of operations and prospects, and our ability to make payments under the Notes.

Terrorist attacks, terrorist activities and certain destabilizing events have led to substantial and continuing economic and social volatility in Indonesia, which may materially and adversely affect our business.

In Indonesia during the last two decades, there have been numerous bombing incidents directed towards the Indonesian Government and foreign governments, and public and commercial buildings frequented by foreigners, including the Jakarta Stock Exchange Building and Jakarta's Soekarno-Hatta International Airport. In October 2002, over 200 people were killed in a bombing at a tourist area in Bali. In April 2003, bombs exploded outside the main United Nations building in Jakarta and in front of the domestic terminal at Jakarta's Soekarno-Hatta International Airport. In August 2003, a bomb exploded at the JW Marriott Hotel in Jakarta, killing at least 13 people and injuring 149 others. In September 2004, a car bomb exploded in front of the Australian Embassy in Jakarta, killing more than six people. In May 2005, bomb blasts in Central Sulawesi killed at least 21 people and injured at least 60 people. In October 2005, bomb blasts in Bali killed at least 23 people and injured at least 101 others. In July 2009, two separate bomb explosions occurred at the JW Marriott Hotel and the Ritz Carlton Hotel in Jakarta, killing at least nine people and injuring 40 others. In January 2016, two suicide bombers and two gunmen exchanged gunfire with police before bombing a police post and cafe in central Jakarta, killing at least four people and injuring more than 20. Indonesian, Australian and U.S. government officials have indicated that these bombings may be linked to an international terrorist organization. In May 2017, two suicide bombers attacked a bus station in Jakarta, killing three people and injuring ten others. In May 2018, terrorist bombings at three churches in Surabaya resulted in the death of more than 10 people and injuries to more than 40 people. More recently, in November 2019, a suicide bomber affiliated with Jamaah Ansharut Daulah, a terrorist group, attacked the metropolitan police headquarters in Medan, North Sumatra, Indonesia. While in response to the terrorist attacks, the Indonesian Government has institutionalized certain security improvements and undertaken certain legal reforms which seek to better implement anti-terrorism measures, and some suspected key terrorist figures have been arrested and tried, we cannot assure you that further terrorist acts will not occur in the future.

Following military involvement of the U.S. and its allies in Iraq, a number of governments have issued warnings to their citizens in relation to a perceived increase in the possibility of terrorist activities in Indonesia, targeting foreign, particularly U.S., interests. Such terrorist activities could destabilize Indonesia and increase internal divisions within the Indonesian Government as it considers responses to such instability and unrest, thereby adversely affecting investors' confidence in Indonesia and the Indonesian economy. Violent acts arising from and leading to instability and unrest have in the past had, and could continue to have, a material adverse effect on investment and confidence in, and the performance of, the Indonesian economy, and in turn our business. Any of the foregoing events, including damage to our infrastructure or that of our suppliers and customers, could materially and adversely affect international financial markets and the Indonesian economy. We cannot assure you that our properties will not be subject to acts of terrorism, violent acts and adverse political developments which may materially and adversely affect our business, financial condition, results of operations and prospects.

Labor activism or increases in labor costs could adversely affect Indonesian companies, including us, which in turn could affect our business, financial condition, results of operations and prospects.

Laws and regulations which facilitate the forming of labor unions, combined with weak economic conditions, have resulted and may continue to result in labor unrest and activism in Indonesia. In 2000, the Indonesian Government issued Law No. 21 of 2000 on Labor Union (the "Labor Union Law"). The Labor Union Law permits employees to form unions without employer intervention. In March 2003, the Indonesian Government enacted Law No. 13 of 2003 on Labor (the "Indonesian Labor Law"), which was partially amended by the Law No. 11 of 2020 on Job Creation (the "Job Creation Law"), which among other things, amended the amount of severance, service and compensation payments payable to employees upon termination of employment, see "Regulatory Framework – Indonesian Labor Law" and "Regulatory Framework — Job Creation Law". The Indonesian Labor Law requires further implementation of regulations that may substantively affect labor relations in Indonesia. The Indonesian Labor Law requires bipartite forums with participation from employers and employees and the participation of more than 50.0% of the employees of a company in order for a collective labor agreement to be negotiated and creates procedures that are more permissive to the staging of strikes. Under the Indonesian Labor Law, employees who voluntarily resign are also entitled to payments for, among other things, unclaimed annual leave and relocation expenses. Following the enactment, several labor unions urged the Indonesian Constitutional Court to declare certain provisions of the Indonesian Labor Law unconstitutional and order the Indonesian Government to revoke those provisions. The Indonesian Constitutional Court declared the Indonesian Labor Law valid except for certain provisions, including relating to the right of an employer to terminate its employee who committed a serious mistake and criminal sanctions against an employee who instigates or participates in an illegal labor strike.

The liberalization of regulations permitting the formation of labor unions combined with weak economic conditions has resulted, and will likely continue to result in, labor unrest and activism in Indonesia. Labor unrest and activism in Indonesia could disrupt our operations and the operations of our suppliers, customers and contractors and could affect the financial condition of Indonesian companies in general, depressing the prices of Indonesian securities on the Indonesian or other stock exchanges and the value of the Rupiah relative to other currencies. Such events could materially and adversely affect our business, financial condition, results of operations, and our ability to make payments under the Notes.

Fluctuations in the value of the Rupiah may materially and adversely affect our business, financial condition, results of operations and prospects.

Although the Rupiah has appreciated considerably from its low point of approximately Rp.17,000 per U.S. dollar in January 1998, the Rupiah continues to experience significant volatility. The Rupiah to U.S. dollar exchange rate (based on the middle exchange rate announced by Bank Indonesia) was Rp. 14,481 = U.S.$1.00 as of December 31, 2018, Rp. 13,901 = U.S.$1.00 as of December 31, 2019 and Rp. 14,105.01 = U.S.$1.00 as of December 31, 2020. Given the rapidly changing implications of the spread of COVID-19, it is difficult to assess the full nature and extent of the impact that the outbreak will have on the value of the Rupiah.

Fluctuating foreign exchange rates, in particular fluctuations in the U.S. dollar to Rupiah exchange rate affect our results of operations. We earn substantially all of our revenues in U.S. dollars while a substantial portion of our expenses are denominated in U.S. dollars, with the remaining expenses being denominated in Indonesian Rupiah, which provides us with a natural hedge against the fluctuation of the Rupiah against the U.S. dollar. Accordingly, appreciation of the Rupiah against the U.S. dollar effectively increases our expenses without a corresponding reduction in our revenue and can result in a reduction in our profit after tax in U.S. dollar terms. Our current policy is not to hedge our exposure to foreign currency exchange risk. A prolonged or significant appreciation in the value of the Rupiah may therefore materially and adversely affect our business, financial condition and results of operations.

The Rupiah has generally been freely convertible and transferable (except that Indonesian banks may not transfer Rupiah to persons outside of Indonesia and may not conduct certain transactions with non-residents). However, from time to time, Bank Indonesia has intervened in the currency exchange markets in furtherance of its policies, either by selling Rupiah or by using its foreign currency reserves to purchase Rupiah. We cannot assure you that the Rupiah will not be subject to depreciation and continued volatility, that the current floating exchange rate policy of Bank Indonesia will not be modified, that additional depreciation of the Rupiah against other currencies, including the U.S. dollar, will not occur, or that the Indonesian Government will take additional action to stabilize, maintain or increase the value of the Rupiah, or that any of these actions, if taken, will be successful.

Modification of the current floating exchange rate policy could result in significantly higher domestic interest rates, liquidity shortages, capital or exchange controls or the withholding of additional financial assistance by multinational lenders. This could result in a reduction of economic activity, an economic recession, loan defaults or declining interest by our customers, and as a result, we may also face difficulties in funding our capital expenditure and in implementing our business strategy. Any of the foregoing consequences could materially and adversely affect our business, financial condition, results of operations and prospects.

The interpretation and implementation of legislation on regional governance in Indonesia is uncertain and may adversely affect our business, financial condition, results of operations and prospects.

Indonesia is a large and diverse nation covering a multitude of ethnicities, religions, languages, traditions and customs. Prior to 1999, the Indonesian Government controlled almost all aspects of national and regional administration. The period following the end of the administration of former President Soeharto was marked by widespread demand for greater regional autonomy. In response to such demand, in 1999, the Indonesian Parliament passed Law No. 22 of 1999 on Regional Indonesian Government, which was later replaced by Law No. 23 of 2014 on the same subject matter (as lastly amended by Job Creation Law), and Law No. 25 of 1999 on Financial Balances Between the Central and Regional Indonesian Governments, which was later replaced by Law No. 33 of 2004 on the same subject matter (as partially revoked by Indonesian Government Regulation in Lieu of Law No. 1 of 2020). Under these laws, regional autonomy was expected to give regional governments greater powers and responsibilities over the use of national assets and to create a balanced and equitable financial relationship between the central and regional governments.

Regional autonomy laws and regulations have changed the regulatory environment for companies in Indonesia by decentralizing certain regulatory, taxing and other power from the Indonesian Government to regional governments, and this creates uncertainty. These uncertainties include a lack of implementing regulations on areas of regional autonomy and a lack of government personnel with relevant sector experience at some regional government levels. Moreover, limited precedent or other guidance exists on the interpretation and implementation of the regional autonomy laws and regulations. In addition, pursuant to the regional autonomy laws, regional governments are given the authority to adopt their own regulations and under the pretext of regional autonomy, certain regional governments have put in place various restrictions, taxes and levies which may differ from restrictions, taxes and levies put in place by other regional governments and/or are in addition to restrictions, taxes and levies stipulated by the central Indonesian Government. Currently, there is uncertainty in respect of the balance between regional governments and the central Indonesian Government. Our business and operations are located in Indonesia and may be adversely affected by conflicting or additional restrictions, taxes and levies that may be imposed by the applicable regional authorities.

Risks Relating to the Notes

The Company is a holding company and its ability to pay principal and interest on the Notes will be limited by the distribution of funds from its subsidiaries. Holders of the Notes will be effectively subordinated to all the Company's subsidiaries' indebtedness and obligations.

The Company is a holding company and conducts all of its operations through its subsidiaries. Accordingly, our only source of cash to pay principal and interest on its outstanding indebtedness is distributions relating to its ownership interests in its subsidiaries from the net earnings and cash flow generated by such subsidiaries or from proceeds of debt or equity offerings. Earnings and cash flow generated by its subsidiaries will generally first be applied by such subsidiaries in conducting their operations, including the service of their respective debt obligations, after which any excess cash flow may be paid to it. The Company's subsidiaries are legally distinct from it and, unless they guarantee its debt, have no obligation to pay amounts due on its debt or to make funds available to us for such payment. In addition, the Company owns its operating assets through subsidiaries which have minority shareholding interests. Distributions paid by the Company's subsidiaries will be paid on a pro rata basis to the Company and the minority shareholders in those subsidiaries.

Furthermore, as of the Original Issue Date, none of the Company's subsidiaries will be guarantors of the Notes. Accordingly, the Notes will be effectively subordinated in right of payment to all indebtedness and other liabilities and commitments of our current and future non-guarantor subsidiaries. Claims of creditors of any of our subsidiaries that are not guarantors of the Notes, including trade creditors, secured creditors and creditors holding indebtedness or a guarantee issued by such non-guarantor subsidiaries, will generally have priority on the assets of the non-guarantor subsidiaries over the claims of our creditors, including holders of the Notes, even if the obligations of the non-guarantor subsidiaries do not constitute senior indebtedness. All obligations of our non-guarantor subsidiaries will have to be satisfied before any of the assets of such subsidiaries would be available for distribution, upon a liquidation or otherwise, to the Company. Subject to certain limitations, the Indenture will permit these subsidiaries to incur significant amounts of indebtedness.

The terms of the Notes will contain covenants limiting our financial and operating flexibility.

Covenants contained in the documentation relating to the Notes will restrict the ability of the Company, and any Restricted Subsidiary (as defined in "Description of the Notes") to, among other things:

- incur or guarantee additional indebtedness and issue certain redeemable or preferred stock;
- create or incur certain liens;
- make certain payments, including dividends or other distributions, with respect to the shares of the Company, or its Restricted Subsidiaries;
- prepay or redeem subordinated debt or equity;
- make certain investments;
- create encumbrances or restrictions on the payment of dividends, or other distributions, loans or advances to and on the transfer of assets to the Company or any of its Restricted Subsidiaries;
- sell, lease or transfer certain assets, including stock of Restricted Subsidiaries;
- engage in certain transactions with affiliates;
- enter into unrelated businesses or engage in prohibited activities; and
- consolidate or merge with other entities.

All of these covenants are subject to the limitations, exceptions and qualifications described in "Description of the Notes — Certain Covenants". These covenants could limit our ability to pursue our growth plan, restrict our flexibility in planning for, or reacting to, changes in our business and industry, and increase our vulnerability to general adverse economic and industry conditions. We may also enter into additional financing arrangements in the future, which could further restrict our flexibility.

Any defaults of covenants contained in the Notes may lead to an event of default under the Notes and the Indenture and may lead to cross-defaults under our other indebtedness. No assurance can be given that the Company will be able to pay any amounts due to holders of the Notes in the event of such default, and any default may significantly impair the Company's ability to pay, when due, the interest of and principal on the Notes.

Claims of the secured creditors of the Company and any future Subsidiary Guarantor will have priority with respect to their security over the claims of unsecured creditors, such as the holders of the Notes, to the extent of the value of the assets securing such indebtedness.

The terms of the Indenture permit us to incur substantial secured indebtedness under certain circumstances. See "Description of the Notes". Claims of the secured creditors of the Company and any Restricted Subsidiaries will have priority with respect to the assets securing their indebtedness over the claims of holders of the Notes. Therefore, the Notes and any future Subsidiary Guarantee will be effectively subordinated to any secured indebtedness and other secured obligations of the Company or any future Subsidiary Guarantor to the extent of the value of the assets securing such indebtedness or other obligations. In the event of any foreclosure, dissolution, winding up, liquidation, reorganization, administration or other bankruptcy or insolvency proceeding of the Company or any future Subsidiary Guarantor that has secured obligations, holders of secured indebtedness will have prior claims to the assets of the Company or future Subsidiary Guarantor (as applicable) that constitute its collateral. The holders of the Notes will participate ratably with all holders of the unsecured indebtedness of the Company and future Subsidiary Guarantors, and potentially with all of their other general creditors, based upon the respective amounts owed to each holder or creditor, in the remaining assets of the Company and future Subsidiary Guarantors. In the event that any of the secured indebtedness of the Company or a future Subsidiary Guarantor becomes due or the creditors thereunder proceed against the assets that secure such indebtedness, the Company's or the future Subsidiary Guarantor's (as applicable) assets remaining after repayment of that secured indebtedness may not be sufficient to repay all amounts owing in respect of the Notes or Subsidiary Guarantee (as applicable). As a result, holders of the Notes may receive less than holders of secured indebtedness of the Company and future Subsidiary Guarantors.

We may incur additional indebtedness, which could further exacerbate the risks described above.

Subject to restrictions in the Indenture governing the Notes, we may incur additional indebtedness, which could increase the risks associated with our existing indebtedness. If we incur any additional indebtedness that ranks equally with the Notes, the relevant creditors will be entitled to share ratably with the holders of the Notes in any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding-up of the Company. This may have the effect of reducing the amount of proceeds paid to the holders of the Notes. Covenants in agreements governing debt that we may incur in the future may also materially restrict our operations, including our ability to incur debt, pay dividends, make certain investments and payments, and encumber or dispose of assets. In addition, we could be in default of financial covenants contained in agreements relating to our future debt in the event that our results of operations do not meet any of the terms in the covenants, including the financial thresholds or ratios. A default under one debt instrument may also trigger cross-defaults under other debt instruments. An event of default under any debt instrument, if not cured or waived, could have a material adverse effect on us.

We will have a substantial amount of indebtedness after issuing the Notes.

We will have a substantial amount of indebtedness after issuing the Notes. Our ability to execute our business plans may depend on external fund raising activities, including debt and equity financing. Our ability to raise additional equity financing is subject to prevailing market risks. Our access to debt financing for acquisitions and to refinance maturing debt is subject to many factors, some of which are beyond our control. For example, political instability, economic downturns, liquidity of the U.S. dollar, Australian dollar and Rupiah bank and debt capital markets, social unrest or changes in the regulatory environment could increase our cost of borrowing or restrict our ability to obtain debt financing. We cannot guarantee that we will be able to arrange financing on acceptable terms, if at all. Our inability to obtain debt financing from banks and other financial institutions and/or capital markets could adversely affect our ability to execute our growth strategies or refinance maturing debt.

If we are unable to refinance or renegotiate our debt, we cannot guarantee that we will be able to generate enough cash flows from operations or that we will be able to obtain enough capital to service our debt or fund our planned capital expenditures. In such an event, we could face substantial liquidity issues and might be required to issue equity securities or securities convertible into equity securities, or sell some of our assets to meet our debt payment obligations. Failure to refinance indebtedness when required could result in a default under such indebtedness and materially restrict our ability to pay amounts due on the Notes. Assuming we meet certain financial ratios, we have the ability under our debt instruments to incur additional indebtedness, and any additional indebtedness we incur could exacerbate the risks described above.

Additionally, as a result of our substantial indebtedness:

- we may be more vulnerable to general adverse economic and industry conditions;
- we may find it more difficult to obtain additional financing to fund discretionary investments and other general corporate requirements or to refinance our existing indebtedness;
- we may have more difficulty satisfying our obligations with respect to the Notes;
- we are or will be required to dedicate a substantial portion of our cash flow from operations to the payment of principal and interest on our debt, thereby reducing the available cash flows to fund other projects, including certain discretionary investments;
- we may have limited flexibility in planning for, or reacting to, changes in our business and in the industry;
- we may have a competitive disadvantage relative to other companies in our industry with less debt;
- we may be required to issue equity securities or securities convertible into equity or sell some of our assets, possibly on unfavorable terms, in order to meet payment obligations; and
- we may be limited in our ability to take advantage of strategic business opportunities, including wireless infrastructure development and mergers and acquisitions.

In the future, we have debt instruments that limit in certain circumstances our ability to incur indebtedness, pay dividends, create liens, sell assets and engage in certain mergers and acquisitions. Our subsidiaries, under their debt instruments, may also required to maintain specific financial ratios. Our ability to comply with such financial ratio covenants under these instruments and to satisfy our debt obligations will depend on our future operating performance. If we fail to comply with the debt restrictions, we would be in default under those instruments, which could cause the maturity of a substantial portion of our long-term indebtedness, including the Notes, to be accelerated.

We may not be able to generate sufficient cash flows to meet our debt service obligations.

Our ability to make scheduled payments on, or to refinance our obligations with respect to, our indebtedness, including the Notes, will depend on our financial and operating performance, which in turn will be affected by general economic conditions and by financial, competitive, regulatory and other factors beyond our control. We may not generate sufficient cash flow from operations and future sources of capital may not be available to us in an amount sufficient to enable us to service our indebtedness, including the Notes, or to fund our other liquidity needs. If we are unable to generate sufficient cash flow and capital resources to satisfy our debt obligations or other liquidity needs, we may have to undertake alternative financing plans, such as refinancing or restructuring our debt, selling assets, reducing or delaying capital investments or seeking to raise additional capital. There is no assurance that any refinancing would be possible, that any assets could be sold or, if sold, of the timing of the sales and the amount of proceeds that may be realized from those sales, or that additional financing could be obtained on acceptable terms, if at all. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. The Indenture that will govern the Notes will, and potential future indebtedness may, restrict our ability to dispose of assets and use the proceeds from the disposition. We may not be able to consummate those dispositions or to obtain the proceeds which we could realize from them and these proceeds may not be adequate to meet any debt service obligations then due. Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms and in a timely manner, would materially and adversely affect our financial condition and results of operations and our ability to satisfy our obligations under the Notes. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources" and "Description of the Notes".

Enforcing the rights of holders of Notes under the Notes or any future Subsidiary Guarantors across multiple jurisdictions may prove to be difficult.

The Notes will be issued by the Company, which is established and existing under the laws of Australia. Substantially all of the Group's assets are in Indonesia and any future Subsidiary Guarantors may be incorporated in Indonesia and Singapore. The Notes and the Indenture will be governed by the laws of the State of New York. In the event of a bankruptcy, insolvency or similar event, proceedings could be initiated in Australia, Indonesia and/or the United States. Such multi-jurisdictional proceedings are likely to be complex and costly for creditors and otherwise may result in greater uncertainty and delay regarding the enforcement of your rights. The rights of holders of Notes under the Notes and any future Subsidiary Guarantees will be subject to the insolvency and administrative laws of several jurisdictions and there can be no assurance that you will be able to effectively enforce your rights in such complex multiple bankruptcy, insolvency or similar proceedings. In addition, the bankruptcy, insolvency, administrative and other laws of Australia and Indonesia may be materially different from, or be in conflict with, each other and those with which holders of the Notes may be familiar, including in the areas of rights of creditors, priority of governmental and other creditors, ability to obtain post-petition interest and duration of the proceeding. The application of these laws, or any conflict among them, could call into question whether any particular jurisdiction's laws should apply and adversely affect your ability to enforce your rights under the Notes in the relevant jurisdictions or limit any amounts that you may receive.

The insolvency laws of Australia and Indonesia may not be as favorable to your interests as creditors as the laws of the United States or other jurisdictions with which you may be familiar. If the Company becomes insolvent, the treatment and ranking of holders of the Notes, its other creditors and shareholders under Australian law may be different from the treatment and ranking of holders of the Notes, its other creditors and shareholders if it were subject to the bankruptcy laws of the United States or certain other jurisdictions.

It may not be possible for investors to effect service of process or to enforce certain judgments on us.

We are established and existing in Australia, our subsidiaries are incorporated in Indonesia and Singapore and substantially all of our assets and operations are located in Indonesia. In addition, substantially all of our directors and officers reside in Australia or Indonesia. As a result, it may be difficult for investors to effect service of process, including judgments obtained in non-Australian or non-Indonesian courts, on us or our directors and officers outside Australia or Indonesia, respectively.

We have been advised by our Indonesian legal advisors that judgments of non-Indonesian courts are not enforceable in Indonesian courts. To obtain an Indonesian court judgment, a claimant would be required to pursue claims in Indonesian courts on the basis of Indonesian law. However, a foreign court judgment could be offered and accepted as non-conclusive evidence in a proceeding on the underlying claim in an Indonesia court as the Indonesian court may deem appropriate in its sole discretion. There is doubt as to whether Indonesian courts will enter judgments in original actions brought in Indonesian courts predicated solely upon the civil liability of jurisdictions other than Indonesia. As a result, Holders of the Notes would be required to pursue claims against us or our commissioners and directors in Indonesian courts. There can be no assurance that the claims or remedies available under Indonesian law will be the same, or as extensive, as those available in other jurisdictions.

There is doubt as to the enforceability in Australia, in original actions or in actions for enforcement of judgments of U.S. courts, of civil liabilities based on U.S. federal securities laws. Also, judgments of U.S. courts (whether or not such judgment relates to U.S. federal securities laws) will or may not be enforceable in Australia in certain other circumstances, including, among others, where such judgments contravene local public policy, breach the rules of natural justice or general principles of fairness or are obtained by fraud, are not for a fixed or readily ascertainable sum, are subject to appeal, dismissal, stay of execution or are otherwise not final and conclusive, or involve multiple or punitive damages or where the proceedings in such courts were of a revenue or penal nature.

The Company may not have the ability to raise the funds necessary to finance an offer to repurchase the Notes upon the occurrence of certain events constituting a Change of Control Triggering Event as required by the Indenture governing the Notes.

Upon a Change of Control Triggering Event (as defined in "Description of the Notes"), the Company must make an offer to repurchase all outstanding Notes. Pursuant to this offer, the Company must repurchase the outstanding Notes at 101% of their principal amount plus accrued and unpaid interest, if any, up to the date of repurchase. See "Description of the Notes — Repurchase of Notes Upon a Change of Control Triggering Event". However, the Company may not have enough available funds at the time of any Change of Control Triggering Event to pay the purchase price of the tendered outstanding Notes. The Company's failure to make the offer to repurchase tendered Notes would constitute an Event of Default (as defined in "Description of the Notes"). This Event of Default may, in turn, constitute an event of default under other indebtedness, any of which could cause the related debt to be accelerated after any applicable notice or grace periods. If such other debt were accelerated, we may not have sufficient funds to repurchase the Notes and repay the debt.

In addition, the definition of Change of Control for the purposes of the Indenture governing the Notes does not necessarily afford protection for the Holders of the Notes in the event of some highly-leveraged transactions, including certain acquisitions, mergers, refinancings, restructurings or other recapitalizations, although these types of transactions could increase our indebtedness or otherwise affect our capital structure or credit ratings and the Holders of the Notes. The definition of Change of Control for purposes of the Indenture also includes a phrase relating to the sale of "all or substantially all" of our properties or assets and our subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all", there is no precise established definition under applicable law. Accordingly, the Company's obligation to make an offer to repurchase the Notes, and the ability of a Holder of Notes to require us to repurchase the Notes pursuant to the offer, as a result of a highly leveraged transaction or a sale of less than all of our assets, may be uncertain.

Any future Subsidiary Guarantees may be challenged under applicable bankruptcy, insolvency, fraudulent transfer, financial assistance, unfair preference or similar laws, which could impair the enforceability of such future Subsidiary Guarantees.

Under bankruptcy, insolvency, fraudulent transfer, financial assistance, unfair preference or similar laws in Indonesia, where future Subsidiary Guarantors, if any, may be incorporated and where most or all of their significant assets may be located (as well as under the law of certain other jurisdictions to which a Subsidiary Guarantor may be subject or in which insolvency proceedings against a Subsidiary Guarantor may be commenced), the enforceability of any future Subsidiary Guarantees may be impaired if certain statutory or other conditions are met. In particular, such Subsidiary Guarantees may be voided, or claims in respect of such Subsidiary Guarantees could be subordinated to all other debts of such Subsidiary Guarantor, if at the time of the incurrence of the indebtedness evidenced by, or when it gives, its Subsidiary Guarantee, it:

- incurred the debt with the intent to hinder, delay or defraud creditors or was influenced by a desire to put the beneficiary of the Subsidiary Guarantee in a position which, in the event of such Subsidiary Guarantor's insolvency, would be better than the position the beneficiary would have been in had the Subsidiary Guarantee not been given;
- received less than reasonably equivalent value or fair consideration for the incurrence of such Subsidiary Guarantee;
- received no commercial benefit;
- was insolvent or rendered insolvent by reason of such incurrence;
- was engaged in a business or transaction for which such Subsidiary Guarantor's remaining assets constituted unreasonably small capital; or
- intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

The test for insolvency, the other particular requirements for the enforcement of fraudulent transfer law, and the nature of the remedy if a fraudulent transfer is found, may vary depending on the law of the jurisdiction which is being applied. Under the laws of Indonesia, it would also be necessary for the directors to ensure that such Subsidiary Guarantor is solvent immediately after entry into, and performance of any obligation under, the transaction, that:

- it will be able to satisfy its liabilities as they become due in the ordinary course of its business; and
- the realizable value of the assets of such Subsidiary Guarantor will not be less than the sum of its total liabilities other than deferred taxes, as shown in the books of account, and its capital.

The directors are required to ensure that the issued capital of any such future Subsidiary Guarantor is maintained and that, after the giving of the Subsidiary Guarantee, such Subsidiary Guarantor would have sufficient net assets to cover the nominal value of its issued share capital.

If a court voided any future Subsidiary Guarantee, or held such Subsidiary Guarantee unenforceable for any other reason, then Noteholders would cease to have a claim against such Subsidiary Guarantor based upon such Subsidiary Guarantee, and would solely be creditors of the Company.

If a court subordinated the Guarantee to other indebtedness of such Guarantor, then claims under the Guarantee would be subject to the prior payment of all liabilities (including trade payables) and we may not have sufficient assets to satisfy the claims of Noteholders after providing for all such prior claims.

If the Subsidiary Guarantees (or the Notes) constitute a voidable transaction under Australian law, holders of the Notes could be required to disgorge payments made by any future Subsidiary Guarantors (or the Company) in an insolvency proceeding.

The validity, enforceability and efficacy of any future Subsidiary Guarantees may be affected in various circumstances under Australian law. In particular, the Corporations Act empowers a liquidator to challenge an "uncommercial transaction" entered into at a time when a company was insolvent, or which renders a company insolvent. Uncommercial transactions of a company are those which a reasonable person in the company's position would not have entered into having regard to (a) the benefits (if any) to the company of entering into the transaction, (b) the detriment to the company of doing so, (c) the benefits to other parties of entering into the transaction, and (d) any other relevant matter. In addition, a liquidator may challenge an "unfair preference" (a transaction which results in a creditor receiving from the company in respect of an unsecured debt more than the creditor would receive from the company if the transaction was set aside and the creditor was to prove for the debt in the winding-up of the company) entered into at a time when the company was insolvent, or which renders a company insolvent.

A liquidator may challenge an uncommercial transaction or voidable preference entered into: (i) within the six months prior to the "relation back day" (usually the date on which any application to the court to wind-up the company was made or where immediately before the winding up order was made the company was under voluntary administration, the date of commencement of the voluntary administration) in respect of an unfair preference or two years prior to the "relation back day" in respect of an uncommercial transaction; (ii) within four years prior to the "relation back day" if an unfair preference or uncommercial transaction involved a related entity of the company; and (iii) within the ten years prior to the "relation back day" if the purpose of the transaction was to defeat, delay or interfere with the rights of creditors on a winding-up of the company.

If a liquidator successfully challenges a transaction on one of these bases, any money paid or received in connection with that transaction can potentially become the subject of a court order for repayment and/or the guarantee may be set aside. A guarantee may also be set aside by an Australian court if the beneficiary has actual or constructive knowledge that there was no corporate benefit in the transaction for the guarantor. In the event that any future Subsidiary Guarantors (or the Company) become insolvent, and the issuance of the Subsidiary Guarantees (or the Notes) were found to be an uncommercial transaction or otherwise voidable by an Australian court, holders of the Notes could be required to repay (disgorge) payments received under the Subsidiary Guarantees or the Notes, as applicable and, depending on the circumstances, may not be able to retain a debt claim under the Subsidiary Guarantees or the Notes, as applicable, against the Subsidiary Guarantors or the Company.

The ratings assigned to the Notes may be lowered or withdrawn.

The ratings assigned to the Notes may be lowered or withdrawn entirely in the future. The Notes are expected to be rated "B1" by Moody's and "B+" by Fitch. The ratings represent the opinions of the ratings agencies and their assessment of the ability of the Company to perform its obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. We cannot assure you that a rating will remain for given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment or circumstances in the future so warrant. We have no obligation to inform Noteholders of any such revision, downgrade or withdrawal. In addition, rating agencies other than Moody's and Fitch may rate the Notes differently. A suspension, reduction or withdrawal at any time of the rating assigned to the Notes or the assignment by a rating agency other than Moody's or Fitch of a rating of the Notes lower than those provided may adversely affect the market price of the Notes.

Many of the covenants in the indenture governing the Notes would not apply during any period when the Notes are rated investment grade by Moody's and Fitch and no default has occurred and is continuing.

Many of the covenants contained in the Indenture will not apply during any period when the Notes are rated investment grade by Moody's and Fitch and no default has occurred and is continuing. There can be no assurance that the Notes will ever be rated investment grade, that if they are rated investment grade or that the Notes will maintain such ratings. Ratings assigned to the Notes may be lowered or withdrawn in the future. However, suspension of these covenants will allow us to engage in certain actions that would not have been permitted were these covenants in force, and the effects of any such actions that we take while these covenants are not in force will be permitted to remain in place, and will not constitute an Event of Default under the Indenture, even if the Notes are subsequently downgraded below investment grade and the covenants are reinstated. See "Description of the Notes — Suspension of Certain Covenants".

An active trading market for the Notes may not develop and the trading price of the Notes could be materially and adversely affected.

Although the Initial Purchasers have advised us that they intend to make a market in the Notes, they are not obligated to do so and may discontinue such market making activity at any time without notice. We cannot predict whether an active trading market for the Notes will develop or be sustained. If an active trading market were to develop, the Notes could trade at prices that may be lower than their initial offering price. The liquidity of any market for the Notes depends on many factors, including:

- the number of Noteholders;
- the interest of securities dealers in making a market in the Notes;
- prevailing interest rates and the markets for similar securities;
- general economic conditions; and
- our financial condition, historical financial performance and future prospects.

If an active market for the Notes fails to develop or be sustained, the trading price of the Notes could be materially and adversely affected. We have obtained approval in-principle from the SGX-ST for the listing of the Notes on the SGX-ST. However, no assurance can be given that we will be able to maintain such listing or that a trading market will develop. We do not intend to apply for listing of the Notes on any securities exchange other than the SGX-ST. Lack of a liquid, active trading market for the Notes may adversely affect the price of the Notes or may otherwise impede a Holder's ability to dispose of the Notes.

The transfer of the Notes is restricted which may adversely affect their liquidity and the price at which they may be sold.

The Notes have not been registered under, and we are not obligated to register the Notes under, the Securities Act or the securities laws of any other jurisdiction and, unless so registered, may not be offered or sold except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and any other applicable laws. See "Transfer Restrictions". We have not agreed to or otherwise undertaken to register the Notes (including by way of an exchange offer), and we have no intention to do so.

Investment in the Notes may subject Noteholders to foreign exchange risks.

The Notes are denominated and payable in U.S. dollars. If you measure your investment returns by reference to a currency other than U.S. dollars, an investment in the Notes entails foreign exchange-related risks, including possible significant changes in the value of the U.S. dollars relative to the currency by reference to which you measure your returns, due to, among other things, economic, political and other factors over which we have no control. Depreciation of the U.S. dollar against the currency by reference to which you measure your investment returns could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to you when the return on the Notes is translated into the currency by reference to which you measure your investment returns. In addition, there may be tax consequences for you as a result of any foreign exchange gains resulting from any investment in the Notes.

We will follow the applicable disclosure standards for debt securities listed on the SGX-ST, which standards may be different from those applicable to companies in certain other countries.

We will be subject to continuing reporting obligations in respect of the Notes to be listed on the SGX-ST. The disclosure standards imposed by the SGX-ST for such continuing reporting obligations may be different than those imposed by securities exchanges in other countries or regions such as the U.S. or the United Kingdom. As a result, the level of information that is available may not correspond to what investors in the Notes are accustomed to.

Interest rate risks may affect the value of the Notes.

The Notes are fixed interest rate securities. Subsequent changes in market interest rates may adversely affect the value of the Notes.

The Notes will initially be held in book-entry form.

The Notes will initially only be issued in global certificated form and held through the facilities of a common depositary for Euroclear, the operator of the Euroclear System, and Clearstream. Interests in the global notes will trade in book-entry form only, and Notes in definitive registered form, or definitive registered notes, will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book-entry interests will not be considered owners or Noteholders. The custodian for the depositary will be the sole registered holder of the global notes representing the Notes. Payments of principal, interest and other amounts owing on or in respect of the global notes representing the Notes will be made to the paying agent, which will make payments to the depositary. Thereafter, these payments will be credited to participants' accounts that hold book-entry interests in the global notes representing the Notes (including Euroclear and Clearstream) and credited by such participants to indirect participants. After payment to the custodian for the depositary, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of the depositary, and if you are not a participant in the depositary, on the procedures of the participant through which you own your interest (including Euroclear and Clearstream), to exercise any rights and obligations of a Holder of Notes under the Indenture.

Unlike the Noteholders themselves, owners of book-entry interests will not have the direct right to act upon the Company's solicitations for consents, requests for waivers or other actions from Noteholders. Instead, if you own a book-entry interest, you will be permitted to act only to the extent available via the facilities of the depositary, which, in turn, rely on the procedures of the participant through which you hold your book-entry interest. The procedures implemented for such actions may not be sufficient to enable you to vote on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture, unless and until definitive registered notes are issued in respect of all book-entry interests, owners of book-entry interests will be restricted to acting through the depositary via the participant through which you hold your book-entry interest. The procedures to be implemented through the depositary may not be adequate to ensure the timely exercise of rights under the Notes. See “Description of the Notes — Book-Entry, Delivery and Form”.

The Trustee may request that the Noteholders provide an indemnity, security and/or prefunding to its satisfaction.

In certain circumstances, the Trustee may (at its sole discretion) request the Noteholders to provide an indemnity, security, and/or prefunding to its satisfaction before it takes action on behalf of the Noteholders. The Trustee shall not be obligated to take any such actions if not indemnified, secured, and/or prefunded to its satisfaction. Negotiating and agreeing to any indemnity and/or security, and/or prefunding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions notwithstanding the provision of an indemnity, security or prefunding to it, in breach of the terms of the Indenture (as subsequently supplemented and/or amended) governing the Notes and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the Noteholders to take such actions directly.

Noteholders may be exposed to a legal system subject to considerable discretion and uncertainty and may have difficulty pursuing claims under future Subsidiary Guarantees.

In the event of future Indonesian Subsidiary Guarantors, Indonesian legal principles relating to the rights of debtors and creditors and their implementation by Indonesian courts may differ materially from the legal principles that would apply or their implementation by the courts if we were established in other jurisdictions such as the United States or the European Union. Neither the rights of debtors nor the rights of creditors under Indonesian law are as clearly established as under legislation or judicial precedent as in most U.S. states and European jurisdictions. In addition, under Indonesian law, debtors may have rights and defenses to actions filed by creditors that these debtors would not have in jurisdictions with more established legal regimes, such as those in the United States and the European Union member states.

Indonesia’s legal system is a civil law system based on written statutes in which judicial and administrative decisions do not constitute binding precedent and, although the judiciary has taken steps to systematically publish decisions and make these electronically accessible, not all such decisions are so published or readily available. Many of Indonesia’s commercial and civil laws and rules on judicial process were based on Dutch law in effect prior to Indonesia’s independence in 1945 and some of the laws have not been revised to reflect the complexities of modern financial transactions and instruments. Indonesian courts may be unfamiliar with sophisticated commercial or financial transactions, leading in practice to uncertainty in the interpretation and application of Indonesian legal principles. The application of many Indonesian laws depends, in large part, upon subjective criteria such as the good faith of the parties to the transaction and principles of public policy, the practical effect of which is difficult or impossible to predict. Indonesian judges operate in an inquisitorial legal system and have very broad fact-finding powers and a high level of discretion in relation to the manner in which those powers are exercised.

In practice, Indonesian court decisions may omit, or may not be decided upon, a legal and factual analysis of the issues presented in a case. As a result, the administration and enforcement of laws and regulations by Indonesian courts and Indonesian Governmental agencies may be subject to considerable discretion and uncertainty.

For instance, on September 2, 2013, the holders of notes issued by BLD Investments Pte. Ltd and guaranteed by PT Bakrieland Development Tbk (“Bakrieland”), under a trust deed governed under English law, filed a suspension of debt payment petition with the Jakarta Commercial Court on grounds including that Bakrieland had failed to comply with its obligation to repay the principal amount of the notes when noteholders exercised their put option under the terms of the notes. In its decision dated September 23, 2013, the Jakarta Commercial

Court ruled, among other things, that the trust deed relating to the notes is governed by English law, all disputes arising out of or in connection with the trust deed must be settled by English courts and, accordingly, that it does not have authority to examine and adjudicate this case.

In another example, an Indonesian company, PT Trikomsel Oke Tbk ("Trikomsel"), in early 2016 entered into suspension of debt payment proceedings. The administrators were reported to have rejected claims that arose from holders of their two Singaporean Dollar bonds and have taken the stance that the trustees under such bonds did not have any standing to make claims on behalf of bondholders. Further, they asserted that only individual bondholders that had filed claims on their own would be able to participate in the suspension of debt payment proceedings and to vote on any restructuring plan. On September 28, 2016, the suspension of debt payment obligations (Penundaan Kewajiban Pembayaran Utang or "PKPU") process was settled between Trikomsel and its creditors through the establishment of a composition plan (rencana perdamaian) which was approved by certain bondholders, and then ratified by the Jakarta Commercial Court. Based on an announcement from Trikomsel on October 5, 2016, under the composition plan, the bondholders of the two of Singaporean Dollar bonds may be required to convert their notes into new shares to be issued by Trikomsel, thereby extinguishing the bonds.

As a result, it may be more difficult for investors to pursue a claim against us in Indonesia than it would be to do so in other jurisdictions, such as the United States and the European Union, which may adversely affect the investors ability to obtain and enforce a judgment against us in Indonesia and increase the investors costs of pursuing, and the time required to pursue, claims against us.

Singapore taxation risk.

The Notes to be issued are intended to be "qualifying debt securities" for the purposes of the Income Tax Act, Chapter 134 of Singapore, subject to the fulfillment of certain conditions more particularly described in the section "Taxation — Singapore Taxation". However, there is no assurance that the Notes will continue to enjoy the tax concessions in connection therewith should the relevant tax laws be amended or revoked at any time.

USE OF PROCEEDS

The net proceeds of the offering of the Notes, after deduction of fees and commissions and estimated expenses in connection with the offering of the Notes, are expected to be approximately U.S.$171.4 million.

We intend to use the net proceeds of the offering of the Notes, together with cash on hand as well as cash we expect to generate from our operating activities and/or cash raised from other financing sources (which may include debt or equity financing), for the Angel Nickel Acquisition, taking our aggregate indirect equity interest in the Angel Nickel Project to 80%. However, in the event we do not generate sufficient cash from our operating activities or are not able to raise sufficient cash from other financing sources, we may not be able to complete the Angel Nickel Acquisition and would be in breach of the acquisition agreement, which could have a material adverse impact on our results, operations and financial performance. For more information, see "Our Partnership with the Tsingshan Group — Our Material Agreements with Shanghai Decent — Angel Nickel Project".

CAPITALIZATION

The following table sets forth our consolidated capitalization and indebtedness as of December 31, 2020, (i) on an actual basis, (ii) as adjusted to give effect to the issuance of the Notes.

This table should be read in conjunction with the sections entitled "Selected Consolidated Financial Information and Other Data", "Use of Proceeds" and "Management's Discussion and Analysis of Financial Condition and Results of Operations", and our consolidated financial statements and the related notes thereto included in this Offering Memorandum.

	As of December 31, 2020	
	Actual	**As Adjusted(1)**
	(*U.S.$ in millions*)	
Indebtedness		
Current borrowings	12.9	12.9
Non-current borrowings	32.1	32.1
Notes offered hereby(2)	–	175.0
Total debt	**45.0**	**220.0**
Equity		
Share capital	732.9	732.9
Reserves	19.2	19.2
Retained profits	187.9	187.9
Non-controlling interest	146.2	146.2
Total equity	**1,086.2**	**1,086.2**
Total capitalization(3)	**1,131.2**	**1,306.2**

Notes:

(1) As adjusted to give effect to the issuance of the Notes. Does not give effect to the U.S.$45 million repayment of our debt facility instrument in January 2021 or the remaining first stage acquisition payment of U.S.$180 million for our 30% indirect equity interest in the Angel Nickel Project in January 2021.

(2) Total issuance size of U.S.$175.0 million, before deducting the issuance discount, the underwriting discount, bank fees and other estimated expenses payable in connection with this offering.

(3) Represents total indebtedness plus total equity.

In January 2021, we fully repaid the remaining U.S.$45 million under our only debt facility instrument as of December 31, 2020. As a result, we no longer have any current or non-current borrowings outstanding as of the date of this Offering Memorandum.

In January 2021 we declared and paid a final dividend of A$0.02 per share, being a distribution of A$50.3 million (U.S.$38.8 million).

Except as disclosed above or in this Offering Memorandum, there has been no material change in our capitalization since December 31, 2020.

EXCHANGE CONTROLS

Indonesia

Exchange Controls

Indonesia has limited foreign exchange controls. The Rupiah has been, and in general is, freely convertible within or from Indonesia. However, to maintain the stability of the Rupiah, and to prevent the utilization of the Rupiah for speculative purposes by non-residents, Bank Indonesia has introduced regulations to restrict the movement of Rupiah from banks within Indonesia to offshore banks, an offshore branch of an Indonesian bank, or any investment denominated in Rupiah with foreign parties and/or Indonesian parties domiciled or permanently residing outside Indonesia, thereby limiting offshore trading to existing sources of liquidity. In addition, Bank Indonesia has the authority to request information and data concerning the foreign exchange activities of all persons and legal entities that are domiciled, or who plan to be domiciled in Indonesia for at least one year. If requested, we must also provide Bank Indonesia with information and documents relating to our foreign exchange activities.

Purchasing of Foreign Currencies against Rupiah through Banks

On September 5, 2016, Bank Indonesia issued Regulation No. 18/18/PBI/2016 on Foreign Exchange Transaction to Rupiah between Banks and Domestic Parties ("PBI 18/18"), as implemented by the Members of the Board of Governor of Bank Indonesia Regulation No. 20/16/PADG/2018 dated August 15, 2018. Under PBI 18/18, any conversion of Rupiah into foreign currency for spot and standard derivative (plain vanilla) transactions that exceeds a specific threshold is required to have an underlying transaction and supported by underlying transaction documents. These thresholds are: (i) the purchase of foreign currency against Rupiah of more than U.S.$25,000 or its equivalent per month per customer for spot transactions; (ii) the purchase of foreign currency against Rupiah of more than U.S.$100,000 or its equivalent per month per customer for derivative transactions; (iii) the sales of foreign currency against Rupiah of more than U.S.$5,000,000 or its equivalent per transaction per customer for forward transactions; and (iv) the sales of foreign currency against Rupiah of more than U.S.$1,000,000 or its equivalent per transaction per customer for option transactions. The underlying transaction and supporting transaction documents are also required for transactions of foreign exchange structured product in the form of a call spread option, in any amount. Further, the maximum amount of such foreign exchange conversion cannot exceed the value of the underlying transaction.

The underlying transaction for purposes of PBI 18/18 may consist of: (i) domestic and international trade of goods and services; (ii) investment in the form of direct investment, portfolio investment, loans, capital and other investment inside and outside Indonesia; and/or (iii) the granting of facility or financing from a bank in foreign currencies and/or Rupiah for trade and investment activities. The underlying transaction may not include: (i) a placement of funds in banks in the form of, among others, saving account, demand deposit account, time deposit, or Negotiable Certificate Deposit ("NCD"); (ii) money transfers by a remittance company; (iii) undrawn credit facilities, including standby loans and undisbursed loans; or (iv) usage of Bank Indonesia securities in foreign currencies.

Indonesian parties (i) conducting foreign currency structured product against Rupiah in form of Call Spread Option in any amount and (ii) purchasing foreign currencies from banks by way of (a) spot transactions; and (b) standard derivative (plain vanilla) transactions in excess of U.S.$25,000 and U.S.$100,000, respectively, will be required to submit certain supporting documents to the selling bank, including, among other items, a duly stamped or authenticated written statement by the company confirming that the underlying transaction document is valid and correct, and the amount of foreign currency purchased is or will not exceed the amount stated in the underlying transaction document. For the purchase of foreign currencies not exceeding such thresholds, the company must declare in a duly stamped or authenticated written statement by the company that its aggregate foreign currency purchases do not exceed the thresholds in the Indonesian banking system.

Bank Indonesia also issued Bank Indonesia Regulation No. 18/19/PBI/2016 dated September 5, 2016 on Foreign Exchange Transaction to Rupiah between Banks and Foreign Parties ("PBI 18/19"), as implemented by the Members of the Board of Governor of Bank Indonesia Regulation No. 20/17/PADG/2018 dated August 15, 2018. Similar to PBI 18/18, PBI 18/19 is intended to comprehensively govern foreign exchange transactions against Rupiah in Indonesia. However, unlike PBI 18/18, which targets Indonesian bank customers, PBI 18/19 governs foreign exchange transactions by banks and foreign parties.

PBI 18/19 also requires an underlying transaction if a foreign exchange transaction exceeds certain threshold amounts. The thresholds set forth by PBI 18/19, which are similar to the threshold amounts under PBI 18/18, are: (i) for spot transactions, a purchase of foreign exchange against the Rupiah equivalent of U.S.$25,000 per month per foreign party, or its equivalent; (ii) for derivative transactions, the sale and purchase of foreign exchange against the Rupiah equivalent of U.S.$1,000,000 per transaction per foreign party or per outstanding amount of each derivative transaction per bank, or its equivalent; (iii) for forward transaction, the sales of foreign currency against Rupiah of more than U.S.$5,000,000 or its equivalent per transaction per customer; and (iv) for option transaction, the sales of foreign currency against Rupiah of more than U.S.$1,000,000 or its equivalent per transaction per customer for option transaction.

The underlying transaction under PBI 18/19 may consist of: (i) domestic and international trade of goods and services; and/or (ii) investment in the form of direct investment, portfolio investment, loans, capital and other investment inside and outside Indonesia.

The following transactions are not considered as underlying transactions: (i) Bank Indonesia Certificates (or "SBI") for derivative transactions; (ii) a placement of funds in banks (vostro account) in the form of saving account, demand deposit account, time deposit, or NCD; (iii) the granting of facility which has not been withdrawn, such as standby loan and disbursed loan; and (iv) the usage of Bank Indonesia securities in foreign currencies.

Similar to PBI 18/18, PBI 18/19 also requires foreign parties that (i) conducting foreign currency structured product against Rupiah in form of a call spread option in any amount and (ii) purchasing foreign currencies from banks by way of (a) spot transactions; and (b) standard derivative (plain vanilla) transactions in excess of U.S.$25,000 and U.S.$100,000, respectively, to submit certain supporting documents to the selling bank, including, among other items, a duly stamped or authenticated written statement by the company confirming that the underlying transaction document is valid and correct, and the amount of foreign currency purchased is or will not exceed the amount stated in the underlying transaction document. For the purchase of foreign currencies not exceeding such thresholds, the company must declare in a duly stamped or authenticated written statement by the company that its aggregate foreign currency purchases do not exceed the thresholds in the Indonesian banking system.

Indonesian Law on Currency and Obligation to Use Rupiah in Indonesian Territory

On June 28, 2011, the House of Representatives (or the "Indonesian Parliament") passed Law No. 7 of 2011 (the "Currency Law") and on March 31, 2015, Bank Indonesia issued PBI 17/3 and enacted Bank Indonesia Circular Letter No. 17/11/DKSP on June 1, 2015 as the implementation guidelines ("SEBI 17/2015"). Under the Currency Law and PBI 17/3, all parties are required to use Rupiah for cash and non-cash transactions conducted within Indonesia, including (i) each transaction which has the purpose of payment; (ii) settlement of other obligations which must be satisfied with money; and/or (iii) other financial transactions (including deposits of Rupiah in various amounts and types of Rupiah denomination from customers to banks).

Subject to further requirements under PBI 17/3, the obligation to use Rupiah does not apply to (i) certain transactions relating to the implementation of state revenue and expenditures; (ii) the receipt or provision of grants either from or to overseas; (iii) international trade transactions, which include (a) export and/or import of goods to or from outside Indonesian territory and (b) activities relating to cross border trade in services; (iv) bank deposits denominated in foreign currencies; (v) international financing transactions; and (vi) transactions in foreign currency which are conducted in accordance with applicable laws and regulations, including, among others: (a) a bank's business activities in foreign currency which is conducted based on applicable laws regarding conventional and sharia banks, (b) securities in foreign currency issued by the Indonesian Government in primary or secondary markets based on applicable laws, and (c) other transactions in foreign currency conducted based on applicable laws, including the law regarding Bank Indonesia, the law regarding investment and the law regarding Indonesia Eximbank.

The Currency Law and PBI 17/3 prohibit the rejection of Rupiah when offered as a means of payment, to settle obligations and/or with respect to other financial transactions within Indonesia, unless there is uncertainty regarding the authenticity of the Rupiah bills offered, or the parties to the transaction have agreed in writing to the payment or settlement of obligations in a foreign currency. Article 10 of PBI 17/3 further explains that the exemption based on such a written agreement between the parties is only applicable to an agreement made with respect to one of the above exempted transactions or transactions related to a strategic infrastructure project.

PBI 17/3 took effect from March 31, 2015, and the requirement to use Rupiah for non-cash transactions was effective from July 1, 2015. Written agreements which were signed prior to July 1, 2015 that contain provisions for the payment or settlement of obligations in foreign currency for non-cash transactions will remain effective until the expiry of such agreements. However, any extension and/or certain amendments of such agreements must comply with PBI 17/3.

According to SEBI 17/2015, a business operator in Indonesia must quote the price of goods and/or services in Rupiah and is prohibited from conducting dual quotations where the price of goods and/or services is listed both in Rupiah and a foreign currency anywhere, including on electronic media. The restriction applies to, among others, (i) price tags, (ii) service fees, such as agent fees in the sale and purchase of property, tourism services fees or consultancy services fees, (iii) leasing fees, such as apartment leases, housing leases, office leases, building leases, land leases, warehouse leases or vehicle leases, (iv) tariffs, such as loading/unloading tariffs for cargo at the seaport or airplane ticket tariffs, (v) price lists, such as a restaurant menu price list, (vi) contracts, such as clauses for pricing or fees, (vii) documents of offer, order, or invoice, such as the price clause in an invoice, purchase order or delivery order, and/or (viii) payment evidence, such as the price listed in a receipt.

Further, SEBI 17/2015 stipulates that conditional exemptions may apply to certain infrastructure projects, including: (i) transportation infrastructure, including airport services, seaport procurement and/or services, railway infrastructure and facilities, (ii) road infrastructure, including toll roads and toll bridges, (iii) watering infrastructure, including standard water bearer channels, (iv) drinking water infrastructure, including standard water bearer building, transmission channels, distribution channels, and drinking water treatment installation, (v) sanitation infrastructure, including waste water treatment installations, collector channels and main channels, and waste facility which includes transporter and waste storage, (vi) informatics and technology infrastructure, including telecommunication networks and e-government infrastructure, (vii) electricity infrastructure, including power plants, which include power development sourcing from geothermal, transmission or distribution of electricity, and (viii) natural oil and gas infrastructure, including transmission and/or distribution of natural oil and gas. These exemptions apply if (a) the project has been declared by the central or regional government as a strategic infrastructure project, as evidenced by a formal confirmation letter from the relevant ministry/institution with regards to the project owner; and (b) an exemption approval has been obtained from Bank Indonesia.

A failure to comply with the obligation to use Rupiah in cash transactions will result in criminal sanctions in the form of fines and confinement. While a failure to comply with the obligation to use Rupiah in non-cash transactions will be subjected to administrative sanctions in the form of (i) written warning, (ii) fines, and/or (iii) prohibition from undertaking payment activities. Bank Indonesia may also recommend that the relevant authorities and institutions conduct certain actions such as revoking the business license or stopping the business activities of the party which fails to comply with the obligation to use Rupiah in non-cash transactions.

Australia

Exchange Controls

The Charter of the United Nations Act 1945 (Cth) prohibits: (a) certain transactions involving assets which are deemed, consistent with a decision of the United Nations Security Council, to be freezable assets; and (b) making an asset available to proscribed persons or entities.

The assets deemed to be frozen under the Charter of the United Nations Act 1945 (Cth) are:

- assets (or class of asset) listed by the Minister for Foreign Affairs under section 15 of that Act;
- assets owned or controlled by persons or entities listed by the Minister for Foreign Affairs under section 15 of that Act;
- assets owned or controlled by persons or entities proscribed by the Governor-General in regulations made under section 18 of that Act; and
- assets derived or generated from assets mentioned in the above paragraphs.

The Autonomous Sanctions Act 2011 (Cth) enables the Commonwealth of Australia to make regulations, in the absence of a resolution of the United Nations Security Council, imposing and enforcing sanctions on certain proscribed persons or entities, or preventing the use of or dealing with assets.

Targeted financial sanctions are imposed under the Autonomous Sanctions Regulations 2011 (which commenced on December 15, 2011). The approval of the Minister for Foreign Affairs, in the form of a permit, needs to be obtained with respect to certain foreign currency transactions and monetary orders connected with a person or entity proscribed from time to time under those regulations.

Persons, entities or assets listed or proscribed under the Charter of the United Nations Act 1945 (Cth) or the Autonomous Sanctions Regulations 2011 (or under the previous applicable regulations, the Australian Banking (Foreign Exchange) Regulations 1959 (Cth)) are persons, entities or assets against which the United Nations Security Council or the Commonwealth of Australia has imposed economic or political sanctions. The Australian Department of Foreign Affairs and Trade maintains a consolidated list of persons, assets and entities which are subject to these sanctions which is available to the public at the following website: https://www.dfat.gov.au/international-relations/security/sanctions/Pages/consolidated-list. This website is referenced for informational purposes only and the information contained therein or accessible through the website is not incorporated by reference into this Offering Memorandum.

Except for the restrictions outlined above and save for certain licensing and reporting requirements applicable to persons engaged in certain businesses in Australia involving dealing in currencies, Australia does not impose any restrictions on the conversion of Australian dollars into U.S. dollars at market-determined rates.

SELECTED CONSOLIDATED FINANCIAL INFORMATION AND OTHER DATA

You should read the following selected consolidated financial information in conjunction with our consolidated financial statements and the related notes thereto included in this Offering Memorandum and the sections entitled "Presentation of Financial Information and Other Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations". Our consolidated financial statements have been prepared and presented in accordance with AAS and other authoritative pronouncements of the AASB and the Corporations Act, which also comply with IFRS.

Effective as of December 31, 2019, we changed our financial year-end from June 30 to December 31 to align our reporting schedule with that of our operating subsidiaries in Indonesia. This change resulted in a six-month reporting period for the financial period ended December 31, 2019, also known as the transition period. The six-month transition period ended December 31, 2019 is a shorter reporting period than that of the year ended June 30, 2019, which is the prior reporting period shown in this Offering Memorandum, and that of the year ended December 31, 2020, which is the subsequent reporting period shown in this Offering Memorandum.

Consolidated Financial Data

Our selected consolidated financial information included below is derived from our consolidated financial statements and the related notes thereto included in this Offering Memorandum.

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended December 31, 2020, for the six months ended June 30, 2020 and December 31, 2019 and for the years ended June 30, 2019 and 2018

	For the year ended June 30,		For the six months ended December 31, 2019	For the six months ended June 30, 2020	For the year ended December 31, 2020
	2018	2019			
	(U.S.$ in thousands)				
Consolidated Statement of Profit or Loss and Other Comprehensive Income					
Sales revenue	13,551	64,937	236,059	227,843	523,492
Cost of sales	(10,439)	(40,906)	(136,207)	(153,090)	(321,566)
Depreciation and amortisation expense	(319)	(9,277)	(16,419)	(18,308)	(36,787)
Gross profit	2,793	14,754	83,432	56,444	165,140
Administration expenses:					
Directors' fees and consultants' expenses	(1,987)	(2,642)	(2,893)	(2,103)	(4,068)
Agency fee charges	(1,800)	—	—	—	—
Share of profit of equity accounted investees	—	2,623	1,239	—	—
Other expenses	(626)	(1,123)	(1,024)	(2,769)	(3,403)
Results from operating activities	(1,620)	13,613	80,754	51,572	157,668
Financial income	676	58,316	13,036	261	2,166
Financial expense	(1,326)	(36)	(2,336)	(6,301)	(5,268)
Finance income/(expense)	(651)	58,280	10,699	(6,040)	(3,102)
Profit/(loss) before income tax	(2,271)	71,893	91,454	45,532	154,567

	For the year ended June 30,		For the six months ended December 31, 2019	For the six months ended June 30, 2020	For the year ended December 31, 2020
	2018	2019			
	(U.S.$ in thousands)				
Income tax expense	(656)	(67)	(173)	—	(868)
Profit/(loss) for the year	(2,927)	71,826	91,280	45,532	153,699
Other comprehensive income					
Items that may be classified subsequently to profit or loss	—	—	(22)	—	(3)
Total comprehensive profit/(loss) for the year/period	(2,927)	71,826	91,258	45,532	153,696
Profit/(loss) attributable to:					
Owners of the Company	(3,312)	65,526	56,504	24,384	110,611
Non-controlling interest	385	6,300	34,776	21,148	43,088
Profit/(loss) for the year/period	(2,927)	71,826	91,280	45,532	153,699
Total comprehensive profit/(loss) attributable to:					
Owners of the Company	(3,312)	65,526	56,486	24,384	110,609
Non-controlling interest	385	6,300	34,772	21,148	43,088
Total comprehensive profit/(loss) for the year/period	(2,927)	71,826	91,258	45,532	153,696
Basic and diluted earnings per share (cents) for the year/period	(0.72)	4.95	3.46	1.40	5.68

Our selected consolidated financial information included below is derived from our consolidated financial statements and the related notes thereto included in this Offering Memorandum.

Consolidated Statements of Financial Position as at December 31, 2020 and 2019 and June 30, 2019 and 2018

	As at June 30,		As at December 31,	
	2018	2019	2019	2020
	(U.S.$ in thousands)			
Consolidated Statements of Financial Position				
Current assets				
Cash and cash equivalents	807	49,003	49,820	351,445
Trade and other receivables	387	43,666	97,209	117,759
Inventory	589	8,917	56,239	61,285
Other current assets	769	6,618	1,293	8,151
Total current assets	2,551	108,204	204,561	538,640
Non-current assets				

	As at June 30,		As at December 31,	
	2018	2019	2019	2020
	(U.S.$ in thousands)			
Other non-current asset	242	4,459	9,014	9,868
Deposits	50,000	49,961	—	30,000
Property, plant and equipment	26,628	340,090	628,517	600,764
Goodwill	—	29,219	55,405	55,405
Total non-current assets	76,870	423,730	692,936	696,037
Total assets	79,421	531,934	897,497	1,234,677
Current liabilities				
Trade and other payables	2,855	42,249	52,489	40,260
Current tax payable	657	304	653	3,751
Provision – employee's benefit obligation	479	498	662	841
Borrowings	—	4,180	4,333	12,857
Total current liabilities	3,991	47,231	58,138	57,709
Non-current liabilities				
Provision – rehabilitation	285	198	150	1,929
Deferred income tax liability	—	29,391	55,405	55,405
Other non-current liability	—	347	1,018	1,261
Borrowings	—	—	60,667	32,143
Total non-current liabilities	285	29,936	117,240	90,739
Total liabilities	4,276	77,167	175,378	148,448
Net assets	75,145	454,767	722,119	1,086,229
Equity				
Share capital	103,105	275,938	315,501	732,929
Reserves	(595)	(639)	19,207	19,205
Retained profits/(Accumulated losses)	(29,272)	36,254	92,758	187,927
Total equity attributable to equity holders of the Company	73,237	311,552	427,465	940,061
Non-controlling interest	1,908	143,214	294,654	146,168
Total equity	75,145	454,767	722,119	1,086,229

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with the section entitled "Selected Consolidated Financial Information and Other Data" and our consolidated financial statements and the related notes thereto included in this Offering Memorandum. This discussion contains forward-looking statements that are subject to numerous risks and uncertainties, including, but not limited to, those described in the "Risk Factors" section of this Offering Memorandum. Actual results could differ materially from those contained in any forward-looking statements.

Our consolidated financial statements have been prepared in accordance with Australian Accounting Standards and comply with IFRS.

This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those anticipated in these forward-looking statements as a result of various factors including those discussed below and elsewhere in this Offering Memorandum, particularly in "Forward-Looking Statements" and "Risk Factors".

Overview

We are an ASX-listed company and a significant player in the global nickel industry. We have a financial, operational and strategic partnership with Shanghai Decent, a member of the Tsingshan group. The Tsingshan group is a privately-held group based in China and one of the world's largest producers of stainless steel by capacity. By virtue of our partnership with the Tsingshan group, we have transitioned from being an exclusively upstream miner of nickel ore to a predominantly downstream producer of higher value-added NPI – an essential component in the manufacture of stainless steel.

We believe we currently operate some of the world's most efficient nickel smelting facilities and benefit from a low-cost position in the production of our NPI. The RKEF operations where we produce our NPI have been designed and built by the Tsingshan group, who were one of the pioneers of the RKEF process for producing NPI from nickel laterite ore sources. This allows us to produce NPI at a significant cost advantage to most other producers of NPI. In addition, we benefit from tax concessions granted to us by Indonesian tax authorities that amount to significant competitive advantages for our business.

Our NPI business is vertically integrated, and we undertake all stages of mining and processing of the nickel ore into NPI. We currently have an 80% indirect equity ownership interest in, and operate, each of the following nickel-producing assets:

- ***Hengjaya Nickel Project***: located within the IMIP, the Hengjaya Nickel Project comprises two RKEF lines with an aggregate nameplate production capacity of 15,000 NiEq tonnes per annum. For the year ended December 31, 2020, this project exceeded its aggregate nameplate production capacity by approximately 43%, producing 21,514 NiEq tonnes.

- ***Ranger Nickel Project***: also located within the IMIP, the Ranger Nickel Project similarly comprises two RKEF lines with an aggregate nameplate production capacity of 15,000 NiEq tonnes per annum. For the year ended December 31, 2020, this project exceeded its nameplate production capacity by approximately 47%, producing 22,107 NiEq tonnes.

- ***Hengjaya Mine***: a long-life, high-grade nickel laterite deposit located approximately 12 kilometers from the IMIP, with a JORC compliant resource of 185 dmt at 1.3% nickel including 39.7 dmt at 1.8% nickel. Since December 2018, all of the Hengjaya Mine's nickel ore production has been used as an input in the Hengjaya Nickel Project and the Ranger Nickel Project, representing approximately 40%

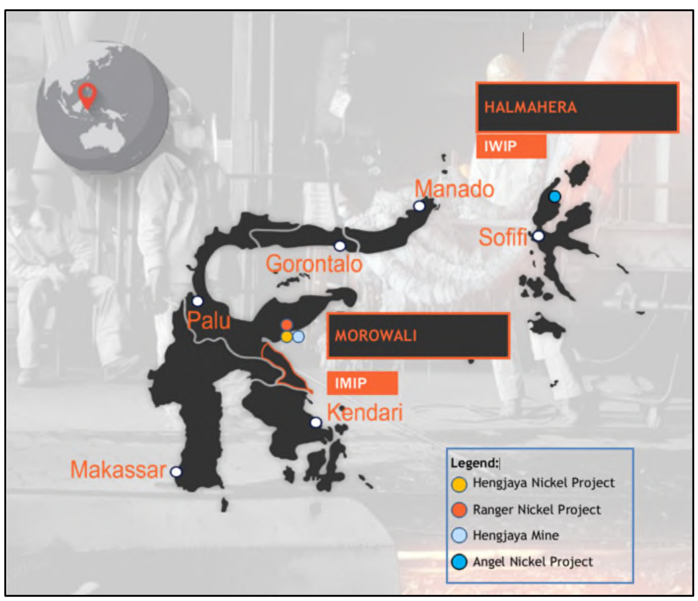
of the nickel ore required by the Hengjaya Nickel Project and the Ranger Nickel Project during the year ended December 31, 2020.

As of the date of this Offering Memorandum, we also own a 30% indirect equity interest in the Angel Nickel Project, an NPI producing project being constructed within the IWIP, located on Halmahera Island in Indonesia's North Maluku province, which is contractually required to be commissioned by October 16, 2022. Pursuant to our binding agreement with Shanghai Decent, we are committed to acquire an additional 50% indirect equity interest in the Angel Nickel Project by December 31, 2021, which will take our total indirect equity interest in the Angel Nickel Project to 80%. Once completed, the Angel Nickel Project will comprise four RKEF lines, with an aggregate nameplate production capacity of 36,000 NiEq tonnes per annum, as well as a captive 380 MW power plant and ancillary facilities required for the operation of each of the RKEF lines and the power plant.

As of December 31, 2020, our aggregate nameplate production capacity totalled 30,000 NiEq tonnes per annum (24,000 NiEq tonnes per annum attributable nameplate production capacity). Following our completion of the Angel Nickel Acquisition and the commissioning of the Angel Nickel Project, our aggregate nameplate production capacity is expected to more than double to a total of 66,000 NiEq tonnes per annum (52,800 NiEq tonnes per annum attributable nameplate production capacity), which would place us among the top-ten largest nickel producers globally by production capacity based on market data provided by Wood Mackenzie.

Our NPI-producing assets are integrated into some of the world's largest nickel production centers in terms of production output: the IMIP, which is the largest producer of processed nickel globally and the fourth largest producer of stainless steel by production capacity with a current production capacity of 3.0 million tonnes of stainless steel per annum, and the IWIP, which began operations in 2020 and is expected to be the third largest producer of processed nickel globally by 2023, according to Wood Mackenzie.

The map below shows the location and extension of our current operations, including the Angel Nickel Project:



Despite only reaching a steady-state level of operations at our existing facilities in the fourth quarter of 2019, we have been able to leverage our structural competitive advantages to expand our business in a sustainable manner while maintaining a high level of operating and financial performance. Our sales revenue has increased from U.S.$64.9 million for the fiscal year ended June 30, 2019 to U.S.$523.5 million for the fiscal year ended December 31, 2020. Meanwhile, our profit after tax has increased from U.S.$71.8 million for the fiscal year ended June 30, 2019 to U.S.$153.7 million for the fiscal year ended December 31, 2020, and our EBITDA has increased from U.S.$23.0 million for the fiscal year ended June 30, 2019 to U.S.$197.1 million for the fiscal year ended December 31, 2020. As of March 9, 2021, our market capitalization was A$3.4 billion (approximately U.S.$2.6 billion).

Factors affecting our Business and Results of Operations

Our business and results of operations are primarily affected by the following factors:

COVID-19 Pandemic

In December 2019, a novel strain of the coronavirus (also known as COVID-19), was reported to have surfaced in Wuhan, China. COVID-19 has since spread to over 200 countries and territories and has been declared a pandemic by the World Health Organization. The current COVID-19 pandemic and the preventative or protective actions that governments around the world have taken to counter the effects of the pandemic have resulted in a period of business disruption and a decrease in economic activity in several countries, including in Indonesia and countries where our suppliers, customers and third-party contractors are located. As a result, the current COVID-19 pandemic has led to uncertainty in the global economy and significant volatility in global financial markets. In addition, since March 2020, the Indonesian Government has issued several regulations in response to the current COVID-19 pandemic in order to contain the spread of the virus across the country as well as curb the negative financial impact of the outbreak on the country's economy. For example, on March 31, 2020, the Indonesian Government issued Indonesian Government Regulation in lieu of law (Perppu) No. 1/2020 (which remains subject to ratification by the Indonesian Parliament), providing that the income tax rate for corporations shall be reduced from 25.0% to 22.0% for 2020 and 2021, and shall be further reduced to 20.0% from 2022 onwards.

Although we have not yet observed any material direct impacts on our operations from the COVID-19 pandemic, the indirect impacts we have observed to date have included periods of significant volatility in financial, commodities and other markets. For example, in the first quarter of 2020, the nickel price dropped to U.S.$11,000 per tonne caused by the COVID-19 outbreak and the resulting fragile industrial demand. This volatility, if it continues, could have an adverse impact on our suppliers, businesses, financial condition and results of operations.

Addressing the disruptions caused by COVID-19 has also required our senior management team and staff to devote time and resources to address the impact of the pandemic on our business. The COVID-19 pandemic has created new challenges in maintaining the health and safety of our employees. In order to mitigate the potential impact of COVID-19 on the health and wellbeing of our employees and other stakeholders, and on our business and operations, we have been monitoring developments relating to the COVID-19 pandemic and have implemented strict access controls and procedures. The Tsingshan group's operations at the IWIP experienced worker demonstrations during the COVID-19 pandemic in May 2020, including demonstrations from workers demanding a lockdown of the IWIP during that period. We have been monitoring developments relating to the COVID-19 pandemic and have implemented strict access controls and procedures. We continue to proactively identify and manage the challenges presented by the COVID-19 pandemic, with a focus on protecting our people, working closely with our key stakeholders to ensure operational continuity and preparing our business for future scenarios that may result from the COVID-19 pandemic.

Given the ongoing and dynamic nature of the circumstances surrounding the COVID-19 pandemic, it is difficult to predict the impact of the COVID-19 pandemic on our business or operations, and there is no guarantee that our efforts to address the adverse impacts of COVID-19 will be effective.

There continues to be considerable uncertainty as to the duration and further impact of the COVID-19 pandemic, including, but not limited to, government, regulatory or health authority actions, work stoppages, lockdowns, quarantines, and travel restrictions in Australia, China and Indonesia in particular, as well as globally. It is also possible that the Indonesian Government may shut down all operating work sites, even without a positive case of COVID-19. A suspension of business operations will affect the Company's overall operations and operating results. The quarantining of the Company's employees and contractors may affect our overall operations, investments and operating results. However, given the rapidly changing implications of the spread of COVID-19, it is difficult to assess its impact on our business and results of operations at this time. To the extent the current COVID-19 pandemic adversely affects us, it may also significantly increase the effect of the aforementioned factors affecting our business and results of operations.

See "Risk Factors — Risks relating to our Business — Outbreak of an infectious disease or fear of an outbreak, or any other serious public health concerns in Asia, including Indonesia, and elsewhere, may adversely impact our business, financial condition and results of operations".

NPI Price

Our revenue is predominantly derived from our sale of the NPI that we produce. We currently sell all of the NPI that we produce to Shanghai Decent and other Tsingshan group companies. Pursuant to the collaboration agreements we have in place with Shanghai Decent, Shanghai Decent has agreed to purchase, and we have agreed to sell to Shanghai Decent, all offtake of NPI produced by the Hengjaya Nickel Project, the Ranger Nickel Project and, once commissioned, the Angel Nickel Project based on the average prices for NPI in China. Accordingly, the average prices for NPI in China directly affects the revenue we receive from the sales of our NPI.

Prices of NPI have historically been linked to nickel ore prices. In recent years, however, the pricing of specific nickel products, such as NPI, have been increasingly driven by their own supply/demand fundamentals rather than the prices of nickel ore, with the NPI market being particularly China-centric and featuring its own particular characteristics as compared to LME deliverable nickel ore. NPI prices are also affected, to a lesser extent, by demand for nickel for battery manufacturing, especially for use in electric vehicle batteries and energy storage.

In January 2021, we announced an amendment to our agreements with Shanghai Decent which changed the reference price for the NPI produced at the Hengjaya Nickel Project and the Ranger Nickel Project from the LME nickel price to the average price of NPI in China. Although our contracts previously set the LME nickel price as the reference price for our NPI sales to Shanghai Decent, in practice, our sales have historically generally tracked the prices of NPI in China rather than LME nickel prices even prior to these amendments.

The prices for NPI are principally influenced by demand for its use in the manufacture of stainless steel. NPI prices typically increase during periods of high global demand for stainless-steel and decrease during periods of low demand for stainless steel. On the demand side, according to Wood Mackenzie, global stainless-steel production grew by around 5.4% compound annual growth rate between 2015 and 2019, reaching 52.3 Mt in 2019, with most of that growth originating in China. While Chinese and Indonesian production continued to grow in 2020, production contracted in other regions due to the COVID-19 pandemic and global stainless-steel production fell to 50.8 Mt in 2020. Wood Mackenzie expects primary nickel uptake in stainless steel to increase from 1.61 Mt in 2020 to 1.94 Mt in 2030, representing a 1.9% compound annual growth rate.

On the supply side, the implementation of Indonesia's nickel ore export ban starting in 2020 has constrained the market supply, especially in China, of high-quality nickel ore with no natural market substitute readily available.

Although we have in the past sold the nickel ore we produced in the Hengjaya Mine to third parties, and may do so again in the future, since December 2018, all of our nickel ore production has been used as an input in our RKEF plants to produce NPI. Accordingly, from April 1, 2019 (the date on which the Hengjaya Nickel Project was first consolidated onto our financial statements), our nickel ore sales have been internal to our Company on a consolidated basis and we have not recorded any external nickel ore revenues since that date.

Production Volumes, Infrastructure and Expansion of Production Capacity

Our revenue is also a function of, and directly correlated with, the volume of NPI and nickel ore that we are able to produce.

Our revenues generally increase to the extent that our production volumes increase, with our production costs correspondingly increasing, while our revenues generally decrease to the extent that our production volumes decrease, with our production costs correspondingly decreasing. Production volumes of NPI are primarily determined by (i) the production capacity and efficiency of our nickel ore processing facilities; (ii) the production capacity and efficiency of our RKEF facilities; and (iii) the availability and grade of our nickel ore feedstocks. Since we commenced production, changes in the price for nickel ore and NPI have not significantly changed our production volumes.

NPI is produced by smelting nickel ore and its production depends on the grade of nickel ore feed and the smelter load. Saprolite nickel ore typically with a grade between 1.6% and 2.0 is used in our NPI production. The quality of the saprolite nickel ore used as raw material feedstock affects the nickel content in the slag produced as a by-product in the production of NPI. The slag is typically re-used for further nickel extraction to produce more NPI and, accordingly, the quality of the saprolite nickel ore used affects our aggregate production volumes of NPI. Other factors include the transportation infrastructure at our facilities, supply of electricity, as well as other environmental or technical factors that may disrupt our operations. For example, rains during the wet season in Indonesia could result in production delays or halts at the Hengjaya Mine. Unexpected maintenance or repairs at our RKEF plants can also result in production delays or halts that can negatively impact our production volumes at any given period. For example, unexpected maintenance and repairs at one of our RKEF plants in July 2020 resulted in production halts for a period of approximately 10 days.

Nickel ore production volumes at the Hengjaya Mine are dependent on many factors including, but not limited to, mine, power station and processing plant commissioning, our ability to procure resources and other requirements at competitive prices, and logistic challenges such as the accuracy of mineral resources, mine and production planning and scheduling, the accuracy of ore grades, ground conditions and mine stability, ore characteristics, the accuracy of the estimated rates and costs of mining, production, re haulage, barging and shipping.

The Hengjaya Nickel Project produced its first batch of NPI in January 2019. Its operational ramp-up period continued through the first and second quarters of 2019, and it achieved steady state operations by the third quarter of 2019. The Ranger Nickel Project produced its first batch of NPI in May 2019. Its operational ramp-up period continued through the third quarter of 2019, and it achieved steady state operations by the fourth quarter of 2019. Since the ramp-up of our operations in the fourth quarter of 2019, production at the RKEF processing facilities in both the Hengjaya Nickel Project and the Ranger Nickel Project have consistently exceeded their aggregate nameplate production capacity of 15,000 NiEq tonnes per annum each, having produced an aggregate total of 43,708.3 NiEq tonnes per annum in 2020, the first full year of production, which is 45.7% above their aggregate nameplate production capacity.

As we develop and grow our business, we constantly assess opportunities for acquisitions and investments in additional projects in our area of activity. When we acquire businesses or assets or establish new operations through organic growth, the results of operations from such acquisitions or new operations are consolidated into our financial statements going forward, but not for the periods preceding the acquisition or commencement of operations. Since we have a limited operating history, the acquisition of new assets or the commencement of new consolidated operations could have an outsize impact on our revenues, costs and results of operations in comparison to prior periods.

Production Costs

As a producer and seller of commodities, we sell our products at market prices and our ability to manage costs and expenses has a significant impact on our results of operations.

One of the principal cost components for our NPI business is the high energy usage involved in the RKEF process (generally representing between 30% and 35% of input costs), which can make it uncompetitive in regions with high energy prices. However, this has not yet presented a significant challenge for our operations due to the availability of low energy prices as a result of the abundance of relatively inexpensive coal resources near the IMIP. With Kalimantan as a neighboring island of Sulawesi, the IMIP has access to an abundant supply of relatively inexpensive coal. This nearby coal source, combined with the IMIP's installed captive power plant, allows the IMIP tenants to benefit from cheap and reliable power. Over the course of its operations both the Hengjaya Nickel Project and the Ranger Nickel Project have paid approximately U.S.$0.05 per kilowatt/hour for their electricity, yielding it a distinct advantage over many of their global peers where power costs generally run at much higher rates.

In addition, once commissioned, the Angel Nickel Project will feature its own captive 380MW power plant which will supply power to IWIP and is expected to generate power at approximately 20% lower cost to us than the prices we currently pay for electricity to supply our existing operations. Other significant cost components include nickel ore (generally representing between 35% and 40% of input costs) and other ancillary costs including labor costs (generally representing between 25% and 35% of input costs). Due to the Indonesian Government's ban on the exportation of unprocessed nickel ore, the IMIP is able to procure abundant supplies of high-grade nickel ore (>1.7%) for use across its RKEF operations. In May 2020, the IMIP adopted the Indonesian Government's benchmark nickel ore pricing regime which now sees Indonesian nickel ore prices more closely tied to movements in the underlying LME nickel price. Significantly higher grade and lower cost ore is the key competitive advantage for Indonesian NPI producers.

Government Policies and Changes in Law

While the current policies of the Indonesian Government toward the domestic mining industry has been generally market-orientated, the Indonesian Government may, from time to time, promulgate new policies or laws that affect our mining operations as well as the sale of our products. See "Risk Factors — Risks relating to Australia and Indonesia — The interpretation and implementation of legislation on regional governance in Indonesia is uncertain and may adversely affect our business, financial condition, results of operations and prospects".

Nickel Export Ban

The Indonesian Government has enacted various regulations on the export of minerals. On January 11, 2014, the Indonesian Government introduced a ban on the export of unprocessed minerals under MEMR Regulation No. 1 of 2014 on Increase of Minerals Value through Processing and Refining Activities Onshore, including the export of low-grade nickel ore, which became effective on January 11, 2014. As a consequence, our mining operations at the Hengjaya Mine temporarily ceased. Mining operations at the Hengjaya Mine were recommenced in October 2015 following the signing of a series of ore offtake agreements to supply nickel ore to Tsingshan group companies within the IMIP.

On January 11, 2017, the Indonesian Government postponed the effective date of the nickel ore export ban through MEMR Regulation No. 1 of 2017 on Increase of Minerals Value through Onshore Processing and

Refining Activities ("MEMR Regulation 1/2014"). Pursuant to MEMR Regulation 1/2017, holders of Production-Operation IUP were allowed to export of low-grade nickel ore (less than 1.7% nickel content) up to January 11, 2022 under the condition that such Production-Operation IUP holder has constructed or is constructing a minerals refining facility onshore either by itself or by cooperating with another party. This provision remained generally the same when MEMR Regulation 1/2014 was revoked and replaced by MEMR Regulation No. 25 of 2018 on Mineral and Coal Mining Business Operations. However, on August 28, 2019, the Indonesian Government issued MEMR Regulation No. 11 of 2019 which amended MEMR Regulation No. 25 of 2018 and removed the provisions that allow low-grade nickel ore to be exported. Consequently, only processed and refined nickels which satisfy the minimum processing requirements can be exported. This ban on nickel ore export became effective on January 1, 2020. The onset of the nickel ore export ban has resulted in our inability to continue supplying nickel ore to our international customers.

For the fiscal years ended June 30, 2018 and 2019 and the six months ended December 30, 2019, all of our total nickel ore sales volume was to entities operating within the IMIP. Starting in December 2018, all of our nickel ore production has been sold to be used as an input in our RKEF plants to produce NPI. Accordingly, from April 1, 2019 (the date on which the Hengjaya Nickel Project was first consolidated onto our financial statements), our nickel ore sales have been internal to our Company on a consolidated basis and we have not recorded any nickel ore revenues since that date.

Regulation on Divestiture of Ownership

Under the 2017 Regulation on Divestiture of Ownership, all foreign-owned holders of Indonesian Operation Production Mining Business Licenses are required to divest their shares in stages commencing on the sixth year as of its production so that domestic investors shall have minimum ownership of 51% by the end of the 10^{th} year of production, subject to certain limited exceptions. The divestiture process stipulates that the price for the divested shares offered by the existing foreign owner to the domestic investors shall be determined based on "fair market value" without considering the mineral reserve levels. The ownership stake is first to be offered to national, provincial or regency governments. In the event that those governmental entities are not willing to invest, the offer is then made to state and regional-owned enterprises before it can be allowed to be offered to a private Indonesian investment entity by way of an auction, see "Regulatory Framework — Indonesian Regulatory Framework — Regulation of Nickel Mining in Indonesia — Foreign divestment requirements".

The Hengjaya Mine is subject to the 2017 Regulation on Divestiture of Ownership. Therefore, a minimum 51% interest in the Hengjaya Mine is to be held by an Indonesian investor by the 10th year of production, being June 2024 in the case of the Hengjaya Mine. Nevertheless, before being imposed by the mandatory divestment obligation under 2017 Regulation on Divestiture of Ownership, we may be able to fulfil the minimum requirement of domestic participant for each stage of divestment milestone by transferring the shares to a domestic participant which we believe would be able to cooperate with us in the operation of the Hengjaya Mine with favourable terms that would benefit all parties. Separately, if we fail to find such domestic participant and become imposed by the mandatory divestment obligation, this procedure in its implementation is a lengthy and complicated process involving governmental institutions, local government and state/ regional owned companies, which would likely take considerably more time than the timeline as regulated under the 2017 Regulation on Divestiture of Ownership and therefore extend beyond the targeted timeline (i.e. June 2024).

As a result of this requirement, in the event that we would no longer control the Hengjaya Mine from June 2024 onwards, any remaining equity ownership by us in the Hengjaya Mine would be unconsolidated from our financial statements and accounted for under the equity method of accounting.

Tax Relief Measures

On October 16, 2018, our operations at the Hengjaya Nickel Project were granted material corporate income tax relief on the following basis:

- a corporate income tax reduction of 100% for a period of seven tax years, starting from the tax year in which commercial production is achieved (2019);
- a corporate income tax reduction of 50% of payable income tax for a period of two tax years, starting from the end of the initial seven year period; and
- exemption from withholding and tax collection by third parties on sales proceeds that would normally be remitted to the Indonesian Revenue Department for a period of seven years, also commencing from the tax year in which commercial production is achieved.

On March 12, 2019, our operations at the Ranger Nickel Project were granted corporate income tax relief on a basis consistent with the tax concessions previously granted to the Hengjaya Nickel Project. Similar to the Hengjaya Nickel Project and the Ranger Nickel Project, the Angel Nickel Project is also expected to be granted the same or similar tax concessions once it is commissioned.

Currency Exchange Rates

Fluctuating foreign exchange rates, in particular fluctuations in the U.S. dollar to Rupiah exchange rate affect our results of operations. We earn substantially all of our revenues in U.S. dollars while a substantial portion of our expenses are denominated in U.S. dollars, with the remaining expenses being denominated in Indonesian Rupiah, which provides us with a natural hedge against the fluctuation of the Rupiah against the U.S. dollar. Accordingly, appreciation of the Rupiah against the U.S. dollar effectively increases our expenses without a corresponding reduction in our revenue and can result in a reduction in our profit after tax in U.S. dollar terms. Our current policy is not to hedge our exposure to foreign currency exchange risk.

Factors Affecting the Comparability of Our Financial Information

There are a number of factors affecting the comparability of our financial statements as of and for the periods presented in this Offering Memorandum, as further described below.

Change in Financial Year-end

Effective as of December 31, 2019, we changed our financial year-end from June 30 to December 31 to align our reporting schedule with that of our operating subsidiaries in Indonesia. This change resulted in a six-month reporting period for the financial period ended December 31, 2019, also known as the transition period. The six-month transition period ended December 31, 2019 is a shorter reporting period than that of the year ended June 30, 2019, which is the prior reporting period shown in this Offering Memorandum, and that of the year ended December 31, 2020, which is the subsequent reporting period shown in this Offering Memorandum. Therefore, the amounts presented in our financial statements for the transition period are not entirely comparable to those for the fiscal years ended June 30, 2019 and December 31, 2020. We do not present financial statements for a separate historical period that is comparable to the transition period in this Offering Memorandum.

Increase in the Scope of our Operations

Our historical financial statements may not be comparable to our future financial results primarily as a result of the significant increase in the scope of our operations over the last few years.

We have owned our interest in the Hengjaya Mine, an upsteam miner of nickel ore, since 2012. Prior to 2019, our only operating asset was our 80% indirect equity interest in the Hengjaya Mine.

The Hengjaya Nickel Project and the Ranger Nickel Project are producers of nickel metal in NPI. The Angel Nickel Project will, when constructed, also be a producer of nickel metal in NPI. We have acquired our interest in the Hengjaya Nickel Project, the Ranger Nickel Project and the Angel Nickel Project in stages, as follows:

Hengjaya Nickel Project

- April 2018 – 25% indirect equity interest acquired;
- September 2018 – additional 35% indirect equity interest acquired (increased ownership to 60%); and
- June 2020 – additional 20% indirect equity interest acquired (increased ownership to 80%).

Ranger Nickel Project

- November 2018 –17% indirect equity interest acquired;
- July 2019 – additional 43% indirect equity interest acquired (increased ownership to 60%); and
- June 2020 – additional 20% indirect equity interest acquired (increased ownership to 80%).

Angel Nickel Project

- February 2021 – 30% indirect equity interest acquired.

We produced our first batch of NPI in January 2019 at the Hengjaya Nickel Project. The Ranger Nickel Project produced its first batch of NPI in May 2019, with our operations having reached steady-state production by the fourth quarter of 2019. As a result, we have transitioned from being exclusively an upstream miner of nickel ore to becoming a producer of NPI. We have significantly increased our total assets and our revenues during each financial period presented in this Offering Memorandum leading up to the financial year ended December 31, 2020. Accordingly, our revenues and expenses over that time period reflect the significant ramp up and changes in the nature of our operations, which significantly diminish the comparability of our financial statements across periods.

In addition, we expect to use the proceeds of the Notes offering to complete the Angel Nickel Acquisition, bringing our total indirect equity interest in the Angel Nickel Project to 80%. The Angel Nickel Project is expected to comprise four RKEF lines and a captive 380MW power station which will supply power to IWIP, and is expected to be fully operational in October 2022. The Angel Nickel Acquisition and the commissioning of the Angel Nickel Project are expected to more than double our aggregate nameplate production capacity to a total of 66,000 NiEq tonnes per annum (52,800 NiEq tonnes per annum attributable nameplate production capacity). These developments are expected to result in significant increases in our revenue and costs, which may make it even more difficult to project trends from our historical financial data going forward.

For more information, see “Business — Our NPI Business”.

Critical Accounting Policies

Our consolidated financial statements have been prepared in accordance with Australian Accounting Standards and comply with IFRS. The preparation of financial statements requires our management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates. We review our estimates and underlying assumptions on an ongoing basis.

In order to provide an understanding of how we form our judgment about future events, including the variables and assumptions underlying our estimates, and the sensitivity of judgments to different circumstances, we have identified the critical accounting policies discussed below.

Income Tax

Income tax on the income statement for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for:

- The initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Controlled and Non-Controlled Entities

Subsidiaries

Subsidiaries are entities controlled by us. We control an entity when we are exposed to, or have rights to, variable returns from our involvement with that entity and have the ability to affect those returns by exercising our power over that entity. The financial statements of our subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling interests

We measure any non-controlling interest at our proportionate interest in the identifiable net assets of the acquiree. Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognized as a result of such transactions.

Transactions eliminated on consolidation

Intragroup balances and any unrealized gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Where a controlled entity issues shares to minority interests which does not result in loss of control by us, any gain or loss arising on our interest in the controlled entity is recognized directly in equity.

Investments in equity-accounted investees

Our interests in equity-accounted investees comprise interests in associates. Associates are those entities in which we have significant influence, but not control or joint control, over the financial and operating policies.

A joint venture is an arrangement in which we have joint control, whereby we have rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are recognized initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include our share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

For details on our significant accounting policies, see Notes 2 and 3 to our audited consolidated financial statements included in this Offering Memorandum.

Segment Information

We have two operating segments: (i) nickel ore mining in Indonesia and (ii) RKEF projects in Indonesia.

Segment information is presented in respect of our management and internal reporting structure. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise interest bearing loans, borrowings and expenses, and corporate assets and expenses.

The following tables sets forth the breakdown of our profit and loss statement per operating segment for the periods indicated.

Year ended December 31, 2020

	For the year ended December 31, 2020			
	Indonesia – Nickel Ore Mining	Indonesia – RKEF Projects	Unallocated	Total
	(U.S.$)			
External revenues[1]	—	523,492,413	—	523,492,413
Reportable segment profit/(loss) before tax	1,216,424	173,045,571	(19,695,320)	154,566,675
Interest income	90,510	378,840	49,223	518,573
Interest expense	—	55,664	5,212,488	5,268,152
Depreciation and amortization	1,434,100	34,358,790	994,054	36,786,945

Note:

(1) Our external revenue is generated under NPI supply agreements with Tsingshan group companies. It only includes sales revenue of NPI from April 1, 2019, when we began accounting for PT Hengjaya Nickel Industry, the holding company of the Hengjaya Nickel Project, as a consolidated subsidiary. From April 1, 2019, sales of nickel ore are internal to the Company and therefore are eliminated on consolidation.

Six months ended December 31, 2019

	Six months ended December 31, 2019			
	Indonesia – Nickel Ore Mining	Indonesia – RKEF Projects	Unallocated	Total
	(U.S.$)			
External revenues[1]	—	236,059,160	—	236,059,160

	Six months ended December 31, 2019			
	Indonesia – Nickel Ore Mining	**Indonesia – RKEF Projects**	**Unallocated**	**Total**
		(U.S.$)		
Reportable segment profit/(loss) before tax	1,042,957	96,385,556	(5,974,603)	91,453,910
Interest income	9,882	(8,098)	104,338	106,122
Interest expense	—	127,648	2,208,819	2,336,467
Depreciation and amortisation	496,175	15,922,402	795	16,419,372

Note:

(1) Our external revenue is generated under NPI supply agreements with Tsingshan group companies. It only includes sales revenue of NPI from April 1, 2019, when we began accounting for PT Hengjaya Nickel Industry, the holding company of the Hengjaya Nickel Project, as a consolidated subsidiary. From April 1, 2019, sales of nickel ore are internal to the Company and therefore are eliminated on consolidation.

Year ended June 30, 2019

	Year ended June 30, 2019			
	Indonesia – Nickel Ore Mining	**Indonesia – RKEF Projects**	**Unallocated**	**Total**
		(U.S.$)		
External revenues[1]	12,220,325	52,717,022[2]	—	64,937,347
Reportable segment profit/(loss) before tax	274,629	78,120,349	(6,501,762)	71,893,216
Interest income	25,804	12,262	211,867	249,933
Interest expense	—	35,925	—	35,925
Depreciation and amortisation	1,814,896	7,461,181	1,313	9,277,390

Note:

(1) From April 1, 2019, sales of nickel ore are internal to the Company and therefore are eliminated on consolidation.

For more information on our operating segments, see Note 21 to our audited consolidated financial statements included in this Offering Memorandum.

Recent Accounting Pronouncements

Changes in significant accounting policies

All new standards and interpretations effective for periods after 1 January 2019 have been adopted by the Group in the preparation of these financial statements and have not had any material effect on the financial statements presented.

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2020 and have not been applied in preparing our financial statements. None of those are expected to have a significant effect on our financial statements.

Key Components of Our Profit and Loss Statement

Sales revenue

We currently derive all of our revenue from the sale of the NPI produced in our downstream smelting businesses. Our revenue is primarily generated from the collaboration agreements providing for NPI offtake entered into with Shanghai Decent.

We produce and sell all our NPI through our "Indonesia – RKEF Projects" segment, which comprises both the Hengjaya Nickel Project and the Ranger Nickel Project. Pursuant to the collaboration agreements we have in place with Shanghai Decent, Shanghai Decent has committed to purchase all of the NPI produced by the Hengjaya Nickel Project, the Ranger Nickel Project and, when operational, the Angel Nickel Project based on the prevailing market prices for NPI in China. Invoices for NPI sales are generated on a monthly basis and are based on the underlying nickel content delivered. They are usually payable within 60 days. No discounts are provided for our NPI products, but adjustments are made to the final sale price for certain features, including final nickel grade, moisture content and nickel content.

We typically experience significant revenue increases during the first six months following the commencement of new operations as a result of our gradual ramp-ups in capacity and production volumes. We also experience similar increases in our cost of sales as a result of these volume increases during such ramp-up periods.

Start-up of Operations at the Hengjaya Nickel Project: We recorded U.S.$52.7 million in revenues and U.S.$15.6 million in profits for the fiscal year ended June 30, 2019; U.S.$132.2 million in revenues and U.S.$48.3 million in profits for the six months ended December 31, 2019; and U.S.$260.3 million in revenues and U.S.$72.8 million in profits for the fiscal year ended December 31, 2020 from our operations in the Hengjaya Nickel Project.

Start-up of Operations at the Ranger Nickel Project: We recorded U.S.$103.8 million in revenues and U.S.$38.7 million in profits for the six months ended December 31, 2019; and U.S.$263.2 million in revenues and U.S.$77.1 million in profits for the fiscal year ended December 31, 2020 from our operations in the Ranger Nickel Project.

Angel Nickel Acquisition: In the long term, we expect our planned increase in production capacity as a result of the Angel Nickel Acquisition to contribute to an increase in revenues for future periods. The Angel Nickel Project is expected to provide us with an additional production capacity of 36,000 NiEq tonnes per annum, more than doubling our current production capacity. For more information, see "Business – Strategies – Complete our acquisition of the Angel Nickel Project and commence operations".

Since recommencing our mining operations in 2015, all nickel ore sales from the Hengjaya Mine were to entities within the IMIP. This includes sales since December 2018, following the commissioning of the Hengjaya Nickel Project and the Ranger Nickel Project, when all production from the Hengjaya Mine began being used as raw material in our production of NPI. Accordingly, our mining operations have been internal to our Company on a consolidated basis and we have not recorded any nickel ore revenues since April 1, 2019, which is the date on which the Hengjaya Nickel Project was first consolidated onto our financial statements.

See "Business — Our Mining Operations".

Cost of sales

Cost of sales primarily comprises operating costs, which includes nickel ore, electricity, coal and reductant agents, labor, plant consumables, transportation and ore mining costs. Cost of sales also includes the accounting effect of changes in metal inventories.

Depreciation and amortization

Depreciation and amortization primarily arise from the depletion of the reserves at our mining concessions, measured on the basis of the amount of ore sold from the respective mining concessions as well as from the depreciation of our fixed assets, including our processing plants, smelters, refineries, casting plant and mining equipment and vehicles, using the straight-line method over their estimated useful lives. A significant part of our depreciation and amortization costs relates to the amortization of fair value uplifts to the carrying value of our investments in the RKEF projects.

Gross profit

Our gross profit is calculated by subtracting our costs of sales and our depreciation and amortization charges from our sales revenue.

Directors' fees and consultants' expenses

Directors' fees comprise expenses incurred in relation to salaries, wages, bonuses and benefits paid to our directors.

Consultants' expenses primarily comprises fees paid to our third-party consultants in connection with a range of different services including accounting, administration, investor relations, freight and maintenance.

Share of profit of equity accounted investees

Share of profit of equity accounted investees reflects our proportionate share of our unconsolidated investees' profit or loss for the period under the equity method of accounting.

Other expenses

Other expenses comprise other types of miscellaneous costs, such as fees incurred in connection with the audits of our financial statements, travel-related expenses, legal fees, withholding tax charges as well as other miscellaneous costs.

Results from operating activities

Our results from operating activities is calculated by subtracting our directors' fees and consultants' expenses and our other expenses from our gross profit, with the addition of our share of profit of equity accounted investees.

Finance income

Finance income comprises (i) interest income from cash in banks and time deposits, (ii) any foreign exchange gains and (iii) revaluations of the fair value of investments.

Finance costs

Finance costs primarily comprise (i) interest expenses incurred in relation to a debt facility, and (ii) any foreign exchange losses.

Net financial income/(expense)

Our net financial income/(expense) is calculated by subtracting our finance income from our finance costs.

Profit before income tax

Our profit before income tax is calculated by subtracting our net financial income from our results from operating activities.

Income tax expense

Our revenues from operations are subject to (i) Indonesia income tax calculated at 25% of the estimated assessable income for the year until 2020, at which point the rate became 22% and from 2022 onwards will be at 20% of assessable income, excluding any effects of tax concessions received, (ii) Australian income tax calculated at 30% and (iii) Singapore income tax calculated at 17%. Related costs and expenses are considered non-deductible for income tax purposes.

The Hengjaya Nickel Project and the Ranger Nickel Project currently benefit from tax concessions granted by the Indonesian Government, and the Angel Nickel Project is also expected to be granted the same or similar tax concessions once it is commissioned. For more information, see "—Factors affecting our Business and Results of Operations—Government Policies and Changes in Law—Tax Relief Measures".

Results of Operations

The following discussion of our results of operations is based on our (i) our audited consolidated financial statements as of and for the year ended December 31, 2020; (ii) our audited consolidated financial statements as of and for the six months ended December 31, 2019; (iii) our audited consolidated financial statements as of and for the year ended June 30, 2019; and (iv) our audited consolidated financial statements as of and for the year ended June 30, 2018.

The following table sets forth our results of operations for the periods indicated:

	Year ended June 30, 2018	Year ended June 30, 2019	Six months ended December 31, 2019	Year ended December 31, 2020
		(U.S.$)		
Sales revenue	13,551,415	64,937,347	236,059,160	523,492,413
Cost of sales	(10,438,886)	(40,905,545)	(136,207,419)	(321,565,521)
Depreciation and amortisation expense	(319,113)	(9,277,390)	(16,419,372)	(36,786,945)
Gross profit	2,793,416	14,754,412	83,432,369	165,139,947
Directors' fees and consultants' expenses	(1,987,189)	(2,641,601)	(2,893,410)	(4,068,152)
Agency fee charges	(1,800,000)	—	—	—
Share of profit/(loss) of equity accounted investees	—	2,623,212	1,239,032	—
Other expenses	(626,213)	(1,122,798)	(1,023,527)	(3,403,452)
Results from operating activities	(1,619,986)	13,613,225	80,754,464	157,668,343
Financial income	675,890	58,315,916	13,035,913	2,166,484
Financial expense	(1,326,476)	(35,925)	(2,336,467)	(5,268,152)
Net financial income/(costs)	(650,586)	58,279,991	10,699,446	(3,101,668)
Profit/(loss) before income tax	(2,270,572)	71,893,216	91,453,910	154,566,675
Income tax expense	(656,261)	(66,788)	(173,476)	(867,835)
Profit/(loss) for the period/year	(2,926,833)	71,826,428	91,280,434	153,698,840

Sales revenue

Our sales revenue for the year ended June 30, 2018 and 2019, the six months ended December 31, 2019 and the year ended December 31, 2020 was U.S.$13.6 million, U.S.$64.9 million, U.S.$236.1 million and U.S.$523.5 million, respectively.

During the year ended June 30, 2018, our sales revenue was U.S.$13.6 million, consisting solely of sales of nickel ore. The Hengjaya Mine produced a total of 391,362 wmt of nickel ore and 449,955 wmt of nickel at an average grade of 2.06% nickel ore were sold and delivered. The average price received was U.S.$29.84 per tonne.

During the year ended June 30, 2019, our sales revenue was U.S.$64.9 million, consisting of U.S.$12.2 million of revenue from sales of nickel ore and U.S.$52.7 million of revenue from sales of NPI. During the year ended June 30, 2019, the Hengjaya Mine produced 454,615 wmt of nickel ore and 484,268 wmt were sold and delivered at an average grade of 1.96% nickel. The average price received was U.S.$28.84 per tonne. From April 1, 2019, sales of nickel ore were sold to our RKEF plants and eliminated on consolidation. During the year ended June 30, 2019, our RKEF plants produced 42,105.8 tonnes of NPI containing 5,787.7 tonnes of nickel metal equivalent, of which 39,628.7 tonnes of NPI, containing 5,476.5 tonnes of nickel metal equivalent, were produced by the Hengjaya Nickel Project and 2,477.1 tonnes of NPI, containing 311.2 tonnes of nickel metal equivalent, were produced by the Ranger Nickel Project. The first RKEF line at the Hengjaya Nickel Project was commissioned January 31, 2019 and the second line was commissioned March 18, 2019. The first RKEF line at the Ranger Nickel Project was commissioned May 30, 2019 and the second line was commissioned June 29, 2019. During the year ended June 30, 2019, we recognized revenue from sales of NPI from the Hengjaya Nickel Project commencing April 1, 2019, following the increase in our indirect equity ownership stake in the Hengjaya Nickel Project to 60% and subsequently on March 31, 2019 amendments to the underlying agreement governing the acquisition of the Hengjaya Nickel Project whereby we controlled the composition of its board at a 60% indirect equity ownership interest. Prior to April 1, 2019 the Hengjaya Nickel Project was accounted for as an equity accounted investee. For the year ended June 30, 2019, the Ranger Nickel Project was accounted for as an equity accounted investee as our indirect equity ownership stake in the Ranger Nickel Project was 17%.

During the six months ended December 31, 2019, our sales revenue was U.S.$236.1 million, consisting solely of revenue from sales of NPI as sales of nickel ore from the Hengjaya Mine were sold to our RKEF plants and eliminated on consolidation. During the six months ended December 31, 2019, the Hengjaya Mine produced 393,215 wmt of nickel ore and 428,382 wmt were sold and delivered at an average grade of 1.94% nickel. During the six months ended December 31, 2019, our RKEF plants produced 152,408.4 tonnes of NPI containing 20,987.9 tonnes of nickel metal equivalent, of which 80,481.1 tonnes of NPI, containing 10,957.2 tonnes of nickel metal equivalent, were produced at Hengjaya Nickel and 71,927.3 tonnes of NPI, containing 10,030.7 tonnes of nickel metal equivalent, were produced at the Ranger Nickel Project. We recognized revenue from sales of NPI from the Ranger Nickel Project commencing August 14, 2019, when we increased our indirect equity ownership stake in the Ranger Nickel Project from 17% to 60%. Prior to August 14, 2019 the Ranger Nickel Project was accounted for as an equity accounted investee.

During the year ended December 31, 2020, our sales revenue was U.S.$523.5 million, consisting solely of revenue from sales of NPI as sales of nickel ore from the Hengjaya Mine were sold to our RKEF plants and eliminated on consolidation. During the year ended December 31, 2020, our RKEF plants produced 295,896.7 tonnes of NPI containing 43,621.1 tonnes of nickel metal equivalent, of which 145,926.7 tonnes of NPI, containing 21,514.1 tonnes of nickel metal equivalent, were produced at the Hengjaya Nickel Project and 149,970.0 tonnes of NPI, containing 22,107.0 tonnes of nickel metal equivalent, were produced at the Ranger Nickel Project. During the year ended December 31, 2020, the Hengjaya Mine produced 870,503 wmt of nickel ore and 795,650 wmt were sold and delivered at an average grade of 1.82% nickel. The average price received by the Hengjaya Mine was U.S.$30.0 per tonne.

Cost of sales

Our cost of sales for the year ended June 30, 2018 and 2019, the six months ended December 31, 2019 and the year ended December 31, 2020 was U.S.$10.4 million, U.S.$40.9 million, U.S.$136.2 million and U.S.$321.6 million, respectively.

Costs of sales in the year ended December 31, 2020 were primarily the result of:

- U.S.$161.7 million in costs of sales at the Hengjaya Nickel Project in relation to its 21,880.0 NiEq tonnes sold in 2020; and
- U.S.$163.2 million in costs of sales at the Ranger Nickel Project in relation to its 21,828.3 NiEq tonnes sold in 2020.

Depreciation and amortisation

Our depreciation and amortisation for the year ended June 30, 2018 and 2019, the six months ended December 31, 2019 and the year ended December 31, 2020 was U.S.$0.3 million, U.S.$9.3 million, U.S.$16.4 million and U.S.$36.8 million, respectively.

The primary drivers of our depreciation and amortization for year ended December 31, 2020 were:

- U.S.$7.8 million in depreciation and amortisation charges on property, plant and equipment at the Hengjaya Nickel Project; and
- U.S.$8.0 million in depreciation and amortisation charges on property, plant and equipment at the Ranger Nickel Project; and
- U.S.$18.6 million in amortisation charges on the fair value adjustments to both the Hengjaya Nickel Project and the Ranger Nickel Project.

Gross profit

For the reasons discussed above, our gross profit for the year ended June 30, 2018 and 2019, the six months ended December 31, 2019 and the year ended December 31, 2020 was U.S.$2.8 million, U.S.$14.7 million, U.S.$83.4 million and U.S.$165.1 million, respectively.

Directors' fees and consultants' expenses

Our directors' fees and consultants' expenses for the year ended June 30, 2018 and 2019, the six months ended December 31, 2019 and the year ended December 31, 2020 was U.S.$2.0 million, U.S.$2.6 million, U.S.$2.9 million and U.S.$4.1 million, respectively.

The primary components of our director's fees and consultants' expenses for year ended December 31, 2020 were:

- U.S.$3.2 million in consultants and administration expenses; and
- U.S.$0.8 million in director's fees.

Share of profit of equity accounted investees

Our share of profit of equity accounted investees for the year ended June 30, 2019 and the six months ended December 31, 2019 was U.S.$2.6 million and U.S.$1.2 million, respectively.

During the year ended June 30, 2019, our share of profit of equity accounted investees was U.S.$2.6 million, consisting of our U.S.$2.7 million share of profit in Hengjaya Holdings Private Limited until April 1, 2019 when it became a subsidiary, offset by our U.S.$39,264 share of loss of Ranger Investment Private Limited. The first RKEF line at the Ranger Nickel Project was not commissioned until May 30, 2019.

During the six months ended December 31, 2019, our share of profit of equity accounted investee was U.S.$1.2 million, consisting of our share of profit in Ranger Investment Private Limited from July 1, 2019 until August 14, 2019 when it became a subsidiary.

Other expenses

Our other expenses for the year ended June 30, 2018 and 2019, the six months ended December 31, 2019 and the year ended December 31, 2020 was U.S.$0.6 million, U.S.$1.1 million, U.S.$1.0 million and U.S.$3.4 million, respectively.

The primary components of our other expenses for year ended December 31, 2020 were:

- U.S.$2.8 million in withholding tax charges; and
- U.S.$0.3 million in audit fees.

Results from operating activities

For the reasons discussed above, our results from operating activities for the year ended June 30, 2018 and 2019, the six months ended December 31, 2019 and the year ended December 31, 2020 was a U.S.$1.6 million loss, U.S.$13.6 million profit, U.S.$80.8 million profit and U.S.$157.7 million profit, respectively.

Financial income

Our financial income for the year ended June 30, 2018 and 2019, the six months ended December 31, 2019 and the year ended December 31, 2020 was U.S.$0.7 million, U.S.$58.3 million, U.S.$13.0 million and U.S.$2.2 million, respectively.

The primary components of our finance income for year ended December 31, 2020 were:

- U.S.$1.6 million foreign exchange gain; and
- U.S.$0.5 million in interest income.

The primary driver of our finance income for six-month period ended December 31, 2019 was a U.S.$7.4 million change in the fair value of the investment in the Ranger Nickel Project and U.S.$5.4 million due to a foreign exchange gain. The primary driver of our finance income for year ended June 30, 2019 was a U.S.$57.3 million change in the fair value of the investment in the Hengjaya Nickel Project.

Financial expense

Our financial expense for the year ended June 30, 2018 and 2019, the six months ended December 31, 2019 and the year ended December 31, 2020 was U.S.$1.3 million, U.S.$35,935, U.S.$2.3 million and U.S.$5.3 million, respectively.

The primary components of our finance expense for year ended December 31, 2020 was U.S.$5.2 million of interest expenses from the debt facility.

Profit/loss before income tax

For the reasons discussed above, our profit/loss before income tax for the year ended June 30, 2018 and 2019, the six months ended December 31, 2019 and the year ended December 31, 2020 was a U.S.$2.3 million loss, U.S.$71.9 million profit, U.S.$91.3 million profit and U.S.$154.6 million profit, respectively.

Income tax expense

Our income tax expense for the year ended June 30, 2018 and 2019, the six months ended December 31, 2019 and the year ended December 31, 2020 was U.S.$0.7 million, U.S.$0.1 million, U.S.$0.2 million and U.S.$0.9 million, respectively.

The primary drivers of our income tax expense for year ended December 31, 2020 were income tax expense charges incurred at the Singaporean subsidiary level. There was no income tax expense arising from operations at the Hengjaya Nickel Project and the Ranger Nickel Project due to the tax concessions granted to us by Indonesian taxation authorities.

Profit/loss for the period/year

For the reasons discussed above, our profit/loss for the year ended June 30, 2018 and 2019, the six months ended December 31, 2019 and the year ended December 31, 2020 was a U.S.$2.9 million loss, U.S.$71.8 million profit, U.S.$91.3 million profit and U.S.$153.7 million profit, respectively.

Liquidity and Capital Resources

As of December 31, 2020, we had cash and cash equivalents of U.S.$351.4 million. Our financing requirements are primarily for the acquisition of an additional 50% indirect equity interest in the Angel Nickel Project.

Our primary sources of liquidity include cash generated from operations, equity raisings and borrowings.

We have committed to pay a total purchase price of U.S.$560 million for an 80% indirect equity interest in the Angel Nickel Project. Our acquisition of a 30% indirect equity interest in the Angel Nickel Project has already been completed subsequent to December 31, 2020 following our payment of U.S.$210 million to Shanghai Decent. We expect to fund the Angel Nickel Acquisition through the issuance of the Notes and existing cash.

Going forward, we may require additional funding for our expansion projects or any other acquisitions we may undertake. See "Risk Factors — Risks relating to our Business — Our operations require a significant amount of working capital and may be adversely affected if we experience limited availability of funds". We intend to fund these expansion projects, our operations and working capital requirements primarily through existing capital resources, including cash deposits and cash flow from operations, as well as through accessing the bank loan markets and/or debt and equity capital markets.

As of December 31, 2021, our indebtedness comprised a debt finance facility the outstanding amount of which was U.S.$45.0 million, which was fully repaid in January 2021. See "Capitalization". Taking into consideration the financial resources available to us, including cash generated from our operating activities, we believe we will have sufficient liquidity to meet our working capital and operating requirements for at least the next 12 months.

Cash flows

The following table summarizes our cash flows data for the periods presented:

	Year ended June 30, 2018	Year ended June 30, 2019	Six months ended December 31, 2019	Year ended December 31, 2020
		(U.S.$)		
Net cash from/(used in) operating activities	(8,248,041)	4,133,757	38,209,324	149,954,737

	Year ended June 30, 2018	Year ended June 30, 2019	Six months ended December 31, 2019	Year ended December 31, 2020
		(U.S.$)		
Net cash used in investing activities............	(50,670,695)	(140,624,577)	(23,772,574)	(184,406,126)
Net cash from/(used in) financing activities	58,955,610	185,833,176	(13,345,611)	333,633,453
Net increase in cash and cash equivalents	36,874	49,342,357	1,091,139	299,182,064

Net cash from/(used in) operating activities

In the fiscal year ended December 31, 2020, our net cash from operating activities was U.S.$150.0 million, which was primarily driven by U.S.$517.6 million of cash receipts from customers. These effects were partially offset by U.S.$358.9 million in cash payments to employees and suppliers and U.S.$9.1 million in taxes and fees paid.

In the six months ended December 31, 2019, our net cash from operating activities was U.S.$38.2 million, which was primarily driven by U.S.$212.7 million in cash receipts from customers. This effect was partially offset by U.S.$169.9 million in cash payments to employees and suppliers and U.S.$4.7 million in taxes and fees paid.

In the fiscal year ended June 30, 2019, our net cash from operating activities was U.S.$4.1 million, which was primarily driven by U.S.$33.4 million in cash receipts from customers. This effect was partially offset by U.S.$28.4 million in cash payments to employees and suppliers.

In the fiscal year ended June 30, 2018, our net cash used in operating activities was U.S.$8.2 million, which was primarily driven by U.S.$21.5 million in cash payments to employees and suppliers. This effect was partially offset by U.S.$13.5 million in cash receipts from customers.

Net cash used in investing activities

In the fiscal year ended December 31, 2020, our net cash used in investing activities was U.S.$184.4 million, which was primarily driven by U.S.$147.0 million of investments in controlled entities which resulted in an increase in our indirect equity interests in the Hengjaya Nickel Project and the Ranger Nickel Project from 60% to 80%, U.S.$30.0 million in deposits paid for the Angel Nickel Project and U.S.$7.4 million in payments for property, plant and equipment in connection with our expansion activities at the Hengjaya Mine.

In the six months ended December 31, 2019, our net cash used in investing activities was U.S.$23.8 million, which was primarily driven by U.S.$29.6 million in payments for property, plant and equipment in connection with the Hengjaya Nickel Project (U.S.$10.7 million), the Ranger Nickel Project (U.S.$15.8 million) and the Hengjaya Mine (U.S.$3.0 million).

In the fiscal year ended June 30, 2019, our net cash used in investing activities was U.S.$140.6 million, which was primarily driven by (i) U.S.$50.0 million in payments for investments in equity accounted investees in connection with our acquisition of an initial 17% indirect equity interest in the Ranger Nickel Project, (ii) U.S.$70.0 million in payments for investments in an additional 35% indirect equity interest in the Hengjaya Nickel Project and (iii) U.S.$19.5 million in payments for property, plant and equipment, of which U.S.$18.8 million related to the Hengjaya Nickel Project subsequent to it joining our consolidated group on 31 March 2019.

In the fiscal year ended June 30, 2018, our net cash used in investing activities was U.S.$50.7 million, which was primarily driven by U.S.$50.0 million in payments for investments in equity accounted investees in connection with our acquisition of an initial 25% indirect equity interest in the Hengjaya Nickel Project.

Net cash from/(used in) financing activities

In the fiscal year ended December 31, 2020, our net cash from financing activities was U.S.$333.6 million, which was primarily driven by U.S.$430.0 million in cash derived from proceeds from issue of shares in two entitlement offers. This was partially offset by U.S.$15.4 million in a maiden dividend distribution, U.S.$25.3 million of borrowings and interest charges and U.S.$43.3 million in distributions to our minority investors at our subsidiaries.

In the six months ended December 31, 2019, our net cash used in financing activities was U.S.$13.3 million, which was primarily driven by U.S.$29.9 million in cash used for the repayment of borrowings and interest charges. This effect was partially offset by U.S.$17.0 million in cash derived from contribution by non-controlling interest in connection with the Hengjaya Nickel Project and the Ranger Nickel Project.

In the fiscal year ended June 30, 2019, our net cash from financing activities was U.S.$185.8 million, which was primarily driven by U.S.$183.6 million in cash derived from proceeds from issue of shares in connection with our initial public offering in the Australian Securities Exchange as well as an additional issue of shares.

In the fiscal year ended June 30, 2018, our net cash from financing activities was U.S.$59.0 million, which was primarily driven by U.S.$73.9 million in cash derived from proceeds from issue of shares. This effect was partially offset by U.S.$13.2 million in repayments of borrowings.

Capital Expenditures

RKEF operations do not require a high level of sustaining capital expenditures. We have committed to pay a purchase price of U.S.$560 million for the acquisition of an 80% indirect equity interest in the Angel Nickel Project. U.S.$210 million has already been spent to complete the initial 30% acquisition. We are also currently undertaking several expansion projects in relation to the Hengjaya Mine, which will require additional capital expenditures in the following years. We may also require significant capital expenditures to maintain, upgrade and expand our processing and storage facilities, logistics services and other facilities to keep pace with competitive developments, technological advances and changing safety and environmental standards in our industry. For example, we have commenced the construction of a first pilot road which commences near Bete Bete pit and progresses to the western area of IPPKH1 as part of our plans to improve transport efficiencies and reduce mining costs. We expect to continue to undertake expansion activities and operational restructuring initiatives in support of the Hengjaya Mine’s plan to significantly increase production.

Our capital expenditures totaled U.S.$7.4 million for the fiscal year ended December 31, 2020, which primarily related to expansion activities at the Hengjaya Mine.

Our capital expenditures totaled U.S.$29.6 million for the six months ended December 31, 2019, which primarily related to U.S.$10.7 million of expenditure on property, plant and equipment at the Hengjaya Nickel Project, U.S.$15.8 million of expenditure on property, plant and equipment at the Ranger Nickel Project and U.S.$3.0 million of expenditure on property, plant and equipment at the Hengjaya Mine.

Our capital expenditures totaled U.S.$19.5 million for the fiscal year ended June 30, 2019, which primarily related to U.S.$18.8 million of expenditure on property, plant and equipment at the Hengjaya Nickel Project subsequent to it joining our consolidated group on 31 March 2019.

We have budgeted capital expenditures of approximately U.S.$17 million for the fiscal year ended December 31, 2021, primarily relating to expansion activities at the Hengjaya Mine including main haul roads as detailed above. Other than what has been stated above, we have no other material commitments planned for capital expenditure.

Indebtedness

As of December 31, 2020, we had consolidated indebtedness totaling U.S.$45.0 million.

In January 2021, we fully repaid the remaining U.S.$45 million under our only debt facility instrument as of December 31, 2020. As a result, we no longer have any current or non-current borrowings outstanding as of the date of this Offering Memorandum.

Contractual Obligations and Commitments

The following table sets forth our contractual obligations and commitments as of December 31, 2020.

		Payment due by period		
	Total	**Less than 1 year**	**1 – 5 years**	**More than 5 years**
		(U.S.$ in thousands)		
Trade payables	33,633	33,633	—	—
Accruals	3,161	3,161	—	—
Provisions(1)	841	841	—	—
Borrowings	45,000	12,857	32,143	—
Other payables	3,465	3,465	—	—
Other non-current liabilities	1,261	—	1,261	—
Total	87,361	53,957	33,404	—

Note:

(1) Provisions are primarily comprised of short-term employee benefit liabilities.

In addition to the contractual obligations set forth above, we have also executed binding definitive agreements with Shanghai Decent to acquire an 80% indirect equity interest in the Angel Nickel Project. In February 2021, we completed the initial acquisition of a 30% indirect equity interest in the Angel Nickel Project. As of the date of this Offering Memorandum, we are committed to enter into a second-stage acquisition whereby we will acquire an additional 50% indirect equity interest in the Angel Nickel Project for a consideration of U.S.$350 million, which is to occur by December 31, 2021. For more information, see "Business—Our NPI Business—Angel Nickel Project".

Off-Balance Sheet Arrangements and Contingent Liabilities

As of December 31, 2020, we did not have any off-balance sheet arrangements.

Non-IFRS Metrics

In addition to our results determined in accordance with IFRS issued by the IASB, we believe the following non-IFRS measures are useful in evaluating our operating performance. We use the following non-IFRS financial information to evaluate our ongoing operations and for internal planning and forecasting purposes.

We believe that non-IFRS financial information, when taken collectively, may be helpful to investors because it provides consistency and comparability with past financial performance. However, non-IFRS financial information is presented for supplemental informational purposes only, has limitations as an analytical tool, and should not be considered in isolation or as a substitute for financial information presented in accordance with IFRS or GAAP. In particular, EBITDA, Attributable EBITDA, Opex and Free Operating Cash Flow are not measurements of financial performance or liquidity under IFRS and should not be considered as alternatives to profit after tax, operating income, cash flows from operations or any other performance measures derived in accordance with IFRS or as alternatives to cash flow from operating activities or as measures of liquidity. In addition, Free Operating Cash Flow effectively assumes that we would be able to employ the entire amount of our consolidated cash generated or consumed by our operating activities for purposes of our strategic initiatives when, in fact, amounts available to us would in all likelihood be limited only to those amounts corresponding to our controlling interests. Net Debt effectively assumes that gross debt can be reduced by our cash and cash equivalents when, in fact, it is unlikely that we would use all of our cash to reduce our gross debt all at once, as cash must also be available to pay employees, suppliers and taxes, and to meet other operating needs and capital expenditure requirements. Gross Debt, Net Debt, Gross Leverage Ratio, Net Leverage Ratio and Attributable Capitalization are not measurements of indebtedness or liquidity under IFRS and should not be considered as alternatives to our borrowings (current and noncurrent) or other measures of indebtedness or liquidity derived in accordance with IFRS. EBITDA, Attributable EBITDA, Opex, Free Operating Cash Flow, Gross Debt, Net Debt, Gross Leverage Ratio, Net Leverage Ratio and Attributable Capitalization are not standardized terms; hence, a direct comparison between companies using such terms may not be possible.

A reconciliation is provided below for each non-IFRS financial measure to the most directly comparable financial measure prepared in accordance with IFRS. Investors are encouraged to review the related IFRS financial measures and the reconciliation of these non-IFRS financial measures to their most directly comparable IFRS financial measures, included below and not rely on any single financial measure to evaluate our business.

EBITDA and Attributable EBITDA

We define EBITDA as profit/(loss) for the year or period, plus income tax expense, withholding tax, less reversal of income tax expenses, plus net financial income/(expense) and depreciation and amortization expense. We believe EBITDA provides investors and other users of our financial information consistency and comparability with our past financial performance and facilitates period-to-period comparisons.

We also present herein Attributable EBITDA, which we define as EBITDA for the year ended December 31, 2020 adjusted for our 80% indirect controlling equity interest in our operating assets as of December 31, 2020. We believe Attributable EBITDA provides investors and other users of our financial information with a better metric for evaluating the portion of our EBITDA which is attributable to our Company’s indirect controlling equity interest in our operating assets by isolating for the effects of EBITDA attributable to non-controlling interests. However, our definition of Attributable EBITDA could be viewed as overstating our share of EBITDA since our equity interest in our operating assets changed during the year ended December 31, 2020. In addition, Attributable EBITDA allocates 20% of the negative EBITDA of the Company on a standalone basis to noncontrolling interests, which overstates EBITDA attributed to the Company.

The following table presents a reconciliation of EBITDA to profit/(loss) for the periods presented:

	Year ended June 30, 2019	Six months ended December 31, 2019	Six months ended June 30, 2020	Six months ended December 31, 2020	Year ended December 31, 2020
			(U.S.$)		
Profit/(loss) for the period/year	71,826,428	91,280,434	45,531,581	108,167,259	153,698,840
(+) Depreciation and amortization	(9,277,390)	(16,419,372)	(18,308,167)	(18,478,778)	(36,786,945)
(+) Net financial income/(expense)	58,279,991	10,699,446	(6,040,441)	2,938,773	(3,101,668)
(+) Withholding tax	(88,855)	(390,047)	(2,509,096)	(286,903)	(2,795,999)
(+) Income tax expenses	(66,788)	(173,476)	—	(867,835)	(867,835)
(-) Reversal of tax expenses	—	—	—	136,234	136,234
EBITDA	**22,979,470**	**97,563,883**	**72,389,285**	**124,725,768**	**197,115,053**
Attributable EBITDA					**157,692,042**

Free Operating Cash Flow

We define Free Operating Cash Flow as net cash from/(used in) operating activities less purchases of property, plant and equipment. We believe that Free Operating Cash Flow is a useful indicator of liquidity that provides information about the amount of cash generated or consumed by our operating activities that is available for strategic initiatives. However, net cash from/(used in) operating activities used to calculate Free Operating Cash Flow is on a consolidated basis and includes 100% of the cash balances in subsidiaries which have minority interests; therefore, Free Operating Cash Flow takes into account the minority interest in the net cash from/(used in) operating activities at our operating assets.

The following table presents a reconciliation of Free Operating Cash Flow to net cash from/(used in) operating activities for the periods presented:

	Year ended June 30, 2018	Year ended June 30, 2019	Six months ended December 31, 2019	Six months ended June 30, 2020	Year ended December 31, 2020
			(U.S.$)		
Net cash from/(used in) operating activities	(8,248,041)	4,133,757	38,209,324	78,703,993	149,954,737
(-) Purchases of property, plant and equipment	(670,670)	(19,501,434)	(29,617,317)	(5,105,092)	(7,387,864)
Free Operating Cash Flow	**(8,918,711)**	**(15,367,677)**	**8,592,007**	**73,598,901**	**142,566,873**

Opex

We define Opex as our sales revenue minus our EBITDA. We believe that Opex is a useful indicator of the expenses we incur during each period in order to generate our EBITDA.

The following table presents a reconciliation of our Opex to sales revenue for the periods presented:

	For the year ended December 31, 2020
	(U.S.$)
Sales revenue	523,492,413

	For the year ended December 31, 2020
	(U.S.$)
EBITDA	197,115,053
Opex	**326,377,360**

Gross Debt, Net Debt, Gross Leverage Ratio and Net Leverage Ratio

We define Gross Debt as the sum of our borrowings (current) and borrowings (noncurrent).

We calculate Net Debt as the sum of our borrowings (current and noncurrent), less consolidated cash and cash equivalents. We believe Net Debt provides a useful indicator of our ability to meet our financial obligations using our available cash and cash equivalents because it is used widely to assess the liquidity and the adequacy of a company's financial structure. However, cash and cash equivalents used to calculate Net Debt is on a consolidated basis and includes 100% of the cash balances in subsidiaries which have minority interests. Moreover, Net Debt effectively assumes that gross debt can be reduced by our cash and cash equivalents when, in fact, it is unlikely that we would use all of our cash to reduce our gross debt all at once, as cash must also be available to pay employees, suppliers and taxes, and to meet other operating needs and capital expenditure requirements.

We also present herein our Gross Leverage Ratio, which we define as our borrowings (current and noncurrent) as of December 31, 2020 divided by Attributable EBITDA, and Net Leverage Ratio, which we define as Net Debt as of December 31, 2020 divided by Attributable EBITDA. We believe Gross Leverage Ratio and Net Leverage Ratio provide investors and other users of our financial information with useful measures of our financial condition and results of operations in our financing instruments because it allows for an analysis of our results of operations and leverage without the skewing effects of our capital structure, tax impacts and other non-operating results.

The following table presents a reconciliation of our Gross Debt, Net Debt, Gross Leverage Ratio and Net Leverage Ratio to borrowings (current and noncurrent) as of the dates presented:

	As of December 31, 2020
	(U.S.$ in thousands)
Borrowings (current)	12,857
(+) Borrowings (noncurrent)	32,143
Gross Debt	**45,000**
(-) Cash and cash equivalents[1]	351,445
Net Debt	**(306,445)**
Attributable EBITDA	157,692
Gross Leverage Ratio	**0.29x**
Net Leverage Ratio	**-1.94x**

Note:

(1) Cash and cash equivalents used to calculate Net Debt is on a consolidated basis and includes 100% of the cash balances in subsidiaries which have minority interests.

Attributable Capitalization

We define Attributable Capitalization as Gross Debt, plus total equity attributable to equity holders of the Company. Attributable Capitalization is not a measurement of financial performance or liquidity under IFRS. We believe Attributable Capitalization provides investors and other users of our financial information with a useful indicator of our liquidity, ability to meet our financial obligations and the adequacy of our financial structure.

The following table presents a reconciliation of Attributable Capitalization to borrowings (current and noncurrent) as of the dates presented:

	As of June 30, 2019	As of December 31, 2019	As of ended June 30, 2020	As of December 31, 2020
		(U.S.$ in thousands)		
Borrowings (current)	4,180	4,333	11,000	12,857
(+) Borrowings (noncurrent)	-	60,667	44,000	32,143
Gross Debt	**4,180**	**65,000**	**55,000**	**45,000**
(+) Total equity attributable to equity holders	311,552	427,465	598,063	940,061
Attributable Capitalization	**315,732**	**492,465**	**653,063**	**985,061**

Pro Forma Information

The following table sets forth our consolidated cash and cash equivalents, indebtedness and related non-IFRS ratios as of December 31, 2020, (i) on an actual basis, (ii) as adjusted to give effect to the full repayment of our debt facility in January 2021 and the remaining payment for our 30% indirect equity interest in the Angel Nickel Project in January 2021, and (iii) as further adjusted to give effect to the issuance of the Notes and the Angel Nickel Acquisition.

Given the inherent limitations in the assumptions used to present such information, the table below may not accurately reflect the financial position that we would have achieved had we issued the Notes, repaid our outstanding indebtedness and completed the Angel Nickel Acquisition on December 31, 2020.

This table should be read in conjunction with the sections entitled “Selected Consolidated Financial Information and Other Data”, “Use of Proceeds” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, our consolidated financial statements and the related notes thereto included in this Offering Memorandum.

	As of December 31, 2020		
	Actual	**As Adjusted(1)**	**As Further Adjusted(2)**
		(U.S.$ in millions)	
Indebtedness			
Current borrowings	12.9	—	—
Non-current borrowings	32.1	—	—
Notes offered hereby	—	—	175.0
Total debt	**45.0**	**—**	**175.0**

	As of December 31, 2020		
	Actual	**As Adjusted[1]**	**As Further Adjusted[2]**
		(U.S.$ in millions)	
Gross Debt[3]	45.0	—	175.0
Gross Leverage Ratio[4]	0.29x	—	1.1x
Attributable EBITDA[5]	157.7	157.7	157.7

Notes:

(1) As adjusted to give effect to the U.S.$45 million repayment of our debt facility instrument and the first stage acquisition payment of U.S.$180 million for our 30% indirect equity interest in the Angel Nickel Project in January 2021.

(2) As further adjusted to give effect to the issuance of the Notes.

(3) We define Gross Debt as the sum of our borrowings (current) and borrowings (noncurrent). See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-IFRS Metrics — Gross Debt, Gross Debt, Net Debt, Gross Leverage Ratio and Net Leverage Ratio".

(4) We define Gross Leverage Ratio as our borrowings (current and noncurrent) as of December 31, 2020 divided by Attributable EBITDA. Gross Leverage Ratio is not a measurement of indebtedness or liquidity under IFRS and should not be considered as an alternative to our borrowings (current and noncurrent) or other measures of indebtedness or liquidity derived in accordance with IFRS. For a reconciliation of Gross Leverage Ratio to our borrowings (current and noncurrent), see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-IFRS Metrics — Gross Debt, Net Debt, Gross Leverage Ratio and Net Leverage Ratio".

(5) We define Attributable EBITDA as EBITDA for the year ended December 31, 2020 adjusted for our 80% indirect controlling equity interest in our operating assets as of December 31, 2020. However, our definition of Attributable EBITDA could be viewed as overstating our share of EBITDA since our equity interest in our operating assets changed during the year ended December 31, 2020. In addition, Attributable EBITDA allocates 20% of the negative EBITDA of the Company on a standalone basis to noncontrolling interests, which overstates EBITDA attributed to the Company. For a reconciliation of Attributable EBITDA to profit/(loss) for a period, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-IFRS Metrics — EBITDA and Attributable EBITDA".

Quantitative and Qualitative Disclosures about Market Risks

Our business exposes us to a variety of financial risks, primarily credit risk, liquidity risk, currency risk and interest rate risk. The summaries below present information about our exposure to each of these risks, their objectives, policies and processes for measuring and managing risk, the management of capital and financial instruments.

For more information see Note 19 to our consolidated financial statements as of and for the year ended December 31, 2020 included in this Offering Memorandum.

Credit risk

We are exposed to the credit risk of our customers and certain other third-parties. Credit risk arises mainly from the risk of counterparties defaulting on the terms of their agreements.

As of December 31, 2020, we had trade and other receivables of U.S.$117.8 million. We consider our credit risk of trade and other receivables to be relatively low as they predominantly relate to nickel ore and NPI sales. We make impairment provisions for our trade receivables in accordance with our accounting policies, as appropriate. As of December 31, 2020, none of our material trade receivables were past due.

As of December 31, 2020, we had cash and cash equivalents of U.S.$351.4 million. We mitigate credit risk on cash and cash equivalents by dealing with regulated banks in Australia, China, Indonesia and Singapore.

For more information, see "Risk Factors — Risks relating to our Business — We derive all of our revenue from operations from sales to Tsingshan group companies, and partial or full loss of revenues from this customer would adversely affect us".

Liquidity risk

We are subject to the risk that we will not have sufficient funds to meet our financial obligations as they fall due. Ultimate responsibility for liquidity management rests with our board of directors. We manage liquidity risk by maintaining adequate funding where possible and monitoring of future rolling cash flow forecasts of its operations, which reflect management's expectations of expected settlement of financial assets and liabilities.

For more information, see "Risk Factors — Risks relating to our Business — Our operations require a significant amount of working capital and may be adversely affected if we experience limited availability of funds" and "Risk Factors — Risks relating to our Business — We may not be able to generate sufficient cash flows to meet our debt service obligations".

Foreign exchange rate risk

Our functional currency is the U.S. dollar. Our sales are predominantly denominated in U.S. dollars or benchmarked against U.S. dollar equivalent prices. We are exposed to foreign currency risks due to the fact that the underlying sales price of our NPI is denominated in US dollars, while some of our operating expenses and liabilities are denominated in Indonesian Rupiah, Singapore dollars and Australian dollars, and our equity share issuances are denominated in Australian dollars.

The following sensitivity analysis is based on the exchange rate risk exposures at balance date. At balance date, if the exchange rate between the United States dollar and the Indonesian Rupiah and the Australian dollar had moved, as illustrated in the table below, with all other variables held constant, the post-tax loss and equity would have been affected as follows:

	Post tax loss (Higher)/ Lower December 31, 2020	Total equity (Higher)/ Lower December 31, 2020
	(U.S.$)	
+ 10% higher USD to IDR exchange rate	(3,551,803)	(3,551,803)
- 5% lower USD to IDR exchange rate	1,775,901	1,775,901
+ 10% higher USD to AUD exchange rate	9,063,521	9,063,521
- 5% lower USD to AUD exchange rate	(4,531,760)	(4,531,760)

We intend to continue to monitor the movement in the U.S. dollar/Rupiah exchange rate and may enter into other hedging arrangements as and when we deem appropriate.

For more information, see "— Factors affecting our Business and Results of Operations — Currency Exchange Rates", "Risk Factors — Risks relating to Australia and Indonesia — Fluctuations in the value of the Rupiah may materially and adversely affect our business, financial condition, results of operations and prospects" and "Risk Factors — Risks relating to the Notes — Investment in the Notes may subject Noteholders to foreign exchange risks".

Interest rate risk

We are exposed to interest rate risk resulting from fluctuations in interest rates on our cash and cash equivalents and time deposits. Downward fluctuations in interest rates decrease the financial income we derive from our cash assets and time deposits.

As of December 31, 2020, a change of 100 basis points in interest rates would have increased/decreased our profit for the year for the period by U.S.$1.5 million. This analysis assumes that all other variables remain constant.

For more information, see “Risk Factors — Risks relating to the Notes — Interest rate risks may affect the value of the Notes”.

REGULATORY FRAMEWORK

Indonesian Regulatory Framework

Regulation of Nickel Mining in Indonesia

The constitution of Indonesia states that Indonesia's natural resources are to be controlled by the state and must be used for the maximum benefit of the Indonesian people. The old mining law, Law No. 11 of 1967 on Mining, and its implementing regulations, adopted this as a fundamental principle. "Control" was interpreted as being equivalent to ownership and therefore no title to particular mineral deposits was granted by the state to private companies or individuals. In general, the state only granted rights to exploit and sell mineral deposits to encourage new investment in the Indonesian mining sector, particularly in the coal mining industry. On January 12, 2009, the Indonesian Government enacted Law No. 4 of 2009 on Mineral and Coal Mining ("Law 4/2009"), which revoked the old mining law. On June 10, 2020, the Indonesian Government issued Law 3/2020, which amended Law 4/2009. Most recently, the Indonesian Government also enacted Job Creation Law on November 2, 2020 which further amended Law 4/2009 (Law 4/2009, as amended by Law 3/2020 and Job Creation Law, is hereinafter referred to as the "Mining Law (as amended)").

One of the objectives of the Mining Law (as amended) is to provide equal treatment to foreign and domestic investors introduced under the Investment Law of 2007 (as defined below) through, among other things, (i) the abolishment of the contract of work system under the previous mining legal framework; (ii) the introduction of a license-based system equally applicable to both foreign and domestic investors; (iii) the allowance of foreign investment subject to certain divestment requirements; (iv) the authorization of the Indonesian Government to designate mining areas (*Wilayah Pertambangan* or "WP") within Indonesia; (v) the requirement of a tender process for the granting of new coal and mineral mining licenses; (vi) the regulation of larger mining areas and reduction terms for production; (vii) the requirement to comply with onshore processing and/or refining obligations; (viii) the regulation of mining services contractors; (ix) the centralization of authority over mining activities in the central Indonesian Government; and (x) a guarantee by the Indonesian Government for the issuance of an IUPK to existing CoW and CCoW holders, which will allow such permit holders to continue mining activities for up to two times extension periods with 10 years additional time for each extension period.

The Mining Law (as amended) also demonstrates the Indonesian Government's attempt to protect and promote national and local mining companies. This is reflected, for example, in the obligation of mining business license holders to engage either national or local mining service companies. Foreign direct investment (*Penanaman Modal Asing* or "PMA") mining services companies may only be engaged in the event that national or local mining service companies are not available. Similarly, mining services companies have a similar obligation to prioritize both local contractors and human resources in supporting their businesses. A holder of an IUP or an IUPK is also prohibited from engaging its subsidiaries and/or affiliated mining services companies in its mining operational area, unless a permit has been obtained from the MEMR in respect of such engagement.

Under Indonesian Government Regulation No. 55 of 2010 on the Fostering and Supervision over The Implementation of Mineral and Coal Mining Business Management ("GR 55/2010"), the supervision of licensed mining activities is generally conducted by the MEMR and the governor of the province in which the mining area is located. GR 55/2010 also regulates the supervision of finances, mineral and coal processing data, conservation of minerals and coal, operational safety, environmental impacts, land reclamation, post-mining management, technical training of laborers, as well as a host of production data of the types, quality, and total amount of extracted minerals. Supervision of mining facilities is carried out by mining inspectors endorsed by the MEMR or by authorized representatives of the MEMR and/or the relevant governor. In any case, only a mining inspector has the authority to temporarily suspend mining activities in part or entirely if the activities are considered as endangering the safety of mine workers, public safety or causing pollution and/or environmental damage. Further, the mining inspector may recommend to the head of mining inspector to change that temporary suspension into permanently.

Mining licensing system

Old licensing system

The Mining Law (as amended) abolished the old mining licensing system, which previously provided for mining authorizations (*Kuasa Pertambangan* or "KP"), contracts of work (*Kontrak Karya* or "CoW") and coal contracts of work (*Perjanjian Karya Pengusahaan Pertambangan Batubara* or "CCoW").

The previous mining licensing regime (i.e., by virtue of CoWs) is subject to less regulatory risk and risks pertaining to amendment and extension of the licenses as compared to the current mining licensing system. This is due to the nature that these contracts are considered as an agreement between the Indonesian Government and the companies, in which the Indonesian Government is considered as being in the same position as the contractor. In the current regime, concessions are issued in the forms of licenses, which puts the Indonesian Government in the position as an "authority" and allows the Indonesian Government to amend the terms of the licenses granted to the contractors, as well as amend the regulations relating to the licenses that has been issued. Any amendments to the terms of CoWs that were issued under the previous mining licensing regime to be in accordance with the current mining and tax regime would be subject to negotiations and agreement between the Indonesian Government and the contractor.

Under the Mining Law (as amended), all existing KPs, CoWs and CCoWs will remain valid for the remainder of their respective terms and, upon their expiration, may be converted into licenses under the new mining licensing system. Pursuant to Indonesian Government Regulation No. 23 of 2010 as recently amended by Indonesian Government Regulation No. 8 of 2018 ("Regulation No. 23 of 2010 (as amended)"), in order to extend an expiring CoW, the CoW must be converted into a Production-Operation IUPK within two years, at the earliest, and six months, at the latest, before the end of the CoW validity period. The terms of such CoWs and CCoWs had to be modified within one year following January 12, 2009 to bring them into conformity with the obligations of license holders under the Mining Law (as amended). However, the Mining Law (as amended) expressly states that the provisions of these existing CoWs and CCoWs that relate to state revenue, including royalty and tax payments, need not be amended.

In addition, Law 3/2020 introduced certain incentives to mining license holders, including (i) IUP and/or IUPK holders for metal mineral commodities that integrate their mining activities with processing and/or refinery facilities, and (ii) IUP, IUPK, and/or IUPK Continuation holders for coal commodities that integrate their mining activities with development and/or utilization activities. Such incentives are in the form of a guarantee that such IUP, IUPK, and/or IUPK holders will obtain the maximum validity period and available extensions for their licenses.

Current licensing system

The new mining licensing regime under the Mining Law (as amended) introduced the following licensing classifications:

- *IUP.* An IUP is granted for mining of coal, rock, metal minerals or non-metal minerals within an IUP operational area (*Wilayah Izin Usaha Pertambangan* or "WIUP"). An IUP may only be granted for the mining of one type of resource. An WIUP must be located within a mining operational area (*Wilayah Usaha Pertambangan* or "WUP"), which are areas stipulated by the Indonesian Government, after being determined by the regional government and consultation with the House of Representatives of Indonesia (*Dewan Perwakilan Rakyat* or "DPR"). An IUP may only be granted to a business entity, individual or cooperative (*koperasi*), and may be obtained by submitting an application to the MEMR or by attending an auction process for an WIUP (except for non-metal mineral and rock mining). In the event that an WIUP is found to contain more than one type of resource, the existing IUP holder's additional IUP application for the newly discovered resource will be prioritized;

- *IUPK.* A Special Mining Business License (*Izin Usaha Pertambangan Khusus* or "IUPK") is granted for coal and metal mineral mining within a special mining area (*Wilayah Izin Usaha Pertambangan Khusus* or "WIUPK"), which must be located within a special mining operation area (*Wilayah Usaha Pertambangan Khusus* or "WUPK"). A WUPK is an area that has been converted into a mining area from a state reserved area (*Wilayah Pencadangan Negara* or "WPN") pursuant to being approved by the DPR for mining operations. Similar to an IUP, an IUPK may only be granted for the mining of one type of resource. An IUPK may only be granted to a legal entity established as (i) a state-owned enterprise (*Badan Usaha Milik Negara*, a "BUMN"), (ii) a regional government-owned enterprise (*Badan Usaha Milik Daerah*, a "BUMD") or (iii) a private entity. Although BUMNs and BUMDs have priority to obtain an IUPK. If the BUMN and/or BUMD do not exercise its privilege to obtain an IUPK, a private business entity may obtain an IUPK by participating in an auction and, upon winning the auction, submitting an application to MEMR;

- *IUPK Continuation.* An IUPK for the Continuation of Contract/Agreement Operation (*IUPK sebagai Kelanjutan Operasi sebagai Kelanjutan Operasi Kontrak/Perjanjian* or "IUPK Continuation") is granted to the holder of an existing CoW and/or a CCoW following the expiry of their CoW and/or CCoW as an extension of mining rights under such CoW and/or CCoW. Existing CoWs and/or CCoWs will remain valid for the remainder of their respective terms but are subject to amendments of certain terms (not including taxes and levies) and may be converted to an IUPK Continuation upon expiration. In order to extend and convert an expiring CoW and/or CCoW into an IUPK Continuation, the holder of the CoW and/or CCoW shall submit an application to the MEMR within five years at the earliest, and at least one year at the latest, prior to the expiry of such CoW and/or CCoW;

- *IPR*. A People's Mining License (*Izin Pertambangan Rakyat* or "IPR") is granted to either individual companies or cooperatives for mining of coal, rock, metal minerals and non-metal minerals within a limited mining operational area that is located in a People's Mining Area (*Wilayah Pertambangan Rakyat* or "WPR"). A WPR is an area designated by the Indonesian Government after determined by the regional government, in consultation with the DPR;

- *SIPB.* A Rock Mining License (*Surat Izin Penambangan Batuan* or "SIPB") is granted to BUMD or village-owned enterprises, domestic investment private entities, cooperatives and individual companies for the mining of certain types of rocks or for certain needs of rocks within an WIUP;

- *Izin Penugasan.* An Assignment License (*Izin Penugasan*) is a license to conduct radioactive mineral-related businesses;

- *Izin Pengangkutan dan Penjualan*. A Transportation and Sales License (*Izin Pengangkutan dan Penjualan*), granted either for business entity, cooperatives, or individuals in order to buy, transport and sell mineral and coal mining commodities. Prior to the enactment of Law 3/2020, this license was known as a Production Operation IUP Special for Transportation and Sales (*IUP Khusus untuk Pengangkutan dan Penjualan*). Pursuant to Law 3/2020, existing Operation IUP Special for Transporation and Sales must be in compliance with Law 3/2020 within two years from when Law 3/2020 was enacted;

- *IUJP*. A Mining Service Business License (*Izin Usaha Jasa Pertambangan* or "IUJP") is granted to legal entities, cooperatives or individuals in order to engage in main mining services business activities; and

- *IUP untuk Penjualan*. An IUP for Sales (*IUP untuk Penjualan*) is granted to companies that do not operate a mining business but intends to sell mineral and/or coal that has been extracted. An IUP for Sales may be granted by the MEMR for a single sale transaction only.

Previously, under Law 4/2009, a Production Operation IUP Special for Processing and/or Refinery (*IUP OP Khusus untuk Pengolahan dan/atau Pemurnian*) was granted for processing and/or refinery activities. However, pursuant to Law 3/2020, to the extent that the processing and/or refinancing activities under such licenses have not been integrated within the mining area, the licenses must be converted into an Industrial Business License (*Izin Usaha Industri*) within one year from when Law 3/2020 was enacted. Industrial Business Licenses fall under the Ministry of Industry's authority and are not considered mining-related business licenses.

The following table sets forth further details on the mining licenses available under the Mining Law (as amended).

No.	Type and description	Permitted minerals	Validity period	Permitted area (hectares)
1.	**Exploration IUP** is a mining business license that is granted for general surveys, exploration activities and feasibility studies.	Metal minerals	Maximum 8 years	Maximum 100,000
		Non-metal minerals	Maximum 3 years	Maximum 25,000
		Certain types of non-metal minerals	Maximum 7 years	Maximum 25,000
		Rock	Maximum 3 years	Maximum 5,000
		Coal	Maximum 7 years	Maximum 50,000
2.	**Production-Operation IUP** is a mining business license that is granted upon the completion of the exploration activities under the respective Exploration IUP to commence construction, mining, processing and refining, transportation and sales activities.	Metal minerals	(i) Maximum 20 years, and guaranteed to be extended twice, each for a period of 10 years; or (ii) Maximum 30 years, which is guaranteed to be extended twice, each for a period of 10 years, if the mining activities are integrated with processing and/or refining facilities	Maximum 25,000
		Non-metal minerals	Maximum 10 years, and guaranteed to be extended twice, each for a period of 5 years	Maximum 5,000
		Certain types of non-metal minerals	Maximum 20 years, and guaranteed to be extended twice, each for a period of 10 years	Maximum 5,000
		Rock	Maximum 5 years, and guaranteed to be extended twice, each for a period of 5 years	Maximum 1,000
		Coal	(i) Maximum 20 years, which can be extended	Maximum 15,000

			twice, each for a period of 10 years; ; or (ii) Maximum 30 years, which is guaranteed to be extended twice, each for a period of 10 years, if the mining activities are integrated with processing and/or refining facilities	
3.	**Exploration IUPK** is a special mining operational license that is granted for general surveys, exploration activities and feasibility studies in a WUPK.	Minerals	Maximum 8 years	Maximum 100,000 hectares
		Coal	Maximum 7 years	Maximum 50,000 hectares
4.	**Production-Operation IUPK** is a special mining business license that is granted upon completion of an Exploration IUP stage for production operations in a WUPK.	Minerals	(i) Maximum 20 years, and guaranteed to be extended twice, each for a period of 10 years; or (ii) Maximum 30 years, which is guaranteed to be extended twice, each for a period of 10 years, if the mining activities are integrated with processing and/or refining facilities	Determined based on the MEMR's evaluation on the development of all areas proposed by the license holder
		Coal	(i) Maximum 20 years, and guaranteed to be extended twice, each for a period of 10 years; or (ii) Maximum 30 years, which is guaranteed to be extended twice, each for a period of 10 years, if the mining activities are integrated with development and/or utilization activities	Determined based on the MEMR's evaluation on the development of all areas proposed by the license holder
5.	**IUPK Continuation** is a license granted to the holder of an existing COW and/or CCOW as an extension of its mining rights under the CoW and/or CCoW.	Any commodity within the existing CoW and/or CCoW mining area.	(i) Maximum period of 10 years following the expiry of the CoW and/or CCoW, with a second extension for a maximum period of 10 years thereafter; or (ii) Maximum period of 10 years for the holders of an IUPK Continuation for Coal Mining that has integrated development and/or utilization activities into its mining activities.	Determined based on the areas approved by the MEMR under the development plan for the production operation stage.

6.	**IPR** is a license to conduct mining within a small-scale mining area with a limited area size and investment.	Metal minerals, non-metal minerals and rock	Maximum 10 years, and guaranteed to be extended twice, each for a period of 5 years	Maximum 5 hectares for individuals and 10 hectares for cooperatives
7.	**SIPB** is a license to conduct mining activities for certain types of rock or for certain needs of rocks.	Certain types of rock	Indefinite term	Maximum 50 hectares
8.	**Assignment License** is a license to conduct radioactive mineral-related business.	—	Indefinite term	—
9.	**Transportation and Sales License** is a license for business entities, cooperatives or individuals to buy, transport and sell mineral and coal mining commodities.	Minerals or coal	5 years, which can be extended up to a period of 5 years for each extension	—
10.	**IUJP** is a license for business entities, cooperatives or individuals to engage in main mining services business activities.	—	5 years, which can be extended up to a period of 5 years for each extension	—
11.	**IUP for Sales** is a license to companies that do not operate a mining business but intends to sell mineral and/or coal that has been extracted.	—	Granted for a single sale transaction only.	—

Between 2010 and 2020, the Indonesian Government issued several implementing regulations to the Mining Law (as amended), including Indonesian Government Regulation No. 22 of 2010, Regulation No. 23 of 2010 (as amended), Indonesian Government Regulation No. 55 of 2010 and Indonesian Government Regulation No. 78 of 2010. The Mining Law (as amended) and Regulation No. 22 of 2010 regulates the procedures to determine the WUPs, the WUPKs, and the WPRs. The determination of these mining areas lies on the sole discretion of the Indonesian Government, and in respect of a WUPK, prior approval from the DPR is required. However, there are possibilities that the provisions of Regulation No. 22 of 2010 related to the procedures to determine the WUPs, the WUPKs, and the WPRs are amended in order to align such a regulation with the Mining Law (as amended).

Transferability of license

While the Mining Law (as amended) clearly prohibits the transfer of an IUP or IUPK to a third party, Article 7A of Regulation No. 23 of 2010 (as amended) provides that both an IUP and IUPK may be transferred, provided that the transferee is an affiliate of the transferor. For the purposes of this provision, an “affiliate” is an entity that is at least 51.0% owned by the transferor. Further, under the Mining License Regulation, the transfer of an IUP or IUPK may only be conducted upon obtaining written approval from the MEMR or the relevant governor.

Foreign divestment requirements

Regulation No. 23 of 2010 (as amended) sets out a foreign divestment scheme for foreign-owned entities holding a Production-Operation IUP or Production-Operation IUPK. Under the divestment obligation, foreign shareholders must divest their interest in the entity such that the ownership of Indonesian shareholders is not less than the following percentages in the respective years below from the commencement of production operation:

- 20% by the 6th year;
- 30% by the 7th year;
- 37% by the 8th year;
- 44% by the 9th year; and
- 51% by the 10th year.

If the share capital of a foreign-owned company is increased and resulted in the dilution of share capital owned by any Indonesian entity, the foreign-owned company holding Production-Operation IUP or Production-Operation IUPK must offer shares to other Indonesian participant to the extent that it would comply with the domestic shareholding requirement set forth in Regulation No. 23 of 2010 (as amended). The divestment obligation applies to holders of Production-Operation IUPs and Production-Operation IUPKs, regardless of whether the relevant Production-Operation IUP or Production-Operation IUPK was granted prior or subsequent to the issuance of Regulation No. 23 of 2010 (as amended).

The divestment obligation is further regulated by 2017 Regulation on Divestiture of Ownership. Under 2017 Regulation on Divestiture of Ownership, to make a divestment to an Indonesian entity, the foreign-owned shares must initially be offered to the Indonesian Government through the MEMR, who will have 90 days to evaluate and negotiate such offer and within 30 days the Indonesian Government through the MEMR will render a decision on whether to accept such offer or not. If the Indonesian Government does not purchase the shares, then the shares must then be offered to provincial and regent/municipal governments. If these provincial or regent/municipal governments also do not purchase these shares, these shares are then tendered to both state and regional-owned enterprises. In each case, parties are given 30 days from the date of the offer to declare their interest. If there is no state or regional-owned enterprise willing to purchase the shares, the shares can be tendered to private local companies, who are given 30 days from the date of the offer to declare their interest. If a local private company does not purchase these shares, the shares may then be offered to the public through a public offering in the stock exchange. Divestment may be executed through issuance of new shares and/or transfer of existing shares, whether directly or indirectly. The Indonesian Government may form a consortium among provincial, municipal, state and/or regional-owned enterprises for the purpose of participating in the purchase of the shares.

Reclamation and post-mining activities

Reclamation plan

Under Indonesian Government Regulation No. 78 of 2010, as implemented by MEMR Regulation No. 26 of 2018 and further implemented by MEMR Decree 1827K /30/MEM/2018, mining companies are obliged to carry out reclamation and post-mining activities. Prior to undertaking any exploration activities, Exploration IUP or Exploration IUPK holders must prepare a reclamation plan in accordance with the approved environmental document and submit it to the MEMR or the respective governor for approval. The approval by the MEMR will state the amount of reclamation guarantee required to be paid by the license holder. The reclamation guarantee for exploration phase must be in the form of a time deposit and denominated in either U.S. dollars or Rupiah and placed in a Indonesian Government bank under the name of the Director of the

Directorate General of Minerals and Coal ("DGMC") or the respective governor and the name of the license holder. The period of the time deposit shall be in line with the reclamation's schedule.

Exploration IUP or Exploration IUPK holders are also required to submit a reclamation plan for the production-operation phase, which must be prepared in accordance with the feasibility study and the approved environmental document. The plan must be included in the submission of the application for a Production-Operation IUP or Production-Operation IUPK to the MEMR or the respective governor. Similar to the reclamation plan at the exploration phase, the approval of the reclamation plan for the production-operation phase shall also state the amount of reclamation guarantee which shall be paid by the holder of IUP or IUPK either in U.S. dollars or Rupiah. The reclamation guarantee may be placed in one of the following manners: (i) joint account in an Indonesian state-owned bank; (ii) time deposit in a Indonesian Government's bank in Indonesia; (iii) bank guarantee issued by an Indonesian Government -owned or private bank; or (iv) accounting reserve for a Production-Operation IUP or Production-Operation IUPK holder who lists at least 40.0% of its shares on the Indonesian Stock Exchange or its paid-up capital is in the amount of at least U.S.$50.0 million. Production-Operation IUP or Production-Operation IUPK holders who place their reclamation guarantee in an accounting reserve are required to submit a statement letter made before a notary stating that the reclamation guarantee has been paid to MEMR or the respective governor.

The reclamation guarantee both in the exploration and production-operation phase may be withdrawn by the holder of the IUP or IUPK upon obtaining the approval from the MEMR or the respective governor and such approval will be based on the success rate of the reclamation activities.

Post-mining plan

In addition to the reclamation plan for the production-operation phase, Exploration IUP or Exploration IUPK holders are also required to prepare a post-mining plan as a prerequisite to obtain the Production-Operation IUP or Production-Operation IUPK. Similar to the reclamation plan, the post-mining plan's approval will be issued by the MEMR or the respective governor and shall contain the amount of post-mining guarantee which shall be paid by the Production-Operation IUP or Production-Operation IUPK holders, the payment schedule and the placement's period. The post-mining guarantee shall be placed in an Indonesian state-owned bank under the name of the Director of the DGMC or the respective governor and the name of the license holder, either in U.S. dollars or Rupiah. The post-mining guarantee may be withdrawn by the Production-Operation IUP or Production-Operation IUPK holder upon securing approval from the MEMR or the respective governor. Such approval will be based on the success rate of the post-mining activities. In the case that the Production-Operation IUP or Production-Operation IUPK's validity period is extended by the MEMR or the respective governor, the Production-Operation IUP or Production-Operation IUPK holders shall amend their post-mining plan.

Indonesian Government royalties

Pursuant to Indonesian Government Regulation No. 81 of 2019 on the Types and Tariffs of Non-State Tax Revenue Applicable in the Ministry of Energy and Natural Resources, IUP and IUPK holders are required to pay production royalties to the Indonesian Government. Currently, a range of royalties apply with respect to different types of coal and mineral mining. Under the Mining Law (as amended), Production-Operation IUPK holders are required to pay 10.0% of net profit from the mine, which comprises 4.0% to be paid to the Indonesian Government and 6.0% to be shared between the relevant provincial and regional governments in whose jurisdictions the Hengjaya Mine is located.

Under the Mining Law (as amended), coal and other minerals mined within Indonesia are required to be processed and refined domestically in accordance with the standard set out by MEMR Regulation No. 25 of 2018 on Mineral and Coal Mining Business Operations as lastly amended by MEMR Regulation No. 11 of 2019 ("MEMR Regulation 25/2018"). However, to date, MEMR Regulation 25/2018 only sets out the standard processing and refining of mineral products. The minimum standard of processing of coal products has not yet been set out in any implementing regulations of the Mining Law (as amended). As of the date of this Offering Memorandum, the Mining Law (as amended) provides that "processing" means the effort to increase the quality of minerals mining commodity to produce products with physical and chemical characteristics that do not change from the nature of the original mining commodity to be refined or become industrial raw materials whereas "refinery" means the effort to increase the quality of minerals mining commodity through physical and chemical processes as well as further refinement processes to produce products with different physical and chemical properties from original mining commodities to metal products as industrial raw materials.

Domestic market obligations

Regulation No. 23 of 2010 (as amended) provides that Production-Operation IUP and Production-Operation IUPK holders must prioritize domestic needs for coal and minerals. Production-Operation IUP and Production-Operation IUPK holders may export their coal or minerals only after the Indonesian domestic market has been fulfilled. The same provision is adopted by MEMR Regulation 25/2018, which provides that the MEMR will control mineral and coal trading for the purposes of safeguarding the domestic mineral market, maintaining Indonesia's economic resilience as well as defense and security, and controlling the prices of coal and minerals. Accordingly, the MEMR may determine the type and amount of minerals which shall be provided for the domestic market, as well as the type and amount of mineral which may be exported. The MEMR has not yet issued a decree or regulation which sets out the type and amount of minerals which shall be provided for the domestic market.

Good mining practices

The Mining Law (as amended) requires IUP and IUPK holders to implement Good Mining Principles (*Kaidah Pertambangan yang Baik* or "KPB"), further details of which are provided in its implementing regulations including MEMR Regulation No 26 of 2018 on Implementation of KPB and Supervision on Mineral and Coal Mining ("MEMR Regulation 26/2018") and MEMR Decree No. 1827K/30/MEM/2018 on Implementing Guidelines for Good Mining Practice ("MEMR Decree 1827/2018"). The KPB consists of good mining engineering and good mining business governance.

Good mining engineering practices

Good mining engineering practices relates to several aspects of the mining process, including: (i) mining engineering, (ii) coal and mineral conservation, (iii) mining occupational health and safety, (iv) mining operational safety, (v) environmental management, reclamation and post mining, as well as post operation, and (vi) the utilization of technology, engineering skills, design, development, and implementation of mining technology. The implementation of good mining engineering practices shall be performed by, among others: (i) appointing a head of mining technician as the highest authority on the mining site and employing mining technical manpower, (ii) utilizing exploration, mining, processing and/or refining, and transportation methods in line with the approved annual RKAB, (iii) providing equipment, tools, self-safety equipment, facility, personnel, and adequate funds for the implementation of safe mining, (iv) implementing mining environment management and supervision in accordance with the environmental document, as well as environmental recovery and countermeasures in the event of environmental damage or pollution, and (v) planning and implementing the mining and processing recovery.

Good mining business governance

Good mining business governance relates to several aspects of the mining business, including: (i) marketing, (ii) accounting, (iii) data processing, (iv) utilization of goods, services and technology, (v) development of mining technical manpower, (vi) fostering and developing the surrounding community, (vii) other mining-related activities which relate to public interest, (viii) compliance with the IUP or IUPK conditions, and (ix) amount, type, and quality of the mining product. The implementation of good mining business governance practices shall be performed by, among others: (i) trading coal or minerals with qualities and quantities that are in line with the approved annual RKAB, (ii) prioritizing domestic market obligations, (iii) implementation of financial aspects in line with the approved annual RKAB, (iv) preparing financial statements in line with Indonesian accounting standards, (v) performing data management from the collection phase to deletion phase, (vi) utilizing goods, services and technologies in accordance with the approved RKAB, and (vii) fostering and developing surrounding communities.

General mining services

The Mining Law (as amended) stipulates that:

- IUP holders or IUPK holders must engage local and/or national mining services companies and where no local and/or national mining services company is available, IUP holders or IUPK holders may engage foreign-owned mining services companies;
- where IUP holders or IUPK holders engage mining services companies, IUP holders or IUPK holders shall retain responsibility for mining business activities;
- companies providing mining services take the form of legal entities, cooperatives, or sole proprietorships under the classification and qualifications set by the MEMR as set forth below; and
- mining services providers must give preference to local contractors and workers.

IUP holders are required to mine, process and refine the minerals themselves. However, they are allowed to subcontract the following activities to IUJP holders: (A) stripping of rock and overburden, (B) drilling of alluvial mineral sediment (if approved by the MEMR), and (C) tunnel/shaft access construction to vein ore/seam coal, drainage and ventilation (with respect to production operations of IUP or IUPK holders using underground mining methods which subcontract to IUJP holders engaged in tunneling mining construction).

The Mining License Regulation states that any subsidiary and/or affiliate which has a direct indirect equity interest in an IUP or IUPK holder is prohibited from being engaged as a contractor for the mining operations of such IUP or IUPK holder without obtaining approval from the MEMR. The definition of a subsidiary and/or an affiliated mining service company is a mining service company that has a direct share ownership relationship with a mining company. According to the Director General of Mineral, Coal and Geothermal Regulation No. 376.K/30/DJB/2010 of 2010 on the Procedure and Requirements to Request Approval of Using Subsidiaries and/or Affiliates in the Mining Service Business (“Regulation 376”), a mining service company has a direct share ownership with a mining company if:

- 20% shares of the mining service company’s shares are directly owned by an IUP or IUPK holder;
- 50% of the voting rights of a mining service company are held by an IUP or IUPK holder by virtue of an agreement directly controlling financial and operation policies of the mining service company; and/or
- an IUP or IUPK holder has the authority to appoint and discharge finance and operational directors (or persons having equivalent positions) of a mining service company.

In addition to obtaining approval from the MEMR, a mining company must be unable to engage an unaffiliated mining services company or there must be no mining services company classified as interested in or capable of performing the mining services required based on certain criteria as stipulated under the Mining Law (as amended), before it may employ its subsidiary and/or affiliated company.

Following the amendment to the Mining Law (as amended) through the issuance of Law 3/2020, mining services companies are now permitted to provide all types of mining operation activities to mining license holders and are no longer subject to the aforementioned limitations under the Mining License Regulation. However, as the implementing regulation detailing this new provision has not yet been issued, there remains uncertainty on the limitation of mining services business activities under Law 3/2020.

Mandatory approval from MEMR and notification to MEMR

Pursuant to the Mining Law (as amended), any change of shareholding composition in a mining company must be approved by the MEMR. To obtain the approval, the Mining License Regulation sets out that the mining company must submit a written application to the MEMR along with administrative requirements and financial requirements. Administrative requirements are comprised of, among others, the application letter, reason for the shares transfer, GMS' approval for the shares transfer, the latest articles of association ratified by the Minister of Law and Human Rights ("**MOLHR**"), a copy of the Production-Operation IUP, shares transfer plan, identity of the buyer of the shares, statement letter certifying that all the information provided are true and digital copies of all the aforementioned documents. Meanwhile, the financial requirements are comprised of, among others, income tax report letter of the mining company for the last two years, audited financial statement for the last two years, evidence of payment of non-tax state income, income tax report letter of the buyer of the shares for the last two years and audited financial statement of the buyer of the shares for the last two years. Incompliance with this requirement may result in administrative sanctions in the form of written warning, fines, temporary cessation of production-operation activities and/or revocation of the IUP.

Additionally, pursuant to the Mining License Regulation, any change of members of board of directors and board of commissioners must be notified to the MEMR at the latest 14 days after the change has been notified to the MOLHR. Similarly, Incompliance with this requirement may result in administrative sanctions in the form of written warning, fines, temporary cessation of production-operation activities and/or revocation of the IUP.

Nickel sales price controls

On January 11, 2017, the MEMR issued MEMR Regulation No. 7 of 2017 on Method of Determination of Minerals and Coal Benchmark Sale Price as recently amended by MEMR Regulation No. 11 of 2020 ("MEMR Regulation No. 7 of 2017 (as amended)"). MEMR Regulation No. 7 of 2017 (as amended) stipulates that the nickel pricing arrangement between the IUP, IUPK, or CoW holder and the nickel purchaser (including their respective affiliated parties) should be no less than the metal mineral benchmark price (*Harga Patokan Mineral Logam* or "HPML") that is determined by the MEMR. There are eight types of HPML for nickel, namely HPML for nickel ore, ferronickel, mixed hydroxide precipitate, mixed sulfide precipitate, nickel metal shot, NPI, ingot nickel and nickel-matte. The applicable HPML will be determined based on a formula containing several variables including mineral content/value, constant, metal mineral price reference (Harga Mineral Logam Acuan or "HMA"), corrective factor, treatment cost and refining charges and/or payable metal. The HPML formula is determined by the MEMR which may be regularly reviewed on semi-annual basis and the HMA is determined by the MEMR on monthly basis based metal mineral publications issued by London Metal Exchange, London Bullion Market Association, Asian Metal, Indonesia Commodity & Derivatives Exchange, Jakarta Future Exchange and/or other publications (both issued locally and overseas) used in selling metal minerals. The HPML may be calculated in U.S. dollars or in Rupiah. If the price of coal is denominated in U.S. dollars, then the Rupiah conversion of the price shall be calculated in accordance with the middle exchange rate quoted by Bank Indonesia on a date or period agreed upon between the seller and the buyer.

Mineral export license

Minister of Trade Regulation No. 96 of 2019 on Export Provision for Processed and Refined Mining Products ("MOTR 96/2019"), which replaced MOTR 1/2017, sets forth limitations on the export of certain types of raw material, ore and processed and/or refined mining products. Mining products which are subject to limitations under MOTR 96/2019 are listed in its appendix I, appendix II, and appendix III, which mainly list minerals that have been refined and/or processed in accordance with the applicable minimum level of processing and/or refinery stipulated by the MEMR. MOTR 96/2019 further provides that mining products in the form of raw materials or ore, and mining products which have not met the minimum limits of processing and/or refinery, shall not be exported. The list of mining products that may not be exported is detailed in appendix IV of MOTR 96/2019.

The export of mining products listed under appendix I, appendix II, and appendix III of MOTR 96/2019 may only be performed by the following parties: (i) for appendix I, a holder of a Production-Operation IUP, Production-Operation IUPK, Production-Operation IUP for Processing and/or Refining (*Production-Operation IUP Khusus Pengolahan dan/atau Pemurnian* or "Production-Operation IUP OM"), special Production-Operation IUP for Transportation and Sale (*Production-Operation IUP Khusus untuk Pengangkutan dan Penjualan)* or Industrial Business License (*Izin Usaha Industri* or "IUI"), (ii) for appendix II, a holder of a Production-Operation IUP, Production-Operation IUPK, Production-Operation IUP OM or IUI (only for anode slime export), and (iii) for appendix III, a holder of a Production-Operation IUP or Production-Operation IUPK that produces bauxite.

Export of processed and/or refined mining products listed in appendix I of MOTR 96/2019 may only be conducted after verification or technical investigation has been performed by a qualified surveyor, save for certain products which are excluded from such verification requirements as stipulated under MOTR 96/2019. Export of processed and/or refined mining products listed in appendix II and III of MOTR 96/2019 may only be conducted after verification or technical investigation has been performed by a qualified surveyor, and after securing export approval from the Directorate General of Offshore Trade on behalf of the Minister of Trade. Such verification or technical investigation shall be conducted by a qualified surveyor, which may be performed prior to and during the loading of the designated ship and/or stuffing of the container.

Mining products listed in appendix II and certain products listed under appendix III of MOTR 96/2019 may only be exported up to January 11, 2022. Further, on August 30, 2019, the MEMR issued MEMR Regulation No.11/2019 amending MEMR Regulation No.25/2018 on the Commercialization of Mining Minerals and Coal ("MEMR 11/2019"), banning the export of low-grade nickel ore (less than 1.7% nickel content) from Indonesia effective January 1, 2020.

Regional government law

Indonesia is divided into provinces which are further subdivided into regencies and municipalities. The regencies and municipalities within a province are autonomous in most of their activities and, therefore, are not subservient to the province.

On October 2, 2014, the Indonesian Government enacted Law No. 23 of 2014 concerning the Regional Indonesian Government ("Law 23") which has revoked the previous Law No. 32 of 2004 concerning the Regional Indonesian Government ("Law 32"), which substantially changed the legal and regulatory framework of the mining industry in Indonesia. Law 23 divides the governmental affairs into (i) absolute governmental affairs; (ii) concurrent governmental affairs; and (iii) general governmental affairs. Mining business activities are categorized as concurrent governmental affairs, which require the distribution of authority between the Indonesian Government and other regional governments when discharging their governmental affairs. The distribution of authority will mainly be assessed based on the location, the customer, the impact and the efficiency of the natural resources utilization. To date, the Indonesian

Government has issued a number of amendments to Law 23 including Indonesian Government Regulation as Substitute of Law No. 2 of 2014, Law No. 9 of 2015 and the Job Creation Law as the third amendment to Law 24, as well as the partial revocation by Indonesian Government Regulation as Substitute of Law No. 2 of 2014. Although Law 32 has been revoked, Law 23 provides that the implementing regulations of Law 32 shall continue to apply so long as they do not conflict with Law 23.

See "Risk Factors — Risks relating to Australia and Indonesia — The interpretation and implementation of legislation on regional governance in Indonesia is uncertain and may adversely affect our business, financial condition, results of operations and prospects".

Forestry regulation

Law No. 41 of 1999 on Forestry, as amended by Indonesian Government Regulation as Substitute of Law No. 1 of 2004 ("Forestry Law") and the Job Creation Law, provides that open-pit mining operations cannot be conducted within protected forests. Notwithstanding this general prohibition, a number of licenses and contracts for open-pit mining in protected forest areas that existed prior to the enactment of Forestry Law 1999 remain valid until their expiration. Significant areas of forestry in Indonesia have been classified as protected forests.

Based on Forestry Law and Government Regulation No. 23 of 2021, if the WIUP is located in a forest area, the use of forests for mining purposes must be conducted with a Forestry Area Utilisation Approval (*Persetujuan Penggunaan Kawasan Hutan*), in the form of a Borrow to Use Forestry Permit (*Izin Pinjam Pakai Kawasan Hutan* or "IPPKH") issued by the Minister of Forestry, with restrictions that mining activities can only be carried out in production forest (*hutan produksi*) and protected forests (*hutan lindung*), where protected forests are only allowed to be used to conduct underground mining activities. Further, under Regulation of the Minister of Environment and Forestry No. P.27/Menlhk/Setjen/Kum.1/7/2018 regarding the Guidelines on Borrow and Use of Forest Area, as amended by Regulation of the Minister of Environment and Forestry No. P.7/MENLHK/SETJEN/KUM.1/2/2019 ("Regulation 27 of 2018"), a mineral and coal underground mining activities carried out in protected forest areas are only permitted if such activities do not cause land subsidence, permanent changes in forest function, or damage to groundwater aquifer.

Regulation 27 of 2018 also states that company applying for an IPPKH may deliver non-forest land as compensation or pay compensation for the use of forest area in the form of a non-tax state income. It also stipulates that an IPPKH is valid for the same period as the applicable operational license, such as the mining licenses (IUP or IUPK). Pursuant to the Forestry Law, to make any changes on the utilization of the forest, due to its strategic value, the Minister of Forestry must obtain the approval of the DPR.

Pursuant to Regulation of the Minister of Forestry No. P. 04/Menhut-II/2011 dated January 18, 2011 on the Guidelines for Forest Reclamation, a mining company whose mining activities are conducted within a forest, based on a Land-use of Forest Area Permit (*Izin Penggunan Kawasan Hutan*) from the Minister of Forestry, is required to include forest reclamation as a part of its mining activities. It further stipulates that the reclamation process is required to commence without waiting for the mining operations to be completed or within one year from the completion of mining operations or the expiry of the Land-use of Forest Area Permit.

The reclamation process is required to be consolidated in a five-year plan with additional details contained in the annual plan. The reclamation plan will be assessed by the Directorate General of Watershed Management and Social Forestry at the Ministry of Environment and Forestry, on behalf of the Minister. If found to be adequate, then a recommendation will be issued by the Directorate General of Watershed Management and Social Forestry at the Ministry of Environment and Forestry, on behalf of the Minister of Environment and Forestry, and will be further approved by MEMR, the head of the regional or the regency government. If the mining period is less than five years, the reclamation plan will be adjusted to the mining period, while the assessment and the approval by the related authorities will follow the "five-year plan" steps.

The Land-use of Forest Area Permit holder is required to establish a special body to execute the forest reclamation process, which must include experts in forestry, agriculture, mining, soil and other fields related to forest reclamation. A progress report concerning the reclamation process must be submitted periodically to the Directorate General of Watershed Management and Social Forestry at the Ministry of Environment and Forestry, with a carbon copy to the Directorate General of Forestry Planology at the Ministry of Environment and Forestry, Directorate General of Minerals and Coal at the MEMR, Provincial Technical Agency that handles forestry matters, and the Regent Technical Agency that handles forestry matters, and such report must include quarterly and annual reports.

Environmental regulation

Environmental protection in Indonesia is governed by various laws, regulations and decrees, including the following:

- Law No. 32 of 2009 on Environmental Protection and Management, as recently amended by the Job Creation Law ("Environmental Law");
- Indonesian Government Regulation No. 27 of 2012 on Environmental Permit ("GR 27/2012");
- Indonesian Government Regulation No. 24 of 2018 on Online Single Submission (OSS) ("Regulation 24/2018");
- Minister of Environment Regulation No. 22 of 2021 on Implementation of Environmental Protection and Management;
- Minister of Environment Regulation No. P.38/MENLHK/SETJEN/KUM.1/7/2019 of 2019 on Businesses and/or Action Plans which must be completed with an Environmental Impact and Analysis Assessment (*Analisis Mengenai Dampak Lingkungan* or "AMDAL");
- Minister of Environment Regulation No. 16 of 2012 on the Guidelines on Preparation of Environmental Documents ("ME Regulation 16/2012");
- Mining License Regulation;
- MEMR Regulation 26/2018;
- MEMR Decree 1827/2018; and
- Minister of Environment and Forestry Regulation No. P.26/MENLHK/SETJEN/KUM.1/7/2018 on the Guidelines for the Preparation, Assessment, and Examination of Environmental Documents in the Implementation of OSS ("MOEF Regulation 26/2018").

These laws generally provide, among others, that mining companies must have the facilities and bear the costs and expenses of reclamation and rehabilitation of concession areas, and shall prevent and minimize environmental pollution and destruction resulting from mining activities. Mining companies whose operations have a significant environmental or social impact must create and maintain AMDAL documents, which must contain:

- an analysis known as Terms of Reference on Environmental Impact Analysis Form (*Formulir Kerangka Acuan Analisis Dampak Lingkungan*);
- an environmental impact analysis (*Analisis Dampak Lingkungan*);
- an environmental management plan (*Rencana Pengelolaan Lingkungan*); and
- an environmental monitoring plan (*Rencana Permantauan Lingkungan*).

In certain circumstances, including where the mining activities are in exploration stage, AMDAL documents are not required and an Environmental Management Effort (*Upaya Pengelolaan Lingkungan Hidup*) document and an Environmental Monitoring Effort (*Upaya Pemantauan Lingkungan Hidup*) document must be prepared instead. Technical guidelines for the preparation of these documents are set out in ME Regulation 16/2012 and MOEF Regulation 26/2018.

Once AMDAL documents or the Environmental Management Effort and Environmental Monitoring Effort documents have been obtained and approved in by way of the environmental feasibility approval, pursuant to GR 27/2012, a company must obtain an environmental permit which will be issued by the Minister of Environment and Forestry, Governor or Mayor/Regent (in accordance with their respective authorities) simultaneously with the issuance of the environmental feasibility decision. After the issuance of MEF Regulation 26/2018, environmental permits will be issued by the OSS Body on behalf of the Minister of Environment and Forestry, Governor or Mayor/Regent (in accordance with their respective authorities) through the OSS system. However, by the issuance of the Job Creation Law, the requirement to obtain a separate environmental permit has now been removed.

After all environmental documents are obtained, the company must conduct environmental management of the mining areas under the Good Mining Practice. MEMR Regulation 26/2018 states that environmental management of the mining areas include the implementation of environmental management and supervision according to the company's environmental document; and prevention and recovery of the environment in the event of pollution and/or environmental damage. Mining companies have to prepare an annual RKAB which includes environmental aspects. Holders of Exploration IUP, Exploration IUPK, Production-Operation IUP, and Production-Operation IUPK are required to provide a reclamation guarantee, and for holders of Production-Operation IUP and Production-Operation IUPK are also required to provide post-mining guarantee. MEMR Decree 1827/2018 further stipulates the guidelines on the environmental management of the mining areas. The environmental management activities are supervised by the mining inspector with further supervision from the head of the mining inspector.

In addition, mining companies are required to appoint a head of mining technology and Person-in-Charge for Technical and Environmental matters who is required to: submit regular reports on the environmental management and supervision activities to the mining inspector; report if there is a potential environmental pollution and/or damage indication to the mining inspector; submit a report regarding environmental case no later than 24 hours after the case occurred accompanied by the mitigation plan to the mine inspector; create procedural standard for environmental pollution and/or damage mitigation of the potentially caused environmental pollution and damaged area; and lead the reclamation and post-mining operation.

Under Indonesian environmental regulations, remedial and preventative measures and sanctions (such as the imposition of substantial criminal penalties, fines and the cancelation of concessions) may be imposed in order to remedy or prevent pollution caused by operations. Such sanctions range from three to 15 years of imprisonment for any person who intentionally has caused environmental pollution or environmental damage, and fines ranging from between Rp.3.0 million to Rp.15.0 billion, subject to an additional penalty of one-third of the fine amount if the charge is filed against the party who ordered the criminal act or against the criminal mastermind. The Ministry of Environment and Forestry also reserves the right to impose a monetary penalty in lieu of any rehabilitation obligations of a liable person.

Wastewater disposal

Indonesian Government Regulation No. 82 of 2001 on Water Quality Management and Water Pollution Control requires reports to be submitted by concession holders detailing their disposal of wastewater and compliance with applicable regulations. Such reports are to be submitted on a quarterly basis to the relevant authority, with a copy provided to the Minister of Environmental Affairs. The Decision of the Minister of

Environmental Affairs No. 113 of 2003 concerning Standard Quality for Coal Mining Business and/or Activities requires mining companies to process their wastewater from mining and processing activities in accordance with mandated quality standards set out therein, and to manage water that is affected by mining activities by way of sedimentation pools. Mining companies are also required to monitor surface water quality where wastewater from the sedimentation pools or wastewater treatment facilities is discharged into streams and rivers, and to comply with any additional requirements stipulated in their respective concessions or licenses. Analysis of wastewater and daily flow rates must be submitted on a quarterly basis to the relevant authority and to the Minister of Environmental Affairs.

Hazardous and toxic substances

Indonesian Government Regulation No. 101 of 2014 on Management of Hazardous and Toxic Waste Materials and Indonesian Government Regulation No. 74 of 2001 on Management of Hazardous or Toxic Materials regulate the management of certain stipulated materials and waste. Flammable, poisonous or infectious waste from mining operations is subject to these regulations unless it can be proven scientifically by the applicant that it falls outside the categories set forth in such regulations. These regulations require a company using the specified materials, or which produces waste which is specified in the regulations, to obtain a license in order to store, collect, utilize, process and accumulate such waste. Such licenses may be revoked and the license-holder may be required to cease operations in the event of violation.

Usage of explosives

Explosives usage in Indonesia for mining purposes is regulated by Mining License Regulation and Regulation of Head of National Police No. 17 of 2017 on Licensing, Supervision, Control and Safety of Commercial Explosive Materials ("Regulation 17/2017"). Based on Regulation 17/2017, an "end-user" is defined as a legal entity performing a government project and/or a private entity that is directly responsible as the user of an explosive material. Regulation 17/2017 requires end-users who are engaging in the mineral, coal and geothermal sectors to have:

- an IUP, CoW, CCoW, concession, or other license;
- a head of mining technician and explosive expert that holds a Blasting Permit Card issued by the Director General of Mineral and Coal or the head of the provincial mining office, as applicable; or
- A local mineral business license for an entity that engages in the industrial mineral sector or C class material in accordance with the prevailing laws and regulations.

Regulation 17/2017 also provides that end-users may be granted certain explosive-related licenses including a storage license, ownership, possession, and storage license, purchasing and utilization license, transfer of use license, residual use license, transport of explosives license and annihilation license.

Electricity regulations

The Indonesian electricity industry is regulated under Law No. 30 of 2009 as recently amended by the Job Creation Law (the "Electricity Law") and its implementing regulations, among other things, Indonesian Government Regulation No.14 of 2012 as amended by Indonesian Government Regulation No. 23 of 2014 on Electricity Supply Business Activities ("GR on the Electricity Supply Business Activities"). On February 2, 2021, as an implementing regulation of the Job Creation Law, the Indonesian Government also enacted Indonesian Government Regulation No. 25 of 2021 on Organization of Energy and Mineral Resources ("GR on Energy and Mineral Resources").

The Electricity Law defines "Electric Power" as anything that relates to the supply and utilization of electric power and an electric power support business. In accordance with the principle of regional autonomy, the electric power business is controlled by the Indonesian Government and regional government and carried out by state-owned companies and regional government-owned companies. In addition, private enterprises, cooperatives, and self-supporting public institutions may also participate in the electric power business.

Under the Electricity Law, the Indonesian Government has the authority to determine the General National Power Plan ("RUKN"), which is prepared based on the national policy on energy following due consultation with the House of Representatives. RUKN is a plan to develop an electric power supply system for Indonesia and relates to electric power plants and the transmission and distribution of electric power which is required for fulfilling Indonesia's electric power needs. For 2019 to 2038, RUKN is contained in the MEMR Decree No. 143K/20/MEM/2019.

Pursuant to the Electricity Law, the electric power business is divided into (i) the electric power supply businesses; and (ii) the electric power supporting businesses.

Under GR on the Electricity Supply Business Activities, the business of electric power supply service consists of (i) electric power generation; (ii) electric power transmission, (iii) electric power distribution; and/or (iv) the sale of electric power The electric power supply business for public use may be carried out by state-owned companies, regional government-owned companies, private companies, cooperatives, or self-supporting public institutions after obtaining an electric power supply business license (*Izin Usaha Penyediaan Tenaga Listrik* or "IUPTL for Supply"). The IUPTL for Supply is valid for a maximum of 30 years and extendable upon its expiry.

The electric power supply business for private use consists of (i) electric power generation; (ii) electric power generation and electric power distribution; or (iii) electric power generation, electric power transmission, and electric power distribution. The electric power supply business for private use may be carried out by the government institution, regional government, state-owned enterprises, regional government-owned enterprises, private enterprises, cooperatives, individual, and other business entities after obtaining an operation license (*Izin Operasi* or "IO"). The IO is valid for a maximum of 10 years and also extendable upon its expiry.

Other regulations related to mining operations

Other relevant regulations applicable to mining operations include regulations regarding the use of groundwater and technical guidelines to control air pollution from immovable sources.

Companies that propose to explore, drill and acquire groundwater for their operations are required to comply with the provisions of the Decree of the Minister of Mining and Energy No. 1451K/10/MEM/2000 regarding Technical Guidelines on the Groundwater Management, which includes, among other things, requirements to obtain licenses to explore, drill and acquire groundwater and the licenses to acquire and the embankment of spring water. Failure to comply can lead to suspension or revocation of relevant licenses or permits.

Our operations are also subject to Indonesian Government regulations concerning the following:

- power generation for internal use;
- storage and usage of explosive materials; and
- groundwater intake for household use.

Indonesian Government Regulation No. 61 of 2009 dated October 20, 2009 on Ports as amended by Indonesian Government Regulation No. 64 of 2015 dated August 19, 2015 and partly revoked by Indonesian Government Regulation No. 31 of 2021 dated 2 February 2021 ("Regulation No. 61 of 2009 (as amended)") generally reformulates the structure of port management in Indonesia and introduces new terms, including, among other things, a "dedicated terminal" (*terminal untuk kepentingan sendiri*), which is further regulated under Regulation of the Minister of Transportation No. PM 20 of 2017 on Special Terminal and Dedicated Terminal (“Regulation PM 20”).

Regulation PM 20 stipulates that in order to operate a special terminal to support applicable business activities, a legal entity needs to obtain the following licenses from Minister of Transportation (i) special terminal location license and (ii) special terminal construction and operating license. In addition, prior to operating a special terminal, the legal entity is required to obtain a recommendation from the nearest port operator. Once a special terminal construction and operating license has been obtained, the licensee has two years to commence the construction of the special terminal, and the construction must be completed within five years of the date of issuance of the license. The port construction and operational license is valid for 10 years and extendable to the extent that the license meets the requirements stipulated in the Regulation PM 20.

Regulation of the Indonesian Industrial Sector

The primary law on the industrial sector is Law No. 3 of 2014 on Industry (“Industrial Law”) as amended by the Job Creation Law. The Industrial Law requires a company operating in the industrial sector to secure an Industrial Business License (*Izin Usaha Industri*) (“IUI”) based on its scale, (small, medium or large), in accordance with the number of laborers employed and nominal investment value including land and building value, equipment and machinery, and facilities used to conduct the industrial activity. Under the grandfathering clause of the Industrial Law, all ancillary regulations under the former Industrial Law shall remain in force insofar as none of the provisions are in conflict with the Industrial Law and to the extent that no ancillary regulation under the Industrial Law were introduced. Further, any IUI that was secured prior to the enactment of the Industrial Law shall remain valid insofar as the industrial activities covered by the IUI remain in place. Failure to secure the IUI may result in administrative sanctions, such as written notice, fines and/or temporary closure.

On June 21, 2018, the Indonesian Government issued Indonesian Government Regulation No. 24 of 2018 on the Integrated Electronic Business Licensing Service (“OSS Regulation”), which governs the implementation of an Online Single Submission (“OSS”) business licensing system. An IUI shall be issued through the OSS system. On. To obtain an IUI through the OSS system, a company must first obtain a Business Identity Number (“NIB”) via the OSS system. Subsequently, the company must use such NIB to file an application for an IUI. After obtaining the IUI, pursuant to Regulation of the Minister of Industry No. 15 of 2019 on Issuance of Industrial Business License and Expansion License in the Framework of Electronically Integrated Licensing Service as amended by Regulation of the Minister of Industry No. 30 of 2019, the company must fulfill several commitments as follow:

- obtain a National Industrial Information System (Sistem Informasi Industri Nasional or “SIINas”);
- for companies that are exempted from the obligation to be located in Industrial Zone, obtain a letter of statement (*surat keterangan*); and
- pass a technical verification.

The Industrial Law also mandates that any company engaging in industrial activities must carry out its operations within an Industrial Zone (*Kawasan Industri*) and failure to comply may result in administrative sanctions on such company. However, this requirement is not applicable to (i) any industry located in regions which have yet to be equipped with Industrial Zones or whose Industrial Zones are fully occupied, (ii) small or medium-scale industries having no potential to adversely affect the environment or (iii) industries using certain raw materials and/or running certain manufacturing processes, and which must be located in specialized zones.

Indonesian Labor Law

Labor or employment in Indonesia is primarily regulated by the Labor Law and Labor Union Law, as amended by the Job Creation Law. Under the Labor Law, an employee is any person working for a salary or other form of remuneration. In contrast, an employer is any individual, entrepreneur, legal entity or other body employing manpower by paying a salary or other form of remuneration. Employees of a company with more than ten employees may form a labor union. Such labor union must be registered with the MOM. A registered labor union is entitled to (i) make a collective labor agreement with the employer (see below), (ii) represent employees in solving industrial relations disputes, (iii) represent employees in various employment activities and (iv) carryout activities that can improve employees' welfare.

The Labor Law further provides that any employer that employs ten or more employees is required to maintain a CWR which will come into force once registered with the MOM (or its regional offices). The CWR contains, among others, the rights and obligations of the employer and the employee, term of works, and rule of the company. A CWR is valid for two years as from the date it is registered with the MOM and must be renewed once expired. Failure to maintain a valid CWR is subject to monetary sanctions ranging from Rp5.0 million up to Rp50.0 million. The obligation to maintain a CWR does not apply if the employer has entered into a CLA with its labor union. The CLA must be made upon consensus between the employer and the labor union. Similar with CWR, CLA is valid for a maximum of two years from date it is signed (unless otherwise agreed between the parties) and, by written agreement between the parties, can be extended for a further one-year term. The CLA applies to all employees in a company. If at the same time there is an employment contract entered into by the company and an individual employee, the provisions of CLA shall apply in the absence of specific provisions in the employment contract or in the event there are conflicting provisions between the two agreements.

Further, if an employer employs more than ten employees, or pay salary at least Rp1.0 million a month, such employer must participate in the Government's social and security program. The Government's employment and social security department consists of the Manpower Social Security Administrator (*Badan Penyelenggara Jaminan Sosial Ketenagakerjaan* – "Manpower BPJS") and the Health Social Security Administrator (*Badan Penyelenggara Jaminan Kesehatan* "Health BPJS"). The amount contributed to Manpower BPJS and Health BPJS are to cover the employee for general healthcare and in case of occupational accident, death and for an old age pension is calculated by reference to the amount an employee actually receives. The Job Creation Law introduces a new unemployment insurance under the Manpower BPJS system. The insurance provides cash payments, access to job openings and training, and compensation from the government. Employers have the obligation to enroll their employees with the Health BPJS and Manpower BPJS. All employees who are already enrolled with the Manpower BPJS system are automatically registered for the unemployment insurance. The monthly premium contributions for these benefits are paid by the central government. Employees' entitlement will be deemed to have been waived if they do not claim the benefits within 3 months of termination, obtain new employment or pass away.

Job Creation Law

On November 2, 2020, the Job Creation Law came into force. The Job Creation Law aims to attract investments, create jobs and stimulate the economy by, among other things, simplifying the licensing process and harmonizing various laws and regulations, and easing the process of making policy decisions for the central Government of Indonesia.

The Job Creation Law amended more than 75 laws. On February 2021, more than 50 implementation regulations of the Job Creation Law have been issued. Some notable changes introduced by the Job Creation Law include:

- confirmation that business licenses will be generally issued by the central Government of Indonesia and if the power to issue business licenses is given to a local government, such issuance shall be subject to the procedures and criteria determined by the central Government of Indonesia;

- key amendments to the Labor Law and Law No. 40 of 2004 on the National Social Security System, particularly on definite period employment, outsourcing, overtime, minimum wage, termination of employment and manpower social security; and

- amendments to several tax provisions such as tax exemptions for dividends obtained by individual resident taxpayers that are re-invested in Indonesia, lowering the withholding tax rate on interest paid to non-resident taxpayers and lowering the administrative penalty imposed for administrative errors by taxpayers.

Investment Regulation

On April 26, 2007, the Indonesian Government issued Law No. 25 of 2007 regarding Capital Investments (the "Investment Law"), as amended by the Job Creation Law, which principally regulates direct investments in Indonesia, in the form of foreign capital investments (*Penanaman Modal Asing*) ("PMA") and domestic capital investment (*Penanaman Modal Dalam Negeri*) ("PMDN"). In Indonesia, a foreign investor must undertake its investment through a foreign investment limited liability company ("PMA company").

The Investment Law provides that all types of businesses are open for investment without restriction, except those expressly prohibited or allowed under certain conditions. Currently, these prohibited and restricted business activities are listed in Presidential Regulation No. 44 of 2016 regarding List of Business Sectors Closed and Restricted for Investment, which has been in force since May 18, 2016 ("Old Negative List"). On February 2, 2021, Presidential Regulation No. 10 of 2021 on Investment Business Sectors ("New Negative List") was issued and will replace the Old Negative List once it becomes effective 30 days after its issuance date. The New Negative List stipulates that all types of business are open for investment except for certain sectors which are fully closed to investment and for certain sectors which can only be carried out by the central Indonesian Government. The types of business which are open for investment are partly or conditionally open based on a system of permitted ownership limits, reserved sectors and licensing requirements. Significantly, the New Negative List expressly provides that any sector not stated to be closed or partly closed will be fully open for investment without restriction. The list of business sectors on the Negative List is based on the comprehensive classification of sectors set out in the Central Statistic Bureau *(Badan Pusat Statistik)* Regulation No. 2 of 2020 regarding Indonesian Business Sector Classification (*Klasifikasi Baku Lapangan Usaha Indonesia*) ("KBLI"), drawn up by the Central Statistics Bureau.

To encourage capital investment, the Indonesian Government provides several incentives to PMA and/or PMDN companies such as relief or reduction of tax and customs and convenience in obtaining immigration and import services and/or permits. Another important feature of the Investment Law is the Indonesian Government's guarantee that it will not nationalize a PMA company, except where declared by law. In the event that the Indonesian Government nationalizes any PMA company, it must pay compensation as determined by the market price of the investment. This guarantee is accompanied by an assurance that the foreign investor will have the right to transfer and repatriate in foreign currency, profit, bank interest, dividends and other means of income.

Under the OSS Regulation, prior to commencing its business, a company must obtain an NIB, see "Regulatory Framework — Indonesian Regulatory Framework — Regulation of the Indonesian Industrial Sector". The NIB is used by companies to obtain business, commercial and operating licenses, and grants customs access (*Akses Kepabeanan*). Under the current OSS system, business, commercial or operating licenses take effect only after the holder has fulfilled all commitments and obligations imposed as a condition for the issuance of such licenses. Fulfillment of such conditions will then be recorded in the OSS system, so that relevant government agencies are aware of the holder's compliance.

To further implement the OSS Regulation, BKPM issued BKPM Regulation on Guidelines and Procedure of License and Investment Facilities No. 6 of 2018 as amended by BKPM Regulation No. 5 of 2019 ("BKPM Regulation No. 6/2018") and partially revoked by BKPM Regulation No. 5 of 2020 and Regulation 7 of 2020. BKPM Regulation No. 6/2018 specifies certain business licenses which will continue to be handled by BKPM whilst others will be issued via OSS system. For business licenses which remain under the authority of BKPM, a company must first obtain an NIB through the OSS system before it can be granted a business license by the ministry or non-ministerial government institution supervising the sector to which it belongs.

Corporate, Social and Environmental Responsibility

Law No. 40 of 2007 concerning Limited Liability Company (the "Companies Law"), as amended by the Job Creation Law, imposes an additional obligation on all companies, including companies engaged in the mining and industry sectors, to undertake activities concerning "corporate, social and environmental responsibility". The purpose of this obligation is to create a sustainable relationship with the environment and to enhance the norms, values and culture of the local community. Such obligation must be budgeted and treated as an expense of the company, and must be implemented through reasonable measures. Any non-compliance will be sanctioned in accordance with applicable laws. The Mining Law and MEMR Regulation 26/2018 also require the holders of an IUP or an IUPK to organize community development programs. The guidelines to organize community development programs is regulated in the Decree of MEMR No. 1824K/30/MEM/2018 on the Guidelines on Implementation of Community Development and Empowerment Program.

On April 4, 2012, the Indonesian Government issued Indonesian Government Regulation No. 47 of 2012 concerning Corporate Social and Environmental Responsibility ("GR 47/2012") to implement Article 74(4) of the Companies Law which imposes corporate, social and environmental responsibilities. GR 47/2012 stipulates that the Board of Directors of a company is responsible for implementing the mandatory corporate, social and environmental responsibilities in accordance with the annual working plan of such company. The annual working plan shall include a business plan and budget. The budget plans must be prepared based on considerations of "appropriateness and reasonableness", based on "the financial capacity of the company having regard to the risks that give rise to the social and environmental responsibilities that must be borne by the company, subject to the obligations of the company as set out in the legislation governing the company's business operations". Thus, in theory at least, the higher a company's profits and the greater the impact of its operations have on the environment, the more resources it should allocate to its corporate, social and environmental responsibilities.

Indonesian Language Law

On July 9, 2009, Law No. 24 of 2009 on Flag, Language, Coat of Arms and National Anthem ("Law No. 24/2009") was enacted. It requires agreements to which an Indonesian party is a party to be executed in the Indonesian language. If both an Indonesian party and a foreign party are parties to an agreement (a "cross-border agreement"), in addition to Indonesian language, such cross-border agreement may also be executed in English or the national language of the foreign party. Law No. 24/2009 is silent as to whether both the Indonesian language and foreign language versions of such cross-border agreements need to be executed at the same time. On September 20, 2019, Presidential Regulation No. 63 of 2019 on Use of Indonesian Language ("PR No. 63/2019") was issued as an implementing regulation of Law No. 24/2009. PR No. 63/2019 further stipulates that parties to a cross-border may contractually agree on the governing language of such agreement. Further, PR No. 63/2019 suggests that the Indonesian language version of a cross-border agreement must exist before or at the time the Indonesian language version of such agreement is executed, implying that both the Indonesian language and foreign language versions of a cross-border agreement must at least be executed simultaneously.

Neither Law No. 24/2009 nor PR No. 63/2019 prescribe any sanctions for the absence of an Indonesian language version of a cross-border agreement. However, on June 20, 2013, the District Court of West Jakarta ruled in a decision No. 451/Pdt.E/2012/ PN.Jkt Bar (the "June 2013 Decision") that an Indonesian law governed loan agreement entered into between an Indonesian borrower, PT Bangun Karya Pratama Lestari (the plaintiff) and a non-Indonesian lender, Nine AM Ltd. (the defendant), is null and void due to the absence of an Indonesian language version. The court ruled that the agreement had contravened Law No. 24/2009 and declared it to be invalid. In arriving at this conclusion, the court relied on Articles 1320, 1335 and 1337 of the Indonesian Civil Code, which taken together render an agreement void if, inter alia, it is tainted by illegality. The court held that as the agreement had not been drafted in the Indonesian language, as required by Law No. 24/2009, it therefore failed to satisfy the "lawful cause" (*sebab yang halal*) requirement and was void from the outset, meaning that a valid and binding agreement had never existed. On May 7, 2014, the Jakarta High Court rejected the appeal submitted by Nine AM Ltd. and affirmed the June 2013 Decision in its entirety. In its judgment, the Jakarta High Court was of the opinion that the District Court of West Jakarta's judgment was correct and accurate. As such, the absence of an Indonesian language version of a cross-border agreement may affect such agreement's validity.

BUSINESS

Overview

We are an ASX-listed company and a significant player in the global nickel industry. We have a financial, operational and strategic partnership with Shanghai Decent, a member of the Tsingshan group. The Tsingshan group is a privately-held group based in China and one of the world's largest producers of stainless steel by capacity. By virtue of our partnership with the Tsingshan group, we have transitioned from being an exclusively upstream miner of nickel ore to a predominantly downstream producer of higher value-added NPI – an essential component in the manufacture of stainless steel.

We believe we currently operate some of the world's most efficient nickel smelting facilities and benefit from a low-cost position in the production of our NPI. The RKEF operations where we produce our NPI have been designed and built by the Tsingshan group, who were one of the pioneers of the RKEF process for producing NPI from nickel laterite ore sources. This allows us to produce NPI at a significant cost advantage to most other producers of NPI. In addition, we benefit from tax concessions granted to us by Indonesian tax authorities that amount to significant competitive advantages for our business.

Our NPI business is vertically integrated, and we undertake all stages of mining and processing of the nickel ore into NPI. We currently have an 80% indirect equity ownership interest in, and operate, each of the following nickel-producing assets:

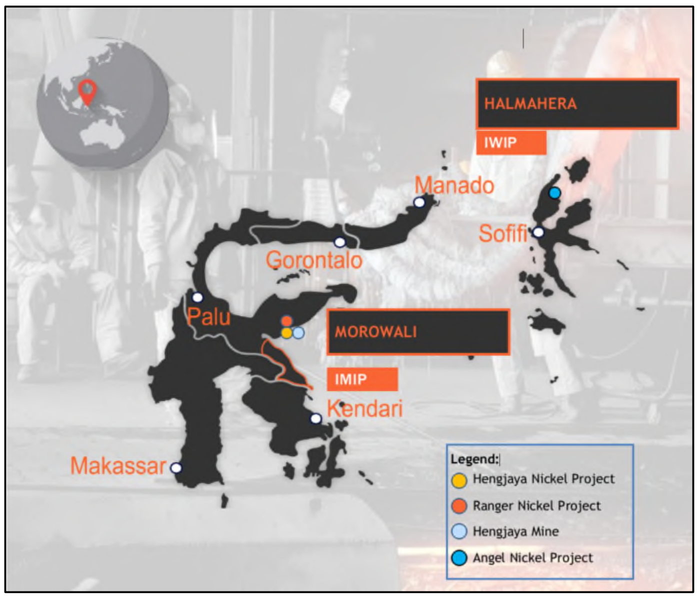
- ***Hengjaya Nickel Project***: located within the IMIP, the Hengjaya Nickel Project comprises two RKEF lines with an aggregate nameplate production capacity of 15,000 NiEq tonnes per annum. For the year ended December 31, 2020, this project exceeded its aggregate nameplate production capacity by approximately 43%, producing 21,514 NiEq tonnes.
- ***Ranger Nickel Project***: also located within the IMIP, the Ranger Nickel Project similarly comprises two RKEF lines with an aggregate nameplate production capacity of 15,000 NiEq tonnes per annum. For the year ended December 31, 2020, this project exceeded its nameplate production capacity by approximately 47%, producing 22,107 NiEq tonnes.
- ***Hengjaya Mine***: a long-life, high-grade nickel laterite deposit located approximately 12 kilometers from the IMIP, with a JORC compliant resource of 185 dmt at 1.3% nickel including 39.7 dmt at 1.8% nickel. Since December 2018, all of the Hengjaya Mine's nickel ore production has been used as an input in the Hengjaya Nickel Project and the Ranger Nickel Project, representing approximately 40% of the nickel ore required by the Hengjaya Nickel Project and the Ranger Nickel Project during the year ended December 31, 2020.

As of the date of this Offering Memorandum, we also own a 30% indirect equity interest in the Angel Nickel Project, an NPI producing project being constructed within the IWIP, located on Halmahera Island in Indonesia's North Maluku province, which is contractually required to be commissioned by October 16, 2022. Pursuant to our binding agreement with Shanghai Decent, we are committed to acquire an additional 50% indirect equity interest in the Angel Nickel Project by December 31, 2021, which will take our total indirect equity interest in the Angel Nickel Project to 80%. Once completed, the Angel Nickel Project will comprise four RKEF lines, with an aggregate nameplate production capacity of 36,000 NiEq tonnes per annum, as well as a captive 380 MW power plant and ancillary facilities required for the operation of each of the RKEF lines and the power plant.

As of December 31, 2020, our aggregate nameplate production capacity totalled 30,000 NiEq tonnes per annum (24,000 NiEq tonnes per annum attributable nameplate production capacity). Following our completion of the Angel Nickel Acquisition and the commissioning of the Angel Nickel Project, our aggregate nameplate production capacity is expected to more than double to a total of 66,000 NiEq tonnes per annum (52,800 NiEq tonnes per annum attributable nameplate production capacity), which would place us among the top-ten largest nickel producers globally by production capacity based on market data provided by Wood Mackenzie.

Our NPI-producing assets are integrated into some of the world's largest nickel production centers in terms of production output: the IMIP, which is the largest producer of processed nickel globally and the fourth largest producer of stainless steel by production capacity with a current production capacity of 3.0 million tonnes of stainless steel per annum, and the IWIP, which began operations in 2020 and is expected to be the third largest producer of processed nickel globally by 2023, according to Wood Mackenzie.

The map below shows the location and extension of our current operations, including the Angel Nickel Project:



Despite only reaching a steady-state level of operations at our existing facilities in the fourth quarter of 2019, we have been able to leverage our structural competitive advantages to expand our business in a sustainable manner while maintaining a high level of operating and financial performance. Our sales revenue has increased from U.S.$64.9 million for the fiscal year ended June 30, 2019 to U.S.$523.5 million for the fiscal year ended December 31, 2020. Meanwhile, our profit after tax has increased from U.S.$71.8 million for the fiscal year ended June 30, 2019 to U.S.$153.7 million for the fiscal year ended December 31, 2020, and our EBITDA has increased from U.S.$23.0 million for the fiscal year ended June 30, 2019 to U.S.$197.1 million for the fiscal year ended December 31, 2020. As of March 9, 2021, our market capitalization was A$3.4 billion (approximately U.S.$2.6 billion).

Strengths

We believe that we have the following key competitive strengths:

Growing part of the global nickel supply chain within the Tsingshan group's world-leading stainless-steel production facilities

Our operations are integrated within the leading IMIP and IWIP industrial parks in Indonesia, which are some of the world's largest nickel production centers in terms of production output. The IMIP, where the Hengjaya

Nickel Project and the Ranger Nickel Project are located, is the largest producer of processed nickel globally and among the world's largest vertically integrated stainless-steel production centers, with a current production capacity of 3.0 million tonnes of stainless steel per annum, according to Wood Mackenzie. The IWIP, where the Angel Nickel Project is to be located, began operations in 2020 and is expected to be the third largest producer of processed nickel globally by 2023, according to Wood Mackenzie.

Both the IMIP and the IWIP are operated by the Tsingshan group. As a result, we have become a growing part of the Tsingshan group's global stainless-steel supply chain. NPI comprises approximately 65% of the stainless-steel mix by volume, and the NPI that we produce at our RKEF plants is either "hot-charged" in molten form as a feedstock into the Tsingshan group's stainless steel production facilities at the IMIP (and, in the future, the IWIP), or exported in the form of ingots to feed the Tsingshan group's stainless steel operations in China. In addition, between 2015 and 2020, the Hengjaya Mine has produced between 300 kt to 800 kt of nickel ore per year, with this volume expected to increase above 1.5 mt per year over the near-to-medium term as a result of various expansion initiatives that we have implemented at the Hengjaya Mine over the last 12 months.

Moreover, the Tsingshan group also provides us with access to utilities and logistics to support our operations, such as the supply of power, raw materials and other consumables, as well as access to port facilities and ancillary services required for our NPI operations – for example, training for our staff and providing support and maintenance services, among others. As a result, we derive significant benefits from the Tsingshan group's large scale, vertical integration and logistics management. In particular, we benefit from access to the Tsingshan group's large supply base, which it obtains at favorable prices due to their large scale and greater bargaining power with suppliers, thus yielding cost savings and other optimizations and efficiencies for our operations.

Critically, Shanghai Decent has contractually committed to purchase all of the NPI produced by the Hengjaya Nickel Project, the Ranger Nickel Project and the Angel Nickel Project at the average price for NPI in China. This provides us with greater assurance of offtake for the NPI that we produce, which we believe translates into a relatively more stable and predictable revenue stream.

Established partnership with one of the world's largest stainless-steel producers

We maintain a mutually beneficial partnership with the Tsingshan group that is of critical importance to our business and forms the foundation for our successful growth.

We are strongly aligned with the Tsingshan group in many ways, which underpins our mutual strategic partnership:

- through Shanghai Decent and its associates, the Tsingshan group currently holds an approximately 18% shareholding in our Company, and therefore has a flow-through economic interest in our performance;
- through Shanghai Decent, the Tsingshan group holds a 20% indirect equity interest in the Hengjaya Nickel Project and the Ranger Nickel Project, and this ownership model is expected to be replicated for the Angel Nickel Project, thus further aligning performance incentives with our mutual interests; and
- NPI output from our RKEF projects is used as a key input in the Tsingshan group's stainless-steel operations within the IMIP and, after the Angel Nickel Project commences production, the IWIP.

The Tsingshan group controls the largest stainless steel production capacity globally (with the exception of the combined capacity of Chinese state owned enterprises) according to Wood Mackenzie, and is ranked in the Fortune Global 500 list. They were one of the pioneers of the RKEF process, are now a leading player in the Indonesian NPI industry and a global leader in NPI processing technology, according to Wood Mackenzie. Among its achievements, the Tsingshan group successfully implemented the argon oxygen decarburization process, which incorporates the direct hot-charging of NPI into the stainless-steel production process. This removes the time required to cool the NPI and eliminates the energy required to re-heat it before feeding into the stainless-steel plant, thus resulting in significant cost savings. Our partnership with the Tsingshan group has allowed us to benefit from their advanced RKEF process, which has allowed us to produce NPI at a significant cost advantage relative to most other NPI producers.

As a result of our relatively strong alignment of interests, the Tsingshan group has supported our operations by providing us with technology, supplies and ancillary services, among others, which has allowed us to maximize efficiencies, as well as a commitment to purchase all offtake of NPI produced by the Hengjaya Nickel Project, the Ranger Nickel Project and the Angel Nickel Project based on the average prices for NPI in China.

One of the largest nickel producers globally by capacity

Since producing our first batch of NPI in 2019, we have become a globally significant, low cost producer of NPI, a key ingredient in the production of stainless steel. Following our completion of the Angel Nickel Acquisition and the commissioning of the Angel Nickel Project, our aggregate nameplate production capacity is expected to more than double to a total of 66,000 NiEq tonnes per annum (52,800 NiEq tonnes per annum attributable nameplate production capacity), which would place us among the top-ten largest nickel producers globally by production capacity based on market data provided by Wood Mackenzie. We believe that the scale of our operations provides us with a key competitive advantage relative to our peers.

Lower quartile operating costs reflecting advantages of integrated production chain

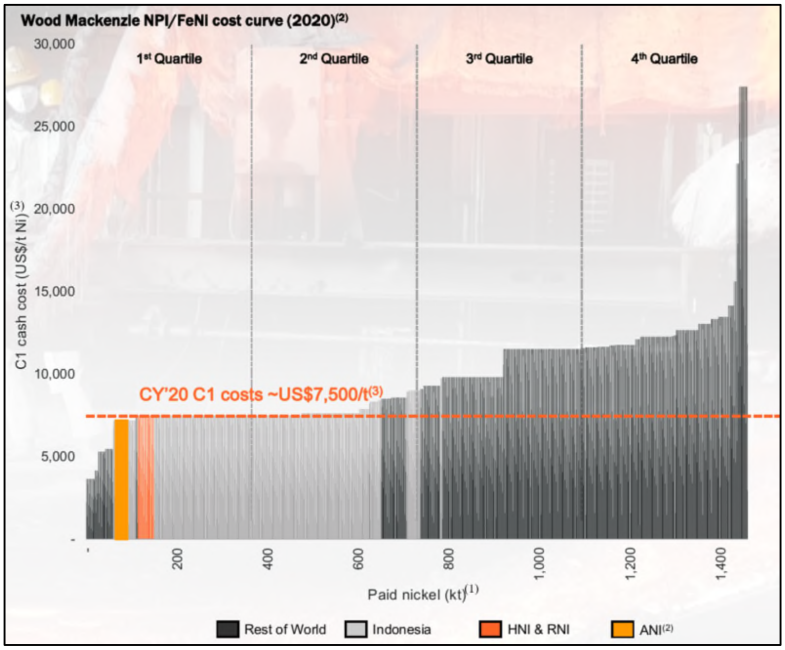
The IMIP and the IWIP are competitively positioned on the global nickel cost curve, thus placing our operations within the lowest cost quartile of nickel producers globally, according to Wood Mackenzie. In addition, as a result of our nickel ore sales from the Hengjaya Mine, we enjoy a partial natural hedge against higher nickel ore costs within our NPI operations that can result from a rising LME nickel price. This provides us with a relative degree of protection from downside fluctuations in nickel prices.

Our competitive operational cost structure is underpinned by the following key factors:

- the ability to source an abundance of local, higher grade (> 1.7% nickel grade) nickel ore, which is now restricted from export as a result of the Indonesian Government’s ban on the exportation of unprocessed nickel ore;
- the availability of competitive electricity costs stemming from the IMIP’s purpose-built 3GW coal-fired power generation plant; and
- the vertically integrated nature of operations within the IMIP, which delivers significant cost savings and other optimizations and efficiencies as a result of the supply by the Tsingshan group and its affiliated companies of the logistics, utilities, including access to port facilities, and power and consumables required to operate our RKEF plants in the IMIP.

The Angel Nickel Project is expected to provide us with further structural cost advantages, as its 380MW captive power plant which will supply power to IWIP is expected to result in approximately 20% in power cost savings for us as compared to our current operations. According to Wood Mackenzie, the Angel Nickel Project is expected to be one of the lowest-cost nickel producers globally. We believe this will allow us to a enjoy further margin advantage over other NPI producers and provide us with an additional degree of protection against downturns in the nickel price cycle.

These cost advantages are illustrated by the cost curve analysis below:



Source: Industry Report prepared by Wood Mackenzie. See Appendix A to this Offering Memorandum.

Notes:

(1) Paid nickel refers to the price paid for nickel in U.S. dollars adjusted to a 100% nickel basis.

(2) ANI cost curve position based on Wood Mackenzie 2023 forecasts of 28.8 kt of paid metal and U.S.$7,218.6 per tonne of nickel.

(3) C1 Costs presented as the average for the year ended December 31, 2020. C1 Cash Cost refers to a standard metric used in the nickel industry as a reference point to denote the basic cash costs of running a nickel operation to allow a comparison across the industry, and includes costs incurred in mining and processing (such as labor, power, reagents, materials) nickel, plus local general and administrative expenses, freight and realization and selling costs.

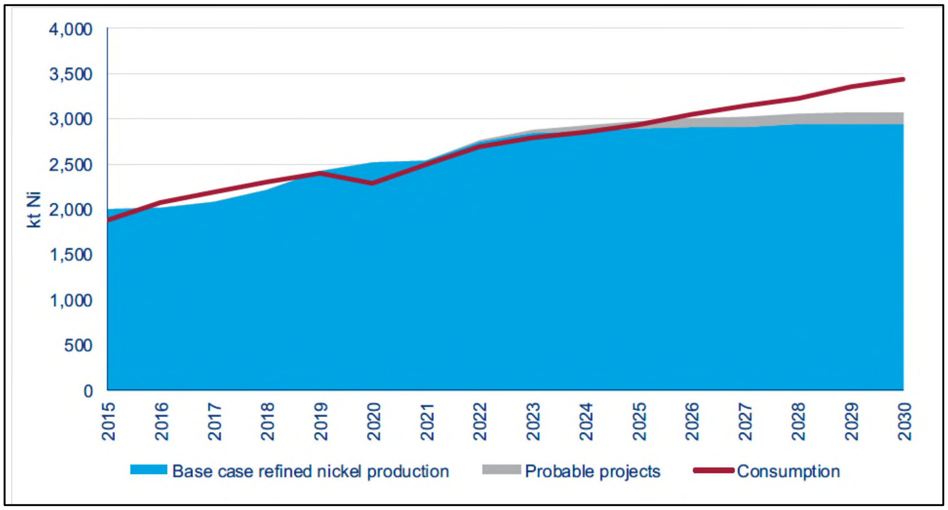
Beyond our structural cost advantages, we also undertake efficiency-maximizing initiatives to unlock the full strategic value of our operations and maintain our cost-competitive position. For example, our improvements at the Hengjaya Mine have decreased our mining costs by approximately U.S.$20 per tonne since November 2020. These efforts have included, among others, the expansion of our jetty to increase barge capacity and shipment frequency. In addition, we are constructing a direct haul road from the Hengjaya Mine to the IMIP which we believe will lead to further cost savings.

We believe that the lower-cost base of the IMIP and the IWIP operations, of which we are a part, along with the technical expertise we have derived from the Tsingshan group's advanced RKEF process, provide us with a distinct competitive advantage and can act as a significant barrier to entry for new producers of NPI outside of the IMIP and the IWIP.

Well-positioned to capitalize on favorable supply/demand dynamics underpinning the nickel market

According to Wood Mackenzie, the outlook for the NPI market currently exhibits favorable supply/demand fundamentals. According to Wood Mackenzie, global stainless-steel production grew by around 5.4% compound annual growth rate between 2015 and 2019, reaching 52.3 Mt in 2019, with most of that growth originating in China. Stainless steel production capacity is heavily concentrated in China, with over 50% of global capacity residing there. While Chinese and Indonesian production continued to grow in 2020, production contracted in other regions due to the COVID-19 pandemic and global stainless-steel production fell to 50.8 Mt in 2020. Wood Mackenzie expects primary nickel uptake in stainless steel to increase from 1.61 Mt in 2020 to 1.94 Mt in 2030, representing a 1.9% compound annual growth rate.

The graph below sets forth Wood Mackenzie's forecast of global nickel supply and demand from existing operations and identified probable projects:



Source: Industry Report.

Wood Mackenzie expects that demand for nickel will continue to be dominated by stainless steel. It also expects that the market will require around 500 kt of new nickel supply by 2030, of which only 130 kt are expected to be provided by projects within Wood Mackenzie's "probable" category. Therefore, it expects that a further 368 kt of new nickel supply, from as yet unidentified resources, will be needed by 2030. Given our significant planned capacity, we believe that we are well-positioned to capitalize on these favorable supply/demand dynamics underpinning the nickel market.

Proven commissioning and production expansion track record, with the Angel Nickel Project as the next growth leg for our business

Since 2019, we have built a business within the IMIP with attributable nameplate production capacity of 24,000 NiEq tonnes per annum and aggregate nameplate production capacity of 30,000 NiEq tonnes per annum, with each of our existing RKEF projects having been commissioned ahead of schedule. The Hengjaya Nickel Project produced its first batch of NPI in January 2019, less than 12 months after ground was broken. The Ranger Nickel Project produced its first batch of NPI in May 2019 after a similar construction timeframe.

Since the ramp-up of our operations, we have operated each of our existing RKEF projects above their respective nameplate production capacity of 15,000 NiEq tonnes per annum, with the Hengjaya Nickel Project having produced over 21,500 NiEq tonnes in 2020 at an average cash cost of U.S.$7,340 per tonne, and the Ranger Nickel Project having produced over 22,200 NiEq tonnes in 2020 at an average cash cost of U.S.$7,327 per tonne. At the same time, we have demonstrated a strong track record of maintaining relatively stable production and cash costs at both of our RKEF projects.

The Angel Nickel Acquisition and the commissioning of the Angel Nickel Project are expected to more than double our nameplate production capacity by 2022, bringing our aggregate nameplate production capacity to a total of 66,000 NiEq tonnes per annum (52,800 NiEq tonnes per annum attributable nameplate production capacity). The Angel Nickel Project will also increase our geographic diversity, given that the project is located within the IWIP on Halmahera Island, Indonesia. First production at the Angel Nickel Project is contractually required to be fully operational by October 2022, although we will aim to commence production at the Angel Nickel Project ahead of schedule as we have done with our other existing RKEF projects.

Conservative capital structure and high cash conversion supporting the expansion of our operations and sustainable, robust profitability

We conduct our operations within a strong financial framework underpinned by robust financial risk management policies and processes. We believe these factors have allowed us to maintain a strong balance sheet despite the rapid rate of our growth in recent years. As of December 31, 2020, we had U.S.$351.4 million in cash and U.S.$45 million of debt outstanding under a debt facility instrument, which we have subsequently repaid in full. Consistent with our conservative capital structure and prudent financial framework, we are now debt free and no longer have any debt facilities in place. This demonstrates a successful history of debt repayment which we intend to carry on into the future.

In addition, the Hengjaya Nickel Project and the Ranger Nickel Project currently benefit from tax concessions granted by the Indonesian Government that effectively sees both projects paying zero corporate income tax for seven years until 2026, with an additional two-year period thereafter where our RKEF projects will enjoy a 50% discount to the prevailing Indonesian corporate tax rate. The Angel Nickel Project is also expected to be granted the same or similar tax concessions once it is commissioned. These material tax concessions combined with our low levels of sustaining capital expenditures has resulted in high cash flows from operating activities, since reaching our steady-state operations. For the fiscal year ended December 31, 2020, we derived U.S.$150.0 million in cash flows from operating activities. For the six months ended December 31, 2019 and for the fiscal year ended June 30, 2019, we derived U.S.$38.2 million and U.S.$4.1 million, respectively, in cash flows from operating activities.

The graphic below sets forth certain financial and operating highlights from our results for the year ended December 31, 2020 (figures shown in U.S.$ million):

Notes:

(1) We define Opex as our sales revenue minus our EBITDA. Opex is not a measure derived in accordance with IFRS. For a reconciliation of Opex to our sales revenue, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-IFRS Metrics — Opex".

(2) We define EBITDA as profit/(loss) for the year or period, plus income tax expense, withholding tax, less reversal of income tax expenses, plus net financial income/(expense) and depreciation and amortization expense. EBITDA is not a measurement of financial performance or liquidity under IFRS. For a reconciliation of EBITDA to profit/(loss) for a period, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-IFRS Metrics — EBITDA and Attributable EBITDA".

(3) Based on nickel production in 2020 from HNI and RNI on a 100% basis of 43,621.1 tonnes.

(4) Does not give effect to non-controlling interests.

(5) Free Operating Cash Flow / EBITDA is a non-IFRS measure. For a reconciliation of EBITDA to profit/(loss) for a period, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-IFRS Metrics — EBITDA and Attributable EBITDA". For a reconciliation of Free Operating Cash Flow to net cash from/(used in) operating activities for a period, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-IFRS Metrics — Free Operating Cash Flow".

Proven and highly experienced management team

We have a highly experienced management team with a successful track record of executing our growth and development strategies. This team includes Norman Seckold, our Deputy Chairman, with over 35 years of full time management experience of natural resource companies both in Australia and overseas. Additionally, our Managing Director, Justin Werner, has been involved in the mining industry for 20 years including being a founding partner of PT Gemala Borneo Utama, a private Indonesian exploration and mining company. Our Chief Financial Officer and Executive Director, Peter Nightingale, has been responsible for the financial control, administration, secretarial and in-house legal functions of a number of private and public listed companies for over 30 years across Australia, the United States and Europe. Further, our Chief Development Officer, Zhao (Rachel) Fanfan, has obtained over 15 years of investment experience in China and overseas, and was involved in the establishment of the IMIP. Ms. Zhao has been a key contributor to the establishment and growth of the collaboration between us and the Tsingshan group.

Our management team has guided us from solely owning an 80% indirect equity interest in the Hengjaya Mine in 2009, to progressively stepping up our acquisition of indirect equity interests in the Hengjaya Nickel Project and the Ranger Nickel Project to 80% at present, and entering into the agreement with the Tsingshan group to acquire an 80% indirect equity interest in the Angel Nickel Project by the end of 2021. Specifically, they have demonstrated a strong track record for project delivery, with the Hengjaya Nickel Project and the Ranger Nickel Project completing construction and ramp-up in a timely fashion and consistently exceeding nameplate production capacity since ramp-up while maintaining stable and competitive operating costs. We believe that the experience of our management team in developing the Hengjaya Nickel Project and the Ranger Nickel Project, and fostering the relationship we have with the Tsingshan group will contribute to the ongoing success of our future operations.

Strategies

The main elements of our business strategy include the following:

Complete our acquisition of the Angel Nickel Project and commence operations

On November 24, 2020, we executed a binding definitive agreement with Shanghai Decent to acquire a 70% indirect equity interest in the Angel Nickel Project, a development project within the Indonesia Weda Bay Industrial Park on Halmahera Island in Indonesia's North Maluku province. On January 20, 2021, we announced an increase in our planned acquisition stake from 70% to an 80% indirect equity interest in the Angel Nickel Project.

We have already acquired our initial 30% indirect equity interest in the Angel Nickel Project, having completed the remaining first acquisition payment of U.S.$180 million in January 2021, together with an earlier deposit of U.S.$30 million for a total first acquisition consideration of U.S.$210 million, and we expect to complete the second stage acquisition payment of U.S.$350 million by December 31, 2021. If the second stage acquisition payment is completed on or before June 30, 2021 we will pay a reduced consideration of U.S.$344 million.

Site preparations and foundation works for construction of the Angel Nickel Project are currently underway. Once completed, the Angel Nickel Project is planned to comprise (a) four RKEF lines, with an aggregate nameplate production capacity of 36,000 NiEq tonnes per annum; (b) a captive 380MW power plant which will supply power to IWIP; and (c) ancillary facilities required for the operation of each of the RKEF lines and the power plant. Commissioning is contractually required to occur by October 16, 2022.

The Angel Nickel Project is also expected to have relatively low operating costs, and will increase our geographic diversification of NPI production. As a joint collaboration with Shanghai Decent, we also expect the Angel Nickel Project to further strengthen our relationship with Tsingshan group. Similarly to the Hengjaya Nickel Project and the Ranger Nickel Project, Shanghai Decent has committed to purchase, and we have agreed to sell, all offtake of NPI produced by the Angel Nickel Project at the average price of NPI in China.

Evaluate and selectively pursue growth opportunities

We will continue selectively evaluating opportunities to expand the scale and scope of our operations, including, but not limited to new acquisitions, joint ventures, as well as vertical integration opportunities. With regard to upstream operations, we may seek to acquire additional mining assets that are located in regions other than our existing Hengjaya Mine with the objective of securing additional strategic ore resources for the IMIP and/or the IWIP. We may also consider downstream acquisitions, including smelters, to the extent that they would beneficially complement our operations, meet our targeted returns on invested capital, and potentially increase our margins.

We may use debt, cash, equity, or a combination of all three, in order to finance any such acquisitions.

Continue to implement initiatives to keep costs structurally low, increase operational efficiencies and exercise prudent financial management and flexibility

We plan to continue to undertake initiatives to develop the Hengjaya Mine, our RKEF plants and associated infrastructure in order to maintain our cost-competitive position and maximize our profitability. For example, construction is currently underway on a haul road from the Hengjaya Mine to the IMIP, with over nine kilometers already completed out of the total 16 kilometers of pilot road already planned. We expect this will reduce haulage costs for our nickel ore, which is currently transported by barges to the IMIP, as well as the related risks involved with barge transit.

We also seek to maintain a conservative financial position and intend to maintain the financial flexibility to pursue opportunities that fit our operating profile and support our long-term growth strategies. For example, we currently have no plans to take on any additional indebtedness beyond the Notes being offered hereby. We intend to continue to prioritize financial management and focus on maintaining healthy operating cash flows in order to allow us to continue to ramp up our NPI production and achieve long-term sustainable growth.

Maintain compliance with all applicable environmental laws, promote high safety standards and deepen commitment to the community

We promote compliance with all laws, rules and regulations applicable to our operations, including environmental laws. We are subject to environmental regulations in Indonesia, and we regularly monitor compliance with those regulations which mandate, among other things, the establishment of adequate environmental protection and enhancement measures, including safety and housekeeping, and implementation of progressive rehabilitation of mined-out areas. As a key focus area for our operations, we perform environmental rehabilitation at waste dump areas and participate in numerous local and regional environmental rehabilitation programs, including regional forestry rehabilitation projects. In 2020, we were included as one of the "blue" ranked companies by the Indonesian Minister of Environment and Forestry, indicating that we were considered to have complied with all applicable environmental regulations based on the Minister of Environment and Forestry's assessment.

We are also concerned for the welfare of our nearby local communities and related stakeholders. As another key focus area for us, we are committed to working with the local village populations assisting with basic health checks, health and hygiene education, first aid and education in reducing the use of plastics in day to day living.

Recent Developments

Increase in the Angel Nickel Project equity stake to be acquired

In January 2021, we announced an amendment to the earlier binding definitive agreement with the Tsingshan group to increase our equity stake in the Angel Nickel Project from 70% to 80%. The acquisition price was correspondingly adjusted upwards by U.S.$70 million, increasing the total consideration payable from U.S.$490 million to U.S.$560 million. For more information, see "Our Partnership with the Tsingshan Group — Our Material Agreements with Shanghai Decent — Angel Nickel Project".

Acquisition of 30% indirect equity interest in the Angel Nickel Project

In February 2021, we completed the initial acquisition of a 30% indirect equity interest in the Angel Nickel Project, following the remaining payment of U.S.$180 million, together with an earlier deposit of U.S.$30 million for a total first acquisition consideration of U.S.$210 million, out of a total purchase price of U.S.$560 million for the acquisition of a total 80% indirect equity interest in the Angel Nickel Project.

Repayment of outstanding indebtedness

In January 2021, we fully repaid the remaining U.S.$45 million under our only debt facility instrument outstanding as of December 31, 2020. As a result, we no longer have any current or non-current borrowings outstanding as of the date of this Offering Memorandum. For more information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Indebtedness".

Amendments to NPI Reference Price in Offtake Agreements

In January 2021, we also announced an amendment to our agreements with Shanghai Decent which changed the reference price for the NPI produced at the Hengjaya Nickel Project and the Ranger Nickel Project and sold to Shanghai Decent from the LME nickel price to the average price of NPI in China. We believe this development is in line with our past practice and tracks the recent evolution of the nickel market, with the pricing of specific nickel products increasingly driven by their own supply/demand fundamentals rather than the prices of nickel ore.

COVID-19 pandemic

In December 2019, a novel strain of the coronavirus (also known as COVID-19), was reported to have surfaced in Wuhan, China. COVID-19 has since spread to over 200 countries and territories and has been declared a pandemic by the World Health Organization. The current COVID-19 pandemic and the preventative or protective actions that governments around the world have taken to counter the effects of the pandemic have resulted in a period of business disruption and a decrease in economic activity in several countries, including in Indonesia and countries where our suppliers, customers and third-party contractors are located. As a result, the current COVID-19 pandemic has led to uncertainty in the global economy and significant volatility in global financial markets. In addition, since March 2020, the Indonesian Government has issued several regulations in response to the current COVID-19 pandemic in order to contain the spread of the virus across the country as well as curb the negative financial impact of the outbreak on the country's economy. For example, on March 31, 2020, the Indonesian Government issued Indonesian Government Regulation in lieu of law (*Perppu*) No. 1/2020 (which remains subject to ratification by the Indonesian

Parliament), providing that the income tax rate for corporations shall be reduced from 25.0% to 22.0% for 2020 and 2021, and shall be further reduced to 20.0% from 2022 onwards.

Although we have not yet observed any material direct impacts on our operations from the COVID-19 pandemic, the indirect impacts we have observed to date have included periods of significant volatility in financial, commodities and other markets. For example, in the first quarter of 2020, the nickel price dropped to U.S.$11,000 per tonne caused by the COVID-19 outbreak and the resulting fragile industrial demand. Such volatility, if it continues, could have an adverse impact on our suppliers, businesses, financial condition and results of operations.

Although there have been no confirmed cases of COVID-19 in our work sites to date, the COVID-19 pandemic has nonetheless created new challenges in maintaining the health and safety of our employees. We have been monitoring developments relating to the COVID-19 pandemic, and we have implemented strict access controls and procedures in order to mitigate the potential impact of COVID-19 on the health and wellbeing of our employees. These have included:

- regular temperature checks and symptom screenings carried out prior to every shift;
- personal protective equipment, hygiene and monitoring of workers health conducted daily;
- mine site medical clinic with additional medical supplies, medical staff and quarantine rooms;
- work rosters being rescheduled to ensure the continuation of normal operations; and
- restrictions on nonessential movements in and out of the Hengjaya Mine.

We continue to proactively identify and manage the challenges presented by the COVID-19 pandemic, with a focus on protecting our people, working closely with our key stakeholders to ensure operational continuity and preparing our business for future scenarios that may result from the COVID-19 pandemic.

Addressing the disruptions caused by COVID-19 has required our senior management team and staff to devote time and resources to address the impact of the pandemic on our business. For example, the Tsingshan group's operations at the IWIP experienced worker demonstrations during the COVID-19 pandemic in May 2020, including demonstrations from workers demanding a lockdown of the IWIP during that period. The occurrence of similar types of worker demonstrations at our operations in the future could adversely affect our business.

Nonetheless, our operating performance was largely unaffected throughout the calendar year 2020. Our workforce is made up of more than 90% local employees from the surrounding community, which has allowed us to continue our operations despite the border closures by the Indonesian Government of Central Sulawesi in March 2020.

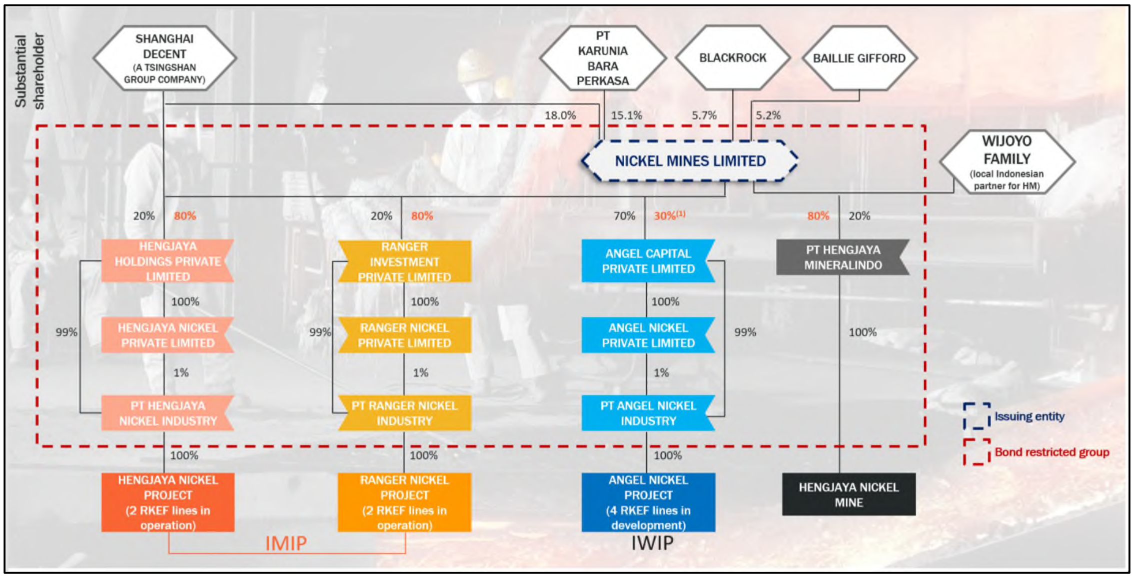
Given the ongoing and dynamic nature of the circumstances surrounding the COVID-19 pandemic, it is difficult to predict the impact of the COVID-19 pandemic on our business or operations, and there is no guarantee that our efforts to address the adverse impacts of COVID-19 will be effective.

There continues to be considerable uncertainty as to the duration and further impact of the COVID-19 pandemic, including, but not limited to, government, regulatory or health authority actions, work stoppages, lockdowns, quarantines, and travel restrictions in Australia, China and Indonesia in particular, as well as globally. It is also possible that the Indonesian Government may shut down all operating work sites, even without a positive case of COVID-19. A suspension of business operations will affect our overall operations and operating results. The quarantining of our employees and contractors may affect our overall operations, investments and operating results. However, given the rapidly changing implications of the spread of COVID-19, it is difficult to assess its impact on our business and results of operations at this time. To the extent the current COVID-19 pandemic adversely affects us, it may also significantly increase the effect of the aforementioned factors affecting our business and results of operations.

See "Risk Factors — Factors affecting our Business and Results of Operations — COVID-19 Pandemic" and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Factors affecting our Business and Results of Operations — COVID-19 pandemic".

Corporate Structure

The organizational chart below shows our corporate structure as of December 31, 2020:



Note:

(1) As of the date of this Offering Memorandum, we hold a 30% indirect equity interest in the Angel Nickel Project. Pursuant to our binding definitive agreement with Shanghai Decent, we will acquire an additional 50% indirect equity interest in the Angel Nickel Project, following which our total indirect equity interest in the Angel Nickel Project will increase to 80%.

Corporate Information

Our full legal name is Nickel Mines Limited. Our headquarters are located in Level 2, 66 Hunter Street, Sydney, NSW, 2000 Australia. Our board of directors and executive team perform their activities from various locations across the world. Our website is www.nickelmines.com.au/. Information provided on our website is not part of this Offering Memorandum and is not incorporated by reference herein.

History

We were incorporated on September 12, 2007, under the laws of the State of New South Wales, Australia, with the objective of acquiring, exploring and developing nickel projects. After a period focusing on other opportunities, in December 2009, we entered into an agreement to acquire an 80% equity interest in the share capital of PT Hengjaya, the owner of 100% of the Hengjaya Mine, with the remaining 20% interest owned by members of Indonesia's Wijoyo family.

We commenced our mining operations at the Hengjaya Mine in October 2012 and made a maiden shipment of nickel laterite in February 2013. A number of vessels containing high grade nickel laterite (at an average grade of 1.98% nickel) were sold into China and Japan in 2013. However, when the Indonesian Government formally enacted a ban on the direct shipping of unprocessed minerals in January 2014 (including exports under a grade of 4% nickel), mining at the Hengjaya Mine temporarily ceased. Mining operations at the Hengjaya Mine were recommenced in October 2015 following the signing of a series of offtake agreements to supply nickel ore to Tsingshan group companies within the IMIP.

In September 2017, we executed a Collaboration and Subscription Agreement with the Tsingshan group with respect to the funding and construction of the Hengjaya Nickel Project. We produced our first batch of NPI in January 2019 and have quickly expended our operations to become a globally significant player in the NPI industry.

The following table sets forth a number of key milestones in our history.

Date	Events
September 2007	Incorporated under the laws of Australia.
December 2009	Agreement to acquire our equity interests in the Hengjaya Mine.
March 2012	Acquisition of our equity interests in the Hengjaya Mine.
October 2012	Commencement of mining operations at the Hengjaya Mine.
September 2017	The Company entered into a Collaboration and Subscription Agreement with Shanghai Decent to construct the Hengjaya Nickel Project within the IMIP.
April 2018	Acquisition of an initial 25% indirect equity interest in the Hengjaya Nickel Project for U.S.$50 million.
August 2018	The Company listed on the ASX, raising A$200 million.
September 2018	The Company increased its indirect equity interest in the Hengjaya Nickel Project from 25% to 60%. The additional 35% was acquired for U.S.$70 million.
November 2018	Collaboration Agreement with Shanghai Decent to acquire up to 80% indirect equity interest in the Ranger Nickel Project. The Company initially acquired a 17% indirect equity interest for U.S.$50 million.
January 2019	First batch of NPI produced at our the Hengjaya Nickel Project
May 2019	Hengjaya Nickel Project's second RKEF kiln produced its first batch of NPI. The Ranger Nickel Project produced its first batch of NPI. The second kiln of the Ranger Nickel Project produced its first NPI.
August 2019	Increased indirect equity interest in the Ranger Nickel Project from 17% to 60% indirect equity interest for U.S.$121.4 million.
January 2020	Implementation of Indonesia's nickel ore export ban.
June 2020	Ownership of both the Hengjaya Nickel Project and the Ranger Nickel Project increased from 60% to 80% indirect equity interest. The Company paid Shanghai Decent U.S.$60 million for each acquisition of a 20% indirect equity interest.
August 2020	Declaration of a maiden interim dividend of A$0.01 per share.
November 2020	Signing of a binding Definitive Agreement to acquire a 70% (subsequently increased to 80%) indirect equity interest in the Angel Nickel Project.
December 2020	Successful completion of a A$364 million entitlement offer.
January 2021	Declaration of a final dividend of A$0.02 per share.

Date	Events
	Acquisition of an initial 30% indirect equity interest in the Angel Nickel Project.

Our NPI Business

We conduct our NPI business through the following RKEF operations:

- ***Hengjaya Nickel Project***: comprising two RKEF lines with an aggregate nameplate production capacity of 15,000 NiEq tonnes per annum located within the IMIP.
- ***Ranger Nickel Project***: similarly comprising two RKEF lines with an aggregate nameplate production capacity of 15,000 NiEq tonnes per annum located within the IMIP.

In order to expand our operations, we have also executed a binding definitive agreement with Shanghai Decent, a Tsingshan group company, to acquire an 80% indirect equity interest in the Angel Nickel Project, which will comprise four RKEF lines, with a combined annual nameplate production capacity of 36,000 NiEq tonnes per annum, a captive 380MW power plant, and ancillary facilities required for the operation of each of the RKEF lines and the power plant. We expect to complete our acquisition of the Angel Nickel Project by December 31, 2021, while commissioning is contractually required to occur by October 16, 2022. Upon our completion of the Angel Nickel Acquisition and the commissioning of the Angel Nickel Project, our aggregate nameplate production capacity is expected to more than double to a total of 66,000 NiEq tonnes per annum (52,800 NiEq tonnes per annum attributable nameplate production capacity), which would place us among the top-ten largest nickel producers globally by production capacity based on market data provided by Wood Mackenzie.

NPI Production Process

NPI is a low-grade ferronickel which initially gained popularity in China as a cheaper alternative to pure nickel and is now recognised as a widely used feedstock for the production of stainless steel.

We produce our NPI through the RKEF process, which consists of three main steps:

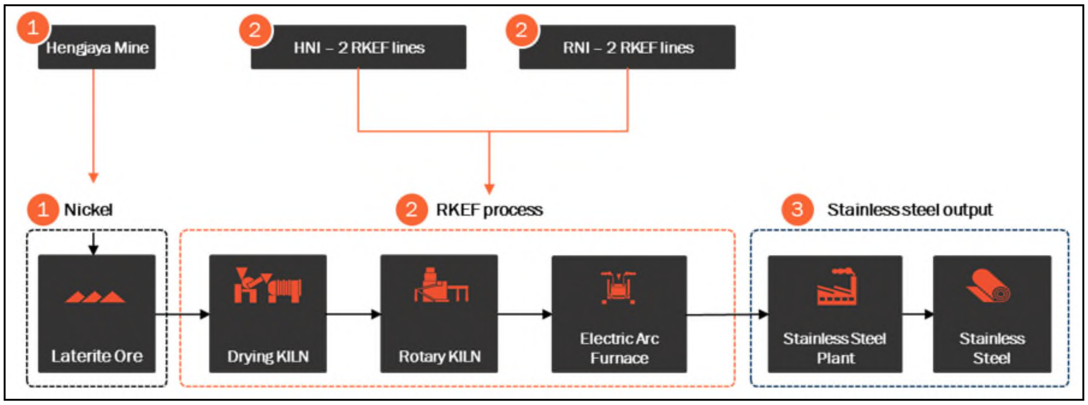
- *Calcination* – heating the ore in a drying kiln to remove water and volatile impurities.
- *Prereduction* – further heating of the ore in a rotary kiln in the presence of coke and limestone to reduce the ore (the reverse of oxidation).
- *Smelting* – in an electric arc furnace to produce molten NPI which can then be either direct charged to the stainless steel production process or formed into NPI bricks for export.

Our partnership with the Tsingshan group has also allowed us to benefit from the vertically integrated nature of operations within the IMIP, which delivers significant cost savings and other optimizations and efficiencies as a result of the supply by the Tsingshan group and its affiliated companies of the logistics, utilities, including access to port facilities, and power and consumables required to operate our RKEF plants in the IMIP.

The RKEF processing generally requires a higher-grade ore feed than blast furnace processing, so the Indonesian export ban has significantly assisted the large-scale adoption of RKEF processing in Indonesia, with an abundance of high-grade ore (i.e., higher than 1.7% nickel grade) no longer able to be exported. Planned maintenance on each of our RKEF plants is scheduled to occur at regular intervals of approximately 5 years.

A disadvantage of the RKEF process is its high energy usage, which can make it uncompetitive in regions with high energy prices. However, this has not yet presented a significant challenge for our operations due to the availability of low energy prices as a result of the abundance of relatively inexpensive coal resources near the IMIP. In addition, once commissioned, the Angel Nickel Project will feature its own captive 380MW power plant which will supply power to IWIP and is expected to generate power at approximately 20% lower cost to us than the price we pay at our existing operations.

A basic flowchart of the simplified RKEF and stainless-steel process is set out in the diagram below.



Since the ramp-up of our operations, NPI production at the Hengjaya Nickel Project and the Ranger Nickel Project has consistently exceeded their nameplate production capacity of 15,000 NiEq tonnes per annum each. The following table sets forth a summary of production from the Hengjaya Nickel Project and the Ranger Nickel Project for the respective periods indicated:

	Year ended June 30, 2019	Six months ended December 31, 2019	Six months ended June 30, 2020	Year ended December 31, 2020
NPI Production (tonnes)	42,105.8	152,408.4	148,999.8	295,896.7
NPI Grade (%)	13.7	13.8	14.4	14.7
NiEq Production (tonnes).........	5,787.7	20,987.9	21,395.2	43,621.1
NiEq Production Attributable to the Company (tonnes)(1).......	3,338.8	11,742.0	12,837.1	30,617.8

Note:

(1) NiEq Production Attributable to the Company is calculated as NiEq Production for the period multiplied by the Company's controlling interest percentage as of the end of the relevant period.

Hengjaya Nickel Project

The Hengjaya Nickel Project is a two-line 42 kVA RKEF plant located within the IMIP.

The Hengjaya Nickel Project produced its first batch of NPI in January 2019, less than 12 months after ground was broken at the project. By the September 2019 quarter, following the commissioning and ramp-up period across the first half of 2019, the Hengjaya Nickel Project's production run rate has comfortably exceeded its aggregate nameplate production capacity of 15,000 NiEq tonnes per annum and the targeted run rate of 16,500 NiEq tonnes per annum.

The table below shows production statistics for the Hengjaya Nickel Project for the periods presented:

	Year ended June 30, 2019	Six months ended December 31, 2019	Year ended December 31, 2020
NPI Production (tonnes)	39,628.7	80,481.1	145,926.7
NPI Grade (%)	13.8	13.6	14.7
NiEq Production (tonnes).....................................	5,476.5	10,957.2	21,514.1
NiEq Production Attributable to the Company[(1)] (tonnes)	3,285.9	6,574.4	15,080.9
Average RKEF Cash Cost (U.S.$ per tonnes of nickel)[(2)]	—[(3)]	7,653	7,340

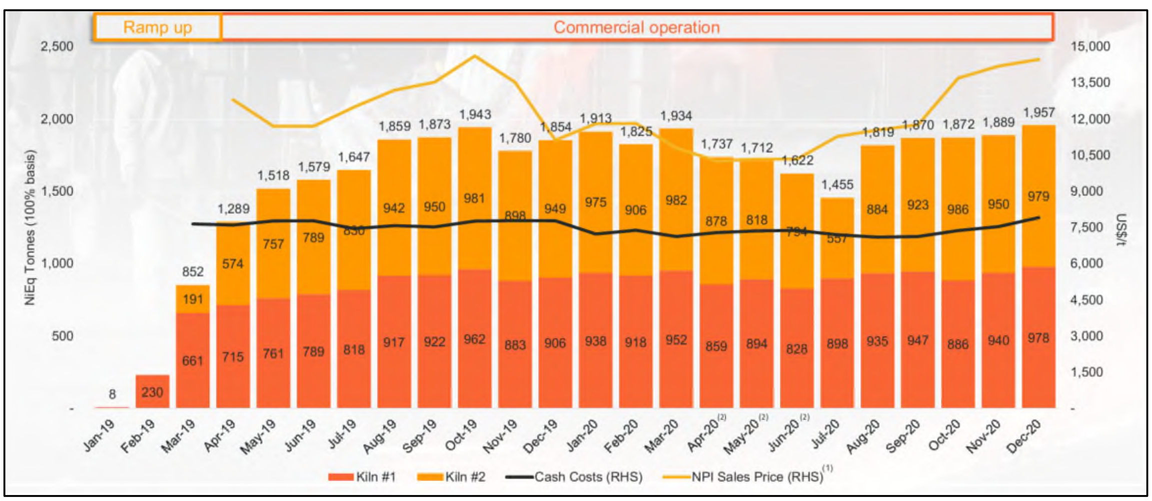
Notes:

(1) NiEq Production Attributable to our Company is calculated as NiEq Production for the period multiplied by the Company's controlling interest percentage as of the end of the relevant period.

(2) RKEF Cash Cost is a standard industry measure used by most major nickel companies which reflects the direct costs involved in producing each tonne of nickel, including related transportation costs. RKEF Cash Cost is calculated as U.S. dollars per tonne of payable nickel unit produced.

(3) During the year ended June 30, 2019, our RKEF facilities were still in the commissioning phase and were not producing any NPI.

The graphic below shows monthly production statistics for the Hengjaya Nickel Project for the calendar years 2019 and 2020:



We currently hold an 80% indirect equity interest in the Hengjaya Nickel Project via our 80% indirect equity interest in the share capital of Hengjaya Holdings Private Limited, a Singaporean company which owns 100% PT Hengjaya Nickel Industry, an Indonesian company which constructed, owns and operates the Hengjaya Nickel Project. The remaining 20% indirect equity interest in the Hengjaya Nickel Project is held by Shanghai Decent.

Designed and constructed by the Tsingshan group, we had originally acquired a 25% equity stake in the Hengjaya Nickel Project from the Tsingshan group in April 2018. We acquired a further 35% indirect equity interest in the Hengjaya Nickel Project in August 2019, and in June 2020, we further increased our indirect equity interest in the Hengjaya Nickel Project from 60% to 80%.

On October 16, 2018, our operations at the Hengjaya Nickel Project were granted material corporate income tax relief on the following basis:

- a corporate income tax reduction of 100% for a period of seven tax years, starting from the tax year in which commercial production is achieved (2019);
- a corporate income tax reduction of 50% of payable income tax for a period of two tax years, starting from the end of the initial seven year period; and
- exemption from withholding and tax collection by third parties on sales proceeds that would normally be remitted to the Indonesian Revenue Department for a period of seven years, also commencing from the tax year in which commercial production is achieved.

Ranger Nickel Project

The Ranger Nickel Project is a replication of the Hengjaya Nickel Project, and similarly operates a two-line 42 kVA RKEF plant with a similar nameplate production capacity and operational cost structure as the Hengjaya Nickel Project. It is also located within the IMIP.

The Ranger Nickel Project produced its first batch of NPI in May 2019, also ahead of its original schedule. By the fourth quarter of 2019, following the commissioning and ramp-up period across the end of the second quarter of 2019 and the third quarter of 2019, the Ranger Nickel Project's production run rate has comfortably exceeded its aggregate nameplate production capacity of 15,000 NiEq tonnes per annum and the targeted run rate of 16,500 NiEq tonnes per annum.

The table below shows production statistics for the Ranger Nickel Project for the periods presented:

	Year ended June 30, 2019	**Six months ended December 31, 2019**	**Year ended December 31, 2020**
NPI Production (tonnes)	2,477.1	71,927.3	149,969.0
NPI Grade (%)	12.6	13.9	14.7
NiEq Production (tonnes)	311.2	10,030.7	22,107.0
NiEq Production Attributable to the Company (tonnes)[(1)]	52.9	5,167.6	15,537.8
Average RKEF Cash Cost (U.S.$ per tonnes of nickel)[(2)]	—[(3)]	7,732	7,327

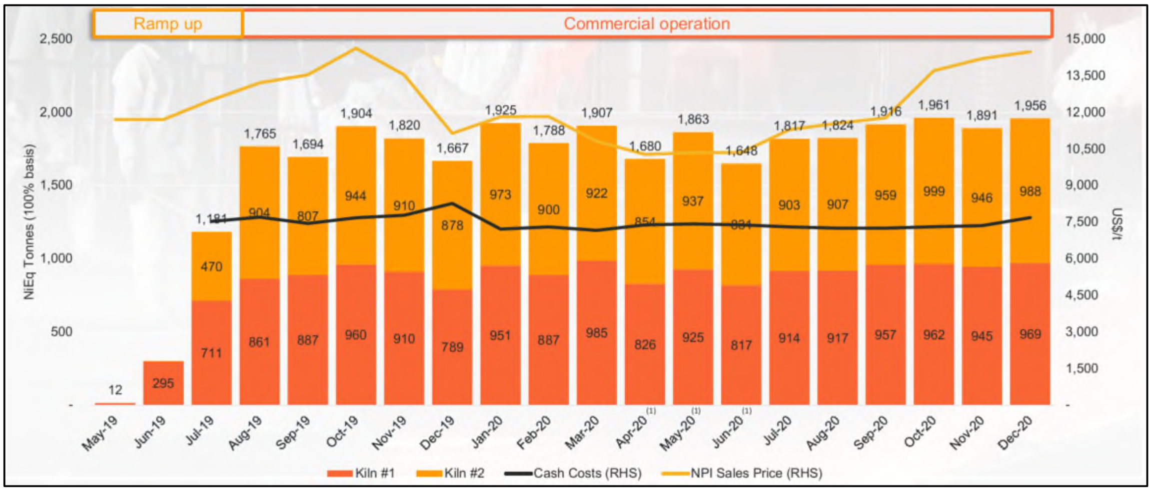
Notes:

(1) NiEq Production Attributable to our Company is calculated as NiEq Production for the period multiplied by the Company's controlling interest percentage as of the end of the relevant period.

(2) RKEF Cash Cost is a standard industry measure used by most major nickel companies which reflects the direct costs involved in producing each tonne of nickel, including related transportation costs. RKEF Cash Cost is calculated as U.S. dollars per tonne of payable nickel unit produced.

(3) During the year ended June 30, 2019, our RKEF facilities were still in the commissioning phase and were not producing any NPI.

The graphic below shows monthly production statistics for the Ranger Nickel Project for the calendar years 2019 and 2020:



We currently hold an 80% indirect equity interest in the Ranger Nickel Project via our 80% indirect equity interest in the share capital of Ranger Investment Private Limited, a Singaporean company which owns 100% PT Ranger Nickel Industry, an Indonesian company which constructed, owns and operates the Ranger Nickel Project. The remaining 20% indirect equity interest in the Ranger Nickel Project is held by Shanghai Decent.

Designed and constructed by the Tsingshan group, we had originally acquired a 17% in the Ranger Nickel Project from the Tsingshan group in November 2018. We increased our indirect equity interest in the Ranger Nickel Project to 60% in August 2019, and in June 2020, we increased our indirect equity interest in the Hengjaya Nickel Project to 80%.

On March 12, 2019, our operations at the Ranger Nickel Project were granted corporate income tax relief on a basis consistent with the tax concessions previously granted to the Hengjaya Nickel Project.

Angel Nickel Project

In November 2020, we executed a binding definitive agreement with Shanghai Decent to acquire a 70% indirect equity interest in the Angel Nickel Project. In January 2021, we announced an amendment to the earlier binding definitive agreement to increase our ultimate equity stake in the Angel Nickel Project from 70% to 80%. On January 19, 2021, we obtained 100% shareholders' approval for the acquisition of the 70% interest. Shareholder approval of the additional 10% interest will be sought at the Company's Annual General Meeting, scheduled to be held in May 2021.

The Angel Nickel Project will be structured under a similar corporate structure to our existing RKEF assets, the Hengjaya Nickel Project and the Ranger Nickel Project. We expect to acquire our interest in the Angel Nickel Project through the acquisition of shares in a Singapore-incorporated holding company (which is currently 100% owned by Decent Resource Limited, an affiliate of Shanghai Decent) and shareholder loans due or owing by the Singapore-incorporated holding company (and/or its subsidiaries). The Singapore-incorporated holding company will wholly own (directly and indirectly) a PMA operating company, PT Angel Nickel Industry, which was incorporated in Indonesia in December 2020 and will own the assets of the Angel Nickel Project.

Shanghai Decent will take a lead role in the design and construction of the Angel Nickel Project with commissioning of the project contractually required to occur by October 16, 2022. Site preparations and foundation works for construction of the Angel Nickel Project are underway, with piling works for the Angel

Nickel RKEF plants and power plant currently progressing well, and key long lead items already being ordered in China. Once completed, the Angel Nickel Project will comprise (a) four RKEF lines, with a combined annual nameplate production capacity of 36,000 NiEq tonnes per annum; (b) a captive 380MW power plant; and (c) ancillary facilities required for the operation of each of the RKEF lines and the power plant. Shanghai Decent has also undertaken to indemnify us for any construction costs exceeding U.S.$700 million. Shanghai Decent will be responsible for procuring or obtaining all the relevant permits, licences, land and other requirements to develop the Angel Nickel Project (including incorporating the relevant corporate entities and ensuring all the relevant assets will be owned by the Angel Nickel Project).

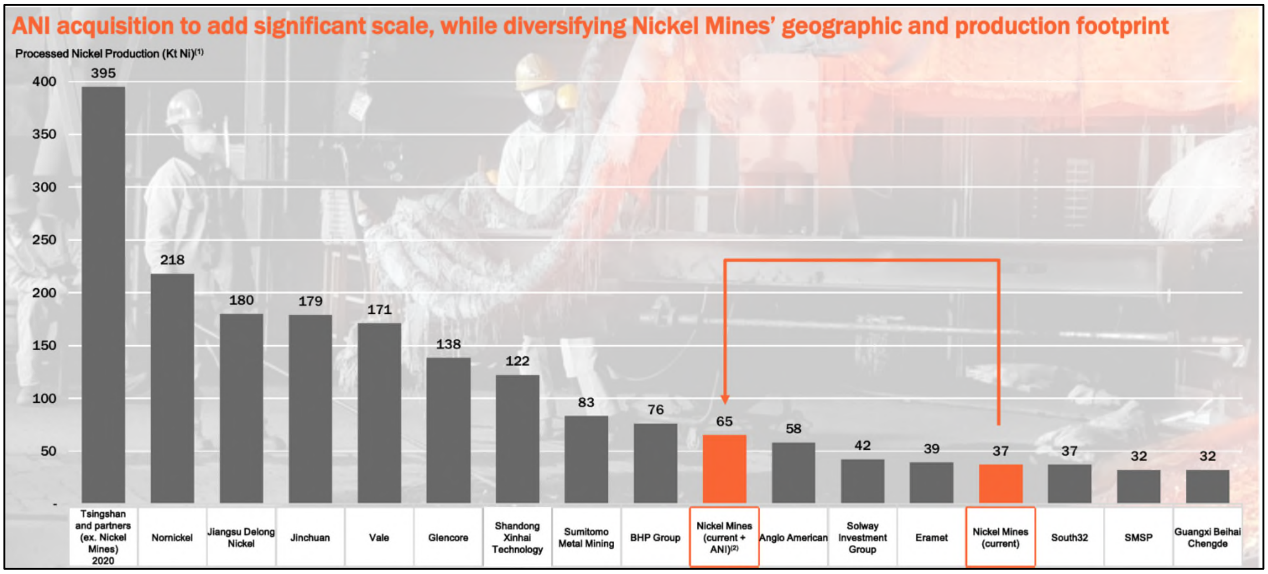
The total consideration payable by us in connection with the transaction is U.S.$560 million, which is to be undertaken in two tranches as follows: (a) an initial acquisition whereby we have acquired a 30% indirect equity interest in the Angel Nickel Project for U.S.$210 million and (b) a second acquisition whereby we will acquire an additional 50% indirect equity interest in the Angel Nickel Project for U.S.$350 million, which is to occur by December 31, 2021. As of the date of this Offering Memorandum, we have already acquired a 30% indirect equity interest in the Angel Nickel Project, and we expect to complete our acquisition of the remaining 50% indirect equity interest in the Angel Nickel Project by December 31, 2021. Should we complete the Angel Nickel Acquisition by June 30, 2021, we will enjoy an early payment discount of U.S.$6 million, making the second acquisition consideration U.S.$344 million.

Shareholder approval for the acquisition of the 70% interest in the Angel Nickel Project was obtained at an Extraordinary General Meeting held on January 19, 2021. Shareholder approval of the additional 10% interest will be sought at the Company's Annual General Meeting, scheduled to be held in May 2021.

The Angel Nickel Project is expected to be granted tax concessions that equate to material corporate income tax relief along similar lines to those already granted to the Hengjaya Nickel Project and the Ranger Nickel Project.

Following our completion of the Angel Nickel Acquisition and the commissioning of the Angel Nickel Project, our aggregate nameplate production capacity is expected to more than double to a total of 66,000 NiEq tonnes per annum (52,800 NiEq tonnes per annum attributable nameplate production capacity). The Angel Nickel Project is also expected to diversity our geographic and production footprint given the project is located within the IWIP.

The graph below sets forth a comparison of our indicative aggregate production capacity prior to, and subsequent to, the Angel Nickel Acquisition and the commissioning of the Angel Nickel Project in comparison to that of other leading nickel producers globally:



Notes:

(1) Source: Wood Mackenzie, except for Company data and Tsingshan group data, which have been provided by the Company. Figures displayed reflect attributable processed nickel production for 2020 per Wood Mackenzie based on majority ownership share. Company data reflects attributable annualized production performance at the Hengjaya Nickel Project and the Ranger Nickel Project for the three months ended December 31, 2020.

(2) Reflects (i) attributable annualized production performance at the Hengjaya Nickel Project and the Ranger Nickel Project for the three months ended December 31, 2020, plus (ii) attributable nameplate capacity at the Angel Nickel Project, in each case, based on the Company's majority ownership share.

Indonesia Morowali Industrial Park and Indonesia Weda Bay Industrial Park

Our nickel-producing assets are centered among the world's largest nickel production centers in terms of production: the IMIP, the fourth largest producer of stainless steel by production capacity with among the world's largest, in terms of production, vertically integrated stainless-steel facility with a current stainless-steel production capacity of 3.0 million tonnes per annum, according to Wood Mackenzie, and the IWIP located in Indonesia's North Maluku province.

IMIP

The facilities of both the Hengjaya Nickel Project and the Ranger Nickel Project sit within the IMIP and benefit from its competitive advantages.

Located in the Regency of Morowali, Province of Central Sulawesi, Indonesia and developed by the Tsingshan group, with construction having commenced in late 2013, the IMIP currently comprises:

- 3.0Mtpa stainless steel capacity;
- 0.5Mtpa carbon steel capacity;
- 0.6Mtpa high carbon ferrochrome;
- 3.0Mtpa NPI capacity;
- 480 ktpa coke plant capacity;
- 600 ktpa semi-coke plant capacity;
- coal-fired power plant;

- Port facilities;
- Executive guest quarters; and
- An executive visitors' hotel.

The development of the IMIP and its competitive operational cost structure is underpinned by (i) its ability to source an abundance of higher grade (>1.7% nickel grade) nickel ore which is now restricted from export from Indonesia as a result of the Indonesian Government's ban on the exportation of unprocessed nickel ore under a grade of 4% nickel; (ii) the generation of competitive electricity costs by the IMIP's purpose-built power plant which is powered by domestically sourced thermal coal, and (iii) the vertically-integrated nature of operations within the IMIP to produce a stainless steel end product, utilizing the key raw material inputs, including nickel ore and power. Specific to our RKEF operations, localized ore stockpiles, conveyer-belt haulage, purpose-installed ore drying kilns and heat recycling all serve to improve costs and efficiencies. While not directly related to our RKEF operations, the 'hot-charging' of NPI directly into the IMIP's stainless-steel operations yields significant energy cost and logistics savings for the Tsingshan group's stainless steel business.

IWIP

The Angel Nickel Project facilities will sit within the IWIP and benefit from its advantageous competitive advantages.

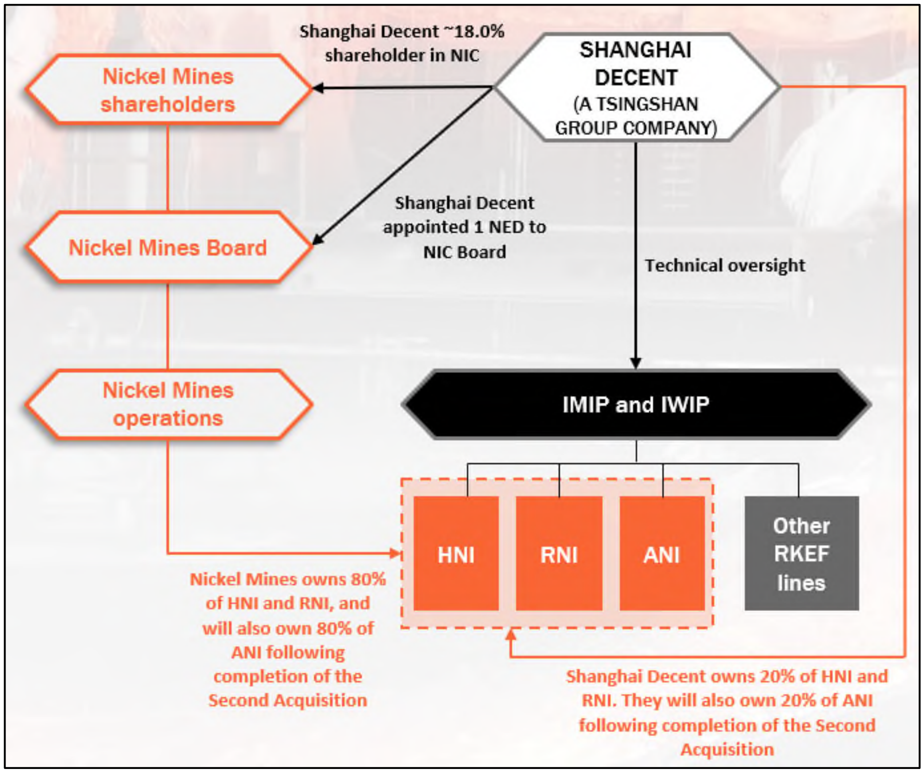
Located in Indonesia's North Maluku province and jointly owned and operated by the Tsingshan group along with other joint venture partners, construction at the IWIP began at August 2018. Operations started in 2020 and IWIP is still ramping up its operations. By 2023, according to Wood Mackenzie, the IWIP is expected to be the third largest producer of nickel globally. Currently, the IWIP comprises 12 RKEF lines in operation, and also contains captive power stations with an aggregate capacity of 750 MW.

Additional power, port capacity and other ancillary services are continuing to be progressively established. In addition, the Tsingshan continues to collaborate with other partners, such as Eramet, Zhejiang Huayou Cobalt and Zhenshi Holding Group, to continue further developing the capabilities of the IWIP.

Our Partnership with the Tsingshan Group

We operate a strategic commercial partnership with the Tsingshan group whereby it retains a 20% indirect equity interest in the Hengjaya Nickel Project and the Ranger Nickel Project, which partially aligns its performance incentives with our interests. The Tsingshan group also holds approximately 18% of our equity shares, and therefore has a further flow through indirect equity in our performance.

The diagram below provides a summary of our partnership with the Tsingshan group:



The Tsingshan group controls the largest stainless-steel production capacity globally (with the exception of the combined capacity of Chinese state-owned enterprises) and is a leading player in the Indonesian NPI industry and a global leader in NPI processing technology, according to Wood Mackenzie. Their operations in Indonesia are vertically integrated from mining raw materials, including ferronickel and NPI, through refining and casting. It has incorporated advanced technology into its stainless-steel production facilities, and were one of the pioneers of the RKEF process to produce low-cost NPI, and also established a first mover advantage in the large-scale use of NPI to produce stainless steel.

Shanghai Decent is the Tsingshan group company responsible for the development and management of the IMIP, a large vertically integrated nickel/stainless steel complex, and home to our RKEF operations. Shanghai Decent is our largest shareholder with an 18.6% indirect equity interest in our Company.

We signed our first offtake agreement with the Tsingshan group in September 2015 to supply 30,000 wet metric tonnes per month of nickel laterite at a cut-off grade of 1.9% nickel for six months. In December 2016, we entered into another offtake agreement with the Tsingshan group for the delivery of 50,000 wet metric tonnes per month of nickel laterite at an average grade of 1.9% nickel. Although these agreements have seen been terminated, the development of this relationship with the Tsingshan group and their requirement for additional NPI production to supply its stainless-steel expansion plans culminated in us discussing a strategic partnership that would contemplate the two parties building additional NPI processing capacity within the IMIP.

The NPI that we produce is used as a key input in the Tsingshan group's stainless-steel operations. Shanghai Decent has agreed to purchase, and we have agreed to sell to Shanghai Decent, all offtake of NPI produced by the Hengjaya Nickel Project, the Ranger Nickel Project and, once commissioned, the Angel Nickel Project based on the average prices for NPI in China.

Pursuant to our collaboration agreements with Shanghai Decent, the Tsingshan group commits to procure that its affiliated companies supply utilities and logistics to support our operations. These services include training our staff, providing technical and maintenance services to support and optimize our operations, and supplying power and consumables, as well as access to port facilities, among others. Such services are to be provided in accordance with the 'principle of non-discrimination', i.e., substantially in the same manner, with the same degree of care and at the same price without discrimination of any kind (such as priority of entry) as it does for other users. Beyond these contractual requirements, the Tsingshan group has continued to support our operations by providing us with technology, raw material supplies (such as nickel ore) and ancillary services necessary for the operations of the Hengjaya Nickel, Ranger Nickel and Angel Nickel Projects.

Our Material Agreements with Shanghai Decent

The agreements we have in place with Shanghai Decent are material contracts which set out the terms of our relationship with the Tsingshan group in respect of the RKEF lines at the Hengjaya Nickel Project and the Ranger Nickel Project and the future RKEF lines and power station of the Angel Nickel Project. Each of these agreements are governed under the laws of Singapore. None of these agreements are subject to any specific duration or expiration period.

Hengjaya Nickel Project

In September 2017, we signed a Collaboration and Subscription Agreement ("Hengjaya CSA") with our partner, Shanghai Decent, a Tsingshan group company, and Shanghai Wanlu Investment Co. Ltd., as a passive strategic cornerstone investor, which set forth the terms pursuant to which Shanghai Decent would build, and we would acquire an 80% indirect equity interest in, the Hengjaya Nickel Project. In addition, the Hengjaya CSA also sets forth the basic terms which would govern the operations of the Hengjaya Nickel Project post-commissioning.

Pursuant to the terms of the Hengjaya CSA, Shanghai Decent has undertaken to procure that its affiliates supply such utilities and logistics services within the IMIP as required for the Hengjaya Nickel Project in line with the IMIP "principle of non-discrimination", i.e., substantially in the same manner, with the same degree of care and at the same price without discrimination of any kind (such as priority of entry and scale of construction plan) as it does for other users in the IMIP. In addition, the Hengjaya CSA entitles each of Shanghai Decent and Shanghai Wanlu Investment Co. Ltd. to nominate one director to the board of directors of the Company, which shall comprise no more than eight directors, including three independent directors. Further, the Hengjaya CSA provides that the project entity's board of directors shall comprise no more than five directors, and we are entitled to nominate three of those five directors.

Pursuant to a subsequent amendment to the Hengjaya CSA entered into in January 2021, Shanghai Decent has agreed to purchase, and we have agreed to sell to Shanghai Decent, all offtake of NPI produced by the Hengjaya Nickel Project based on the then-current average price for NPI in China.

Ranger Nickel Project

In November 2018, we signed a binding Collaboration Agreement ("Ranger CA") with our partner, Shanghai Decent, which set forth the terms pursuant to which Shanghai Decent would build, and we would acquire an 80% indirect equity interest in, the Ranger Nickel Project. In addition, the Ranger CA also sets forth the basic terms which would govern the operations of the Ranger Nickel Project post-commissioning.

Pursuant to the terms of the Ranger CA, Shanghai Decent has undertaken to procure that its affiliates supply such utilities and logistics services within the IMIP as required for the Ranger Nickel Project in line with the IMIP "principle of non-discrimination", i.e., substantially in the same manner, with the same degree of care and at the same price without discrimination of any kind (such as priority of entry and scale of construction plan) as it does for other users in the IMIP. In addition, the Ranger CA provides that the project entity's board of directors shall comprise no more than five directors, and taking into consideration our current indirect equity interests in the Ranger Nickel Project, we are entitled to nominate three of those five directors.

Pursuant to a subsequent amendment to the Ranger CA entered into in January 2021, Shanghai Decent has agreed to purchase, and we have agreed to sell to Shanghai Decent, all offtake of NPI produced by the Ranger Nickel Project based on the then-current average price for NPI in China.

Angel Nickel Project

In November 2020, we executed a collaboration agreement ("Angel CA") with Shanghai Decent relating to the acquisition of a 70% indirect interest in, and operation of, the Angel Nickel Project. In January 2021, it was agreed by both parties that our indirect equity participation in the Angel Nickel Project would increase from 70% to 80% for a total cost of U.S.$560 million to be paid in two tranches:

- A "first acquisition", consisting of the acquisition of an initial interest of 30% in the Angel Nickel Project at a cost of U.S.$210 million by no later than March 31, 2021. In January 2021 we completed the first acquisition following the payment of U.S.$210 million to Shanghai Decent.
- A "second acquisition" consisting of the acquisition of an additional 50% in the Angel Nickel Project at cost of U.S.$350 million by no later than December 31, 2021, provided if we elect to make the second stage payment by June 30, 2021, the second acquisition consideration will be reduced by U.S.$6 million to U.S.$344 million.

Similar to the structure adopted for the Hengjaya Nickel Project and the Ranger Nickel Project, our interest in the Angel Nickel Project is held through a Singaporean incorporated holding company, which wholly-owns the Indonesian operating company owning the Angel Nickel Project.

Under the Angel CA, Shanghai Decent takes the lead role in the design and construction of the Angel Nickel Project and has undertaken that: (i) the total cost of the Angel Nickel Project will not exceed U.S.$700 million; (ii) the Angel Nickel Project will be put into commissioning by no later than October 16, 2022; (iii) the Angel Nickel Project will have an total aggregate annual production capacity of no less than 36,000 NiEq tonnes per annum; and (iv) the Angel Nickel Project will have a captive power plant with an installed capacity of 380MW. Where the actual construction costs of the Angel Nickel Project exceed U.S.$700 million, Shanghai Decent has agreed to indemnify the Angel SPV in respect of the excess cost. If the second stage acquisition payment is completed on or before June 30, 2021, we will pay a reduced consideration of U.S.$344 million.

Shanghai Decent will be responsible for procuring or obtaining all the relevant permits, licences, land and other requirements to develop the Angel Nickel Project (including incorporating the relevant corporate entities and ensuring all the relevant assets will be owned by the Angel Nickel Project). In addition, Shanghai Decent has undertaken to use its best endeavors to procure that its affiliates supply such utilities and logistics services within the IMIP as required for the Angel Nickel Project in line with the "principle of non-discrimination", i.e., substantially in the same manner, with the same degree of care and at the same price without discrimination of any kind (such as priority of entry and scale of construction plan) as it does for other users in the IWIP.

Under the Angel CA, Shanghai Decent has agreed to purchase, and we have agreed to sell to Shanghai Decent, all offtake of NPI produced by the Angel Nickel Project, once commissioned, based on the then-current average price for NPI in China.

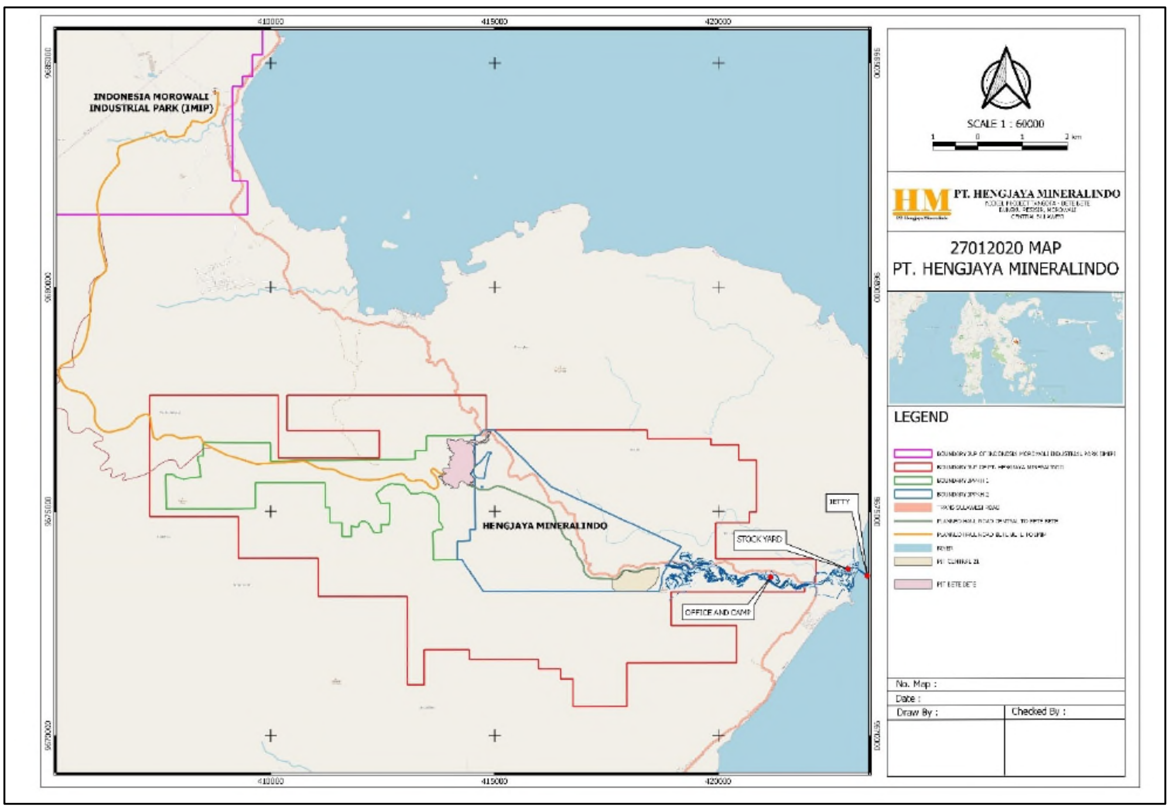
The Angel CA provides that the project entity's board of directors shall comprise no more than five directors. Following the first-step acquisition of our indirect equity interests, we are entitled to nominate one out of those five directors. Following the second-step acquisition of our indirect equity interests, we will be entitled to nominate three out of those five directors.

In January 2021, we obtained 100% shareholders' approval for the acquisition of a 70% indirect equity interest in the Angel Nickel Project, and we completed the first acquisition of our initial 30% indirect equity interest in the Angel Nickel Project following the payment of U.S.$210 million to Shanghai Decent. Shareholder approval of the additional 10% interest will be sought at the Company's Annual General Meeting, currently scheduled to be held in May 2021.

Our Mining Operations

We conduct our nickel mining and processing operations at the Hengjaya Mine, a long-life, high-grade nickel laterite deposit located approximately 12 kilometers from the IMIP. The Hengjaya Mine is located in the Morowali Regency, Central Sulawesi, Indonesia within an IUP licence covering 5,983 hectares. The Hengjaya Mine obtained its IUP licence on June 16, 2011, which is valid for 20 years until May 26, 2031 and may be renewed twice, each for a period of 10 years.

The following map sets forth the location of the Hengjaya Mine and the proximity to the IMIP.



We hold an 80% indirect equity interest in PT Hengjaya, which is the owner of 100% of the Hengjaya Mine.

Although we have in the past sold the nickel ore we produced at the Hengjaya Mine to third parties, since December 2018 all of our nickel ore production has been sold to be used as an input in the Hengjaya Nickel Project and the Ranger Nickel Project to produce NPI.

Resources

As at June 30, 2020, based on a 0.8% nickel cut-off grade, the JORC 2012 compliant resource estimate for the Hengjaya Mine was reported as follows:

Category	Dry Tonnes (million)	Ni (%)	Co (%)	Fe (%)
Measured	20	1.3	0.08	28
Indicated	109	1.3	0.08	29
Inferred	56	1.3	0.07	27
Total	185	1.3	0.08	28

The 185 million dry metric tonnes ("dmt") at 1.3% nickel and 0.08% cobalt (cut-off 0.8% nickel) represents 2,405,000 tonnes of nickel and 148,500 tonnes of cobalt from an area of 1,144 hectares of the 5,983-hectare Hengjaya Mine tenement area. High grade saprolite resource of 39.7 million dmt at 1.7% nickel (cut-off 1.5% nickel) have also been identified.

In addition, as at June 30, 2020, we have also identified at least five significant exploration targets, covering a further 1,500 hectares within the Hengjaya Mine licence area, in locations where similar type nickel laterite deposits of between 60 to 120 million wet metric tonnes is postulated. In these areas, nickel laterite has already been identified by surface mapping and wide spaced drilling.

Production

Mining operations at the Hengjaya Mine resumed in October 2015 with mining currently from the Bete Bete deposit and Central pit deposits, which are approximately 12 kilometres from the jetty from where ore is transported by barge to the IMIP. As at December 31, 2020, the current mining rate is approximately 1.8 Mtpa of ore (wmt basis).

On January 11, 2014, the Government of Indonesia introduced a ban on the export of unprocessed minerals, including the export of low-grade nickel ore. As a consequence, our mining operations at the Hengjaya Mine temporarily ceased. Mining operations at the Hengjaya Mine were recommenced in October 2015 following the signing of a series of ore offtake agreements to supply nickel ore to Tsingshan group companies within the IMIP. For the year ended December 31, 2020, our production totalled 870,503 wmt, at an average stripping ratio of 1.6:1.0. Sales for the year ended December 31, 2020 totalled 795,650 wmt at an average grade of 1.82%.

The following table sets forth our subsidiary PT Hengjaya's unconsolidated revenue from nickel ore mining for the respective periods indicated:

	Year ended June 30, 2018	Year ended June 30, 2019	Six months ended December 31, 2019	Year ended December 31, 2020
Revenue from Nickel Ore Mining (U.S.$)	13,551,416	14,184,410	12,829,854	25,139,919

Note:

(1) From April 1, 2019, sales of nickel ore are internal to the Company and therefore are eliminated on consolidation.

Our nickel ore sales have increased from 5,457 NiEq kt sold for the fiscal year ended June 30, 2019 to 19,631 NiEq kt sold for the six months ended December 31, 2019 and 23,114 NiEq kt sold for the fiscal year ended December 31, 2020.

Overburden included limonite ore which has been stockpiled separately adjacent to waste dumps at both Bete Bete and Central Pits so that the Hengjaya Mine remains ready for the eventual supply to the IMIP's high-pressure acid leach ("HPAL") plant projects. In November 2018, we entered into a memorandum of understanding with the IMIP to supply future limonite ore into two new HPAL plants. As at December 31, 2020, 463,954 wmt of limonite ore grading approximately 1.2% nickel had been stockpiled.

	Year ended June 30, 2018	Year ended June 30, 2019	Six months ended December 31, 2019	Year ended December 31, 2020
Tonnes mined (wmt)	391,362	454,615	393,215	870,503
Overburden mined (BCM)	498,623	852,962	860,083	1,432,626
Limonite mined (BCM)	—	—	170,992	664,125
Strip ratio (BCM/wmt)(1)	1.3	1.9	1.2	1.6
Tonnes sold (wmt)	449,955	484,268	428,382	795,650
Average grade (%)	2.06	1.96	1.94	1.82
Average price received (U.S.$/tonne)	29.84	28.84	32.26	29.98
Average cost of production (CIF U.S.$/tonne)	24.43	30.89	26.25	30.30

Note:

(1) Strip ratio in 2019 and 2020 includes limonite as overburden.

Exploration

With information collected through our exploration activities, we prepare mine plans in relation to further exploration and operation of each pit within the Hengjaya Mine. We have adopted the use of Ultra Ground Penetrating Radar (UGPR) technology, a geophysical technique that can be used to detect subsurface geological layering and structure in nickel laterite. The use of the Ultra GPR survey is designed to increase the confidence of geological interpretation, provide a guide to thickness and depth of the target layers and help to optimize drill programs to focus on the best areas.

We begin with a conceptual mine plan and determine the potential production profiles for a particular mine throughout its life. We also account for surface features such as topography, position of rivers and creeks, local villages and associated infrastructure, and begin planning for rehabilitation of disturbed areas. See "Risk Factors — Risks relating to our Business — Our exploration efforts are highly speculative in nature and we may be unable to locate additional resources at the Hengjaya Mine". As more exploration data is collected, the geological model is revised, which necessitates revisions to detailed mine plans. We prepare a high level 5 year mine plan to enable mine site infrastructure, waste dumps and optimal haulage profiles and systems to be developed. A 12-month detailed mine schedule is then developed to optimize ore grades and recovery including best equipment mix to give competitive operational cost results. These work to develop a three-month and monthly rolling mine plans. Mine production is then reconciled against the mine geological model on a monthly basis. The overall mine planning also takes into consideration the mines compliance and mine site rehabilitation obligations. The mine plans are updated periodically to optimize the projects resource whilst delivering contractual and quality ore supply to the end users.

Drilling

In our current drill program, core runs are restricted to one-meter intervals so that core swelling and losses are easily measured. The topography of the Hengjaya Mine has been surveyed using LiDAR to produce a digital terrain model of the ground surface in the area.

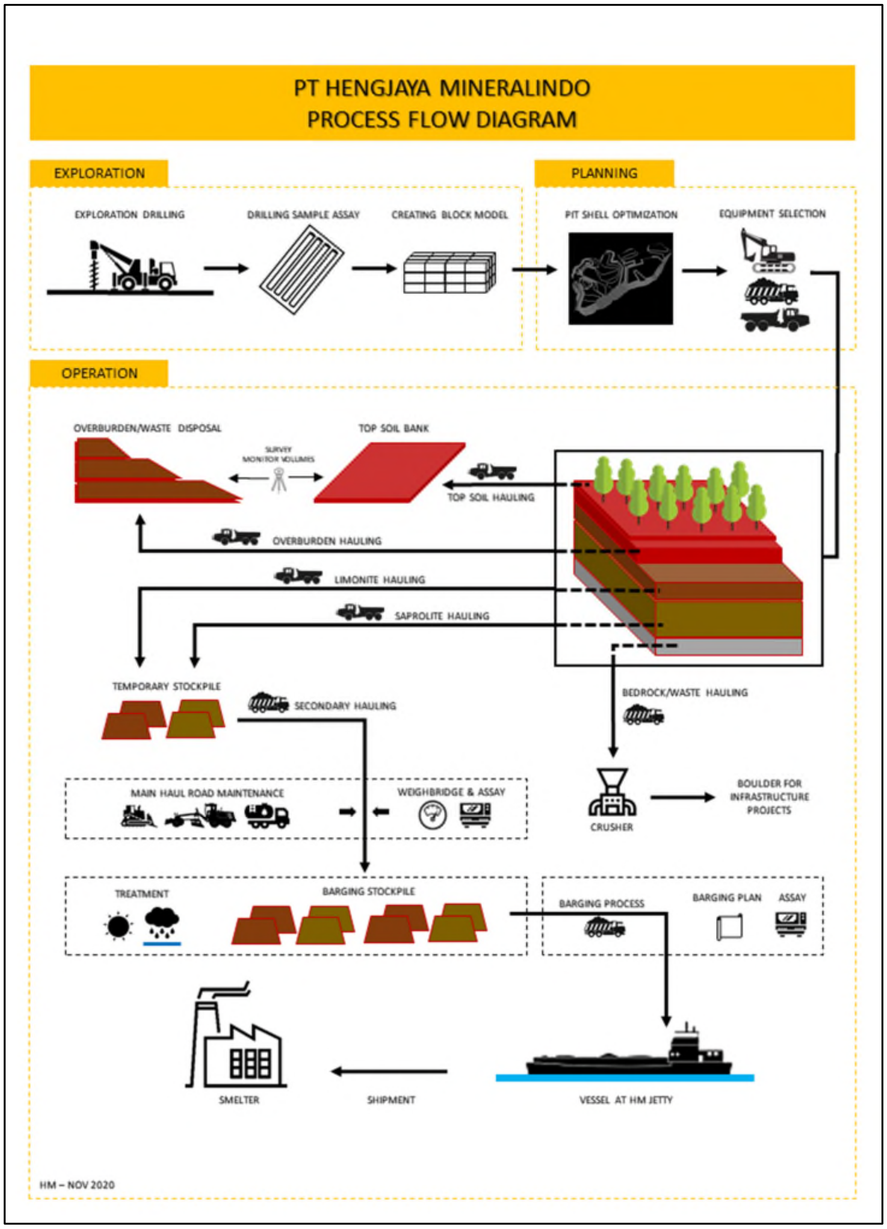
During the year ended December 31, 2020, exploration and infill drilling totalled 839 holes for 19,045 metres. The program included 25 metre spacing infill drilling to geological modelling, mine planning and scheduling. The drilling program will continue throughout 2021 targeting new areas of limonite and saprolite ores identified by ground penetrating radar and historical drill data. Infill drilling is included in the program to assist the detailed mine planning and scheduling for the production ramp up in both Bete Bete and the Central Pit.

Ground penetrating radar works focused on areas to the west of Bete Bete adjacent to the new main haul road and targeted areas which have historical drill holes which intersected high grade ore.

In addition to nickel ore exploration, preliminary work has commenced on identifying significant quality mineable limestone deposits inside IPPKH1 which may be used for future offtake agreements for HPAL projects and main haul road construction works between the Hengjaya Mine and the IMIP.

Mining and Processing

Our nickel ore and NPI production process starts with the land clearing process and ends with the processing of nickel ore into NPI. The following diagram sets forth the principal stages of our nickel ore mining and NPI production process.



As our nickel deposits are generally located at a shallow depth beneath the earth's surface, mining for nickel ore can be carried out under an open-pit mining method, with the use of trucks and shovels and with limited need for blasting. Little beneficiation is required other than drying and screening as well as some limited crushing of oversized material. For instance, saprolite nickel ores which rest deeper beneath the earth's surface is often lumpy and requires crushing to reduce it to the required size specifications.

First, the vegetation is cleared and the overburden is stripped to expose the limonite nickel ore. Following which, the limonite nickel ore and the saprolite nickel ore are extracted through the use of bench mining techniques. Limonite nickel ore rests above saprolite nickel ore and extraction of limonite nickel ore takes place before mining of saprolite nickel ore. Each bench has a height of three meters. Production drilling is carried out for grade control.

At the Hengjaya Mine, where we mine saprolite nickel ore, the rocky portions of the site are segregated to maximize ore recovery. Oversized ore is then reduced in size. The low-grade limonite is pushed out of the way and used for backfill after extraction of the ore is completed. Bulldozers are used to strip the overburden, which is pushed to the side and used where possible for reclamation after mining. Similar techniques are used in the other nickel ore mines. After mining, the saprolite nickel ore is solar dried by placing it in narrow piles and turning it over every several days. Solar drying reduces the moisture content of ore to a range of approximately 30.0% to 35.0%, making it suitable for shipment.

The nickel ore is then moved to the stockyards at the port and piled for barging, where it is covered with tarpaulins for dust control and for protection from rainfall. Ore is transported from the mine face to the stockpile areas by trucks operated by contractors for processing at our RKEF plants to produce NPI.

The Hengjaya Mine has its own jetty for the loading of ore and for the delivery of fuel and other supplies. Unloading at the IMIP is undertaken at nominated – dedicated berths at the IMIP and normally take two days to unload. Each barge load deliveries approximately 11,000 wmt of ore.

Our mining operations are usually impacted to some degree during Indonesia's rainy season due to the challenging working conditions posed by the heavy rainfall (May-June-July). See "Risk Factors — Risks relating to our Business — The Hengjaya Mine and our RKEF plants are subject to inclement weather and natural disasters".

Reclamation

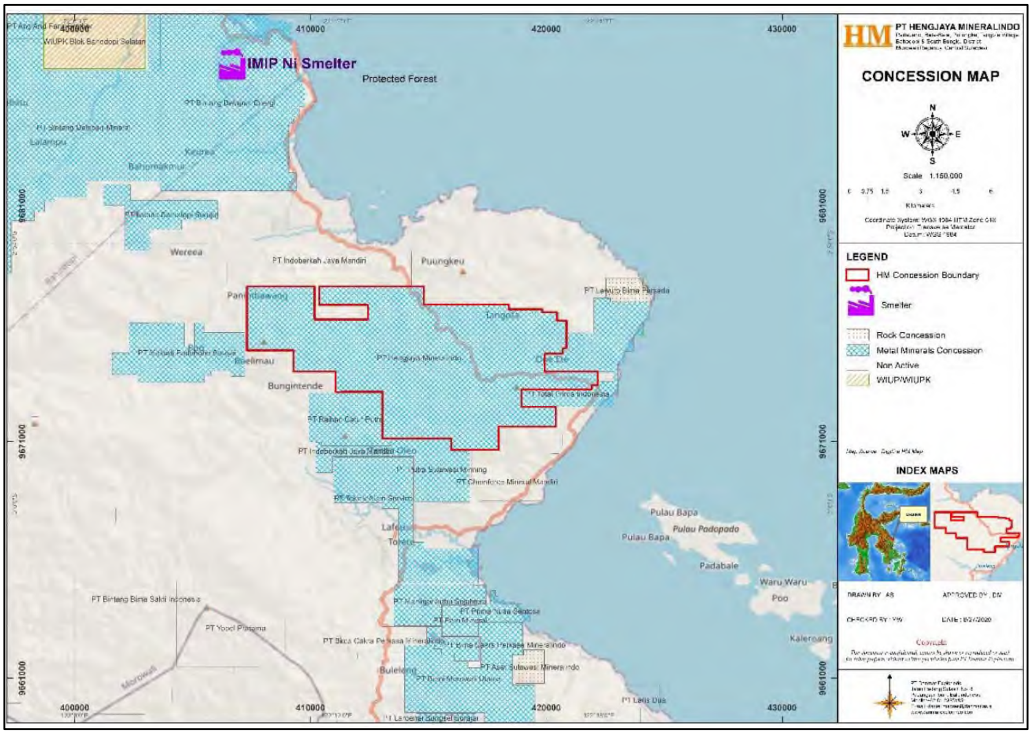
Reclamation is part of the ongoing mining activities and license obligation and we perform the reclamation and revegetation process on the previous mined area while mining in other areas continues. We carry out our reclamation works in collaboration with the local community as part of our corporate and social responsibility efforts and are required to comply with the requirements set out in the respective mine's environmental documents including the environmental impact assessment (AMDAL), reclamation plan, post-mining plan and MEMR Decree 1827/2018. See "Regulatory Framework — Indonesian Regulatory Framework — Regulation of Nickel Mining in Indonesia — Reclamation and post-mining activities".

Licenses

IUP OP License

An operation and production mining business license (IUP OP) is required for PT Hengjaya to carry out construction, mining, processing and refining, and transportation and sales activities of minerals at the Hengjaya Mine. PT Hengjaya obtained an IUP OP on June 16, 2011 and the IUP OP is valid for 20 years until May 26, 2031. The IUP OP may be renewed twice, each for a period of 10 years.

The following diagram sets forth the concession map of the Hengjaya Mine:



Forestry License

In June 2013, PT Hengjaya obtained an Ijin Pinjam Pakai (IPPKH), 'borrow and use licence', in respect of approximately 851 hectares of the Hengjaya Mine within an area included as a Limited Production Forest Area by the Ministry of Forestry of Indonesia. The IPPKH permit is valid until June 2031 and permits PT Hengjaya to conduct mining activities within the Limited Production Forest Area.

In August 2014, the Indonesian Government approved the conversion of approximately 2,000 hectares of the Hengjaya Mine's concession area, previously classified as Protected Forest, to Production Forest, thereby significantly opening this expanded area to future mining and expanding the resources available to be mined.

In February 2018, PT Hengjaya obtained an IPPKH in respect of approximately 994 hectares, enabling an expanded resource area to be mined in closer proximity to the coast which will reduce current mining and hauling costs.

Mine Expansion

Over the course of 2020, several expansion initiatives were undertaken in support of the Hengjaya Mine's plan to significantly increase its production. These expansion initiatives included:

- establishing the Central Pit as both an alternate and concurrent mining operation to the existing Bete Bete Pit;
- establishing a robust geological model for a 5-year plan to be built and the Life of mine plan to be developed in the near future to optimise the projects resource value;
- establishing designated haul roads between the Bete Bete and Central Pits and the jetty to facilitate the use of larger 40 tonne haul trucks;
- expanding the jetty capacity to allow for the simultaneous loading of multiple 10,000 tonne barges;

- building a modernized campsite and auxiliary facilities to cater for an expanded and upskilled workforce;
- upgrading of onsite ore preparation and analytical laboratories;
- construction of an ore scalping grizzly to allow faster separation of oversized rock from ore to increase ore recovery; and
- commencing the design and construction of a direct haul road between the Hengjaya Mine and the IMIP to facilitate the increased supply of both saprolite and limonite ore into the IMIP.

While having the immediate effect of scaling up production levels and reducing costs, many of these expansion initiatives are designed to prepare the Hengjaya Mine to be a future material supplier of both saprolite and limonite ore to the IMIP. The first nickel ore from the Central Pit was mined and trucked to the expanded jetty for barging in early April 2020, however, mine production across the second quarter of 2020 and well into the third quarter of 2020 was impacted by an extended and above average wet season. Drier conditions in the fourth quarter of 2020 delivered increased mine production of nearly 500,000 tonnes for the quarter, demonstrating the expanded production capabilities of the Hengjaya Mine.

The recent resource drilling combined with the development of a 5-year plan allows the Hengjaya Mine to optimise and adjust the yearly plans as required. The introduction of infill drilling program has further improved the understanding of the resource and assisted in planning and optimising the projects resources.

As of date of this Offering Memorandum, we have also completed the expansion of the capacity of our jetty, which is now fully operational and capable of berthing 10,000 tonne barges. Haulage from the Central Pit to our Company's jetty is approximately six kilometres less than from the previously mined Bete Bete Pit and will allow for the use of 40 tonne trucks (as compared to eight tonnes trucks previously), significantly improving transport efficiencies and reducing mining costs.

We have also completed the construction of new mine camp and infrastructure facilities in 2020. In addition to technical offices and workshops, the facility includes community development, safety, training and recreational buildings.

We have also defined a new haul road between the Hengjaya Mine and the IMIP. Detailed road design, ground truthing and surveying are in advanced stages and we have commenced the construction of a first pilot road which commences near Bete Bete pit and progresses to the western area of IPPKH1. The total haul road distance will be approximately 14 kilometres and is intended for future hauling of both saprolite ore and limonite ore from the Hengjaya Mine to the RKEF plants located in the IMIP and potential future supply of limonite ore to third party HPAL plants within the IMIP. Once completed, the new haul road will enable higher tonnages to be mined and hauled (instead of barging) as well as allowing for strategic access to additional ore resources to the west of Bete Bete.

Regulation on Divestiture of Ownership

Under the 2017 Regulation on Divestiture of Ownership, all foreign-owned holders of Indonesian Operation Production Mining Business Licenses are required to divest their shares in stages commencing on the sixth year as of its production so that domestic investors shall have minimum ownership of 51% by the end of the 10th year of production, subject to certain limited exceptions. The divestiture process stipulates that the price for the divested shares offered by the existing foreign owner to the domestic investors shall be determined based on "fair market value" without considering the mineral reserve levels. The ownership stake is first to be offered to national, provincial or regency governments. In the event that those governmental entities are not willing to invest, the offer is then made to state and regional-owned enterprises before it can be allowed to be offered to a private Indonesian investment entity by way of an auction, see "Regulatory Framework —

Indonesian Regulatory Framework — Regulation of Nickel Mining in Indonesia — Foreign divestment requirements".

The Hengjaya Mine is subject to the 2017 Regulation on Divestiture of Ownership. Therefore, a minimum 51% indirect equity interest in the Hengjaya Mine is to be held by an Indonesian investor by the 10th year of production, being June 2024 in the case of the Hengjaya Mine. Nevertheless, before being imposed by the mandatory divestment obligation under 2017 Regulation on Divestiture of Ownership, we may be able to fulfil the minimum requirement of domestic participant for each stage of divestment milestone by transferring the shares to a domestic participant which we believe would be able to cooperate with us in the operation of the Hengjaya Mine with favourable terms that would benefit all parties. Separately, if we fail to find such domestic participant and become imposed by the mandatory divestment obligation, this procedure in its implementation is a lengthy and complicated process involving governmental institutions, local government and state/ regional owned companies, which would likely take considerably more time than the timeline as regulated under the 2017 Regulation on Divestiture of Ownership and therefore extend beyond the targeted timeline (i.e. June 2024).

As a result of this requirement, in the event that we would no longer control the Hengjaya Mine from June 2024 onwards, any remaining equity ownership by us in the Hengjaya Mine would be unconsolidated from our financial statements and accounted for under the equity method of accounting.

Customers

All of our sales of NPI from the Hengjaya Nickel Project and the Ranger Nickel Project are to group companies within the Tsingshan group. Pursuant to the collaboration agreements we have in place with Shanghai Decent, Shanghai Decent has agreed to purchase, and we have agreed to sell to Shanghai Decent, all offtake of NPI produced by the Hengjaya Nickel Project, the Ranger Nickel Project and, once commissioned, the Angel Nickel Project based on the average prices for NPI in China. Since the start-up of our RKEF operations, all sales of NPI from the Hengjaya Nickel Project and the Ranger Nickel Project were exported as sales to Shanghai Decent and its associates or to PT Indonesia Tsingshan Stainless Steel, an Indonesian Tsingshan group company, operating with the IMIP. Accordingly, we exclusively rely on the Tsingshan group as an offtaker of the NPI we produce. See also "Risk Factors — Risks relating to our Business — We derive all of our revenue from operations from sales to Tsingshan group companies, and partial or full loss of revenues from this customer would adversely affect us" and "Business — Strengths — Established partnership with one of the world's largest stainless steel producers".

We are no longer able to export our nickel ore as a result of recent Indonesian Government regulations banning the export of high-grade nickel ore from Indonesia effective January 1, 2020, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Factors affecting our Business and Results of Operations — Indonesian Government Policies and Changes in Law — Nickel Export Ban" and "Risk Factors — Risks relating to our Business — We may be adversely affected by changes to laws and regulations relating to our operations, and our failure to comply with those regulations, may adversely affect us". Although we have in the past sold the nickel ore we produced at the Hengjaya Mine to third parties, since December 2018 all of our nickel ore production has been used as an input in the Hengjaya Nickel Project and the Ranger Nickel Project to produce NPI.

Raw Materials, Suppliers and Third-Party Contractors

Pursuant to our collaboration agreements with Shanghai Decent, Shanghai Decent has committed to procure that its affiliated companies supply utilities and logistics to support our operations, such as the supply of power and access to port facilities. Such services are to be provided in accordance with the 'principle of non-discrimination', i.e., substantially in the same manner, with the same degree of care and at the same price without discrimination of any kind (such as priority of entry) as it does for other users. See "Risk Factors — Risks relating to our Business — We rely on the support of Tsingshan group companies for our operations, and the cessation of support from Tsingshan group companies could have an adverse effect on our business".

Beyond these contractual requirements, we do not have any formal agreements with third parties for the supply of raw materials, ancillary services or other necessary goods and services to support the operations of the Hengjaya Nickel Project, the Ranger Nickel Project or the Angel Nickel Project. Even so, the Tsingshan group has continued to support our operations by providing us with the technology, raw material supplies (such as nickel ore) and ancillary services necessary for the operations of the Hengjaya Nickel, Ranger Nickel and Angel Nickel Projects, as well as training our staff and providing maintenance services to support and optimize our operations.

We carry out our mining operations at the Hengjaya mine in conjunction with two principal mining operators who provide mining services to us, and engage in mining activities alongside our employees.

The Hengjaya Mine is a significant supplier of the nickel ore that we use as an input in our RKEF operations, having supplied approximately 40% of our nickel ore needs in the year ended December 31, 2020. The remainder of the nickel ore used in our RKEF operations is sourced the Tsingshan group, on an as-needed basis.

As of December 31, 2020, 17% of our 3,050 workers were third-party contractors.

Competition

Pursuant to the collaboration agreements we have in place with Shanghai Decent, Shanghai Decent has agreed to purchase, and we have agreed to sell to Shanghai Decent, all offtake of NPI produced by the Hengjaya Nickel Project, the Ranger Nickel Project and, once commissioned, the Angel Nickel Project based on the average prices for NPI in China, with minor adjustments applied for nickel grade, freight and foreign exchange. Accordingly, we do not believe that we currently face significant competition from other producers of NPI in Indonesia or globally, except in a scenario where the Tsingshan group fails to honor its contractual commitments.

We also face competition from other producers of NPI in Indonesia and globally in the acquisition of licenses and the search for and acquisition of properties producing or possessing the potential to produce NPI.

Properties

The main properties on which we conduct our production operations are the Hengjaya Nickel Project and the Ranger Nickel Project, both of which are located within the IMIP. We do not yet hold valid title to those lands. See "Risk Factors — Risks relating to our Business — We do not yet have valid legal title to the land on which our RKEFs are located". We do not own the land over which we have mining concessions, and we possess such land pursuant to relinquishment documents under Indonesian law.

Seasonality

Our RKEF operations are not affected by any seasonality effects.

Our mining operations are usually impacted to some degree during Indonesia's rainy season due to the challenging working conditions posed by the heavy rainfalls during the months of May, June and July.

See "Risk Factors — Risks relating to our Business — The Hengjaya Mine and our RKEF plants are subject to inclement weather and natural disasters".

Environmental, Health and Safety Compliance

We comply with Indonesian safety and health standards as set forth in the National Management System of Safety and Health (*Sistem Manajemen Keselamatan dan Kesehatan Kerja* or "SMK3"). We conduct regular safety inspections as well as both internal and external audits to monitor and identify areas of improvement in our safety measures. As a testament to our safety record, in November 2019, we accumulated over 2.3 million safe work hours across our operations since the last lost time injury.

We also comply with Indonesian environmental standards. As a key focus area for our operations, we perform environmental rehabilitation at waste dump areas and participate in numerous local and regional environmental rehabilitation programs, including regional forestry rehabilitation projects. We collaborate with local communities surrounding our mining areas in the reclamation process and redevelopment of the land for other purposes. We also engage in environmental sustainability programs through contouring and rehabilitating previously mined production areas. Site rehabilitation initiatives include cedar tree plantings and a regional rehabilitation program, with phase one being the planting of an 800,000 pine tree nursery in Central Sulawesi in 2020. The Hengjaya Mine was voted as the "Best Mine Site Rehabilitation Works" in Sulawesi by Central Sulawesi Forestry Department in 2019. We implement reclamation and rehabilitation of the land in consultation with the MEMR which, in turn, consults with the local government. In addition, we attempt to keep disturbed areas to a minimum and have pollution control facilities such as a gas cleaning system, closed circuit water circulation for our inland mining, and wastewater treatment plants in order to mitigate the environmental impact from our operations.

We attempt to mitigate the environmental impacts from our operations, which we believe are relatively less damaging to the environment than the industry standard. For example, the Hengjaya Mine is an open cut, at surface truck and shovel operation which does not produce environmentally harmful tailings. In addition, our RKEF plants produce a benign silica slag tailing, with all silica slag and fly-ash recycled for use as industrial brick and concrete slab works and dedicated landfill. We have hazardous waste storage facilities for temporary placement before sending the waste to a pond and waste processing facility for reuse and treatment. Our gaseous waste managed through continuous emission monitoring systems for air quality and adherence to air quality standards. We also have a program in place to re-utilize our organic waste, while non-organic waste is minimized and treated by either incineration or approved waste management methods. Finally, the highly integrated nature of our operations significantly reduces the carbon footprint associated with double handling and transport. We are not aware of any significant breaches of environmental regulations, and we are not aware of any environmental incidents at our operations to date.

Corporate and Social Responsibility

We are also concerned for the welfare of our nearby local communities and related stakeholders. We engage in corporate and social responsibility ("CSR") activities through an established CSR program under which we focus on maintaining environmental sustainability as well as on empowering and building good relationships with the communities in and around the areas in which we operate. To achieve these goals, we are committed to engaging our local community through transparent disclosure of information as well as regular and open communication channels, and generally encourage employment of individuals from the local communities surrounding our mining operations. We work with local and regional stakeholders, including the Tangofa, Bete Bete and Bahdopi village regions, assisting with basic health checks, health and hygiene education, first aid, education in the reduction of use of plastics in day to day living. In addition, over the last

12 months, we have also assisted local and regional communities in rebuilding efforts following natural disaster events including earthquakes and flooding. We currently have approximately 1,500 employees hired directly from our local communities, and the commissioning of the Angel Nickel Project is expected to add a further 2,000 employees hired directly from our local communities.

Insurance

We maintain insurance coverage for our employees and board of directors, vehicles, office premises and mining sites through policies issued by Indonesian and Australian insurers. Our insurance coverage includes policies against industrial risks, property risks and earthquake insurance; heavy equipment insurance for the machinery and other equipment, owned and operated by us; directors' and officers' liability insurance; and life group personal accidents insurance for all of our employees and directors, among others. However, specifically in Indonesia we only maintain property risks, public liability and marine cargo insurances.

The insurance policies arranged by us do not cover liability or damage arising from acts of war and terrorism, and other customary exclusions from coverage. Under our operating agreements with our third-party mining contractors, our contractors are responsible for their own employees and they and their employees must also be covered by appropriate insurance including insurance for property and vehicles, loss and damage and third-party claims.

Intellectual Property

We believe our intellectual property does not have a material impact on our business, and we are not dependent upon any such trademarks or domain names to conduct our business.

Employees and Contractors

We had 3,050 employees and contractors as of December 31, 2020, of which 83% were under our direct payroll and 17% were third-party contractors. The following table sets forth a breakdown of our employees and contractors by function as of the dates indicated.

	As of December 31, 2020
Corporate	150
RKEF Operations	2,000
Hengjaya Mine	900
Total	3,050

As of December 31, 2020, 3,040 of our employees and contractors were located in Indonesia, while 10 of our employees and contractors were located in Australia.

Indonesian Governmental Regulations and Licenses

Our operations are subject to a variety of laws and regulations promulgated by the national and local governments of each jurisdiction in which we operate. See "Regulatory Framework". We believe we are in compliance in all material respects with the applicable governmental regulations in each jurisdiction in which we operate, save for certain of our business and/or operational licenses. See "Risk Factors — Risks relating to our Business — Our operations and expansion programs depend on our ability to obtain, maintain and renew necessary permits and approvals from the Indonesian Government". We are not aware of any governmental proceedings or investigations to which we might become a party and which may have a material adverse effect on our properties and operations.

Various governmental, quasi-governmental and regulatory agencies require the holding of certain licenses, concessions and permits with respect to operations in the mining industry and the aluminum production industry, including mine operation licenses, forestry permits and environmental permits. Our operations are conducted under valid licenses, concessions, permits or certificates granted by the applicable regulatory body in that jurisdiction.

We maintain regular dialogue with local governments and regulatory authorities through their management teams or representatives in each jurisdiction. Ensuring compliance with the requirements and conditions for obtaining and maintaining the aforementioned licenses, concessions, permits or certificates.

For more information, see "Risk Factors — Risks relating to Australia and Indonesia — The interpretation and implementation of legislation on regional governance in Indonesia is uncertain and may adversely affect our business, financial condition, results of operations and prospects" and "Risk Factors — Risks relating to our Business — Our operations and expansion programs depend on our ability to obtain, maintain and renew necessary permits and approvals from the Indonesian Government", "Risk Factors — Risks relating to our Business — Our operations are subject to environmental laws and regulations which may cause us to incur significant costs, liabilities or interrupt or cease operations, any of which may adversely affect our results of operations" and "Risk Factors — Risks relating to our Business — Economic, political and other conditions in China, as well as government policies, could adversely affect our business and prospects".

Legal Proceedings

As of the date of this Offering Memorandum, there were no governmental, legal or arbitration proceedings (including any such proceedings that are pending or threatened of which we are aware) that may have a material effect on our financial position or profitability.

MANAGEMENT

Board of Directors

The Board of Directors is responsible for the management and administration of the Company's affairs. Our Board of Directors comprises nine members.

The following table sets forth certain information concerning the members of our Board of Directors.

Name	Position	Age	Appointed since
Robert Neale	Chairman and Non-Executive Director	76	April 16, 2018
Norman Seckold.............................	Deputy Chairman and Executive Director	73	September 12, 2007
Justin Werner	Managing Director	46	August 23, 2012
Peter Nightingale............................	Chief Financial Officer and Executive Director	63	September 12, 2007
James Crombie	Non-Executive Director	62	May 23, 2008
Weifeng Huang	Non-Executive Director	65	April 26, 2018
Mark Lochtenberg..........................	Non-Executive Director	60	March 10, 2017
Dasa Sutantio	Non-Executive Director	55	May 29, 2020
Yuanyuan Xu	Non-Executive Director	27	April 26, 2018

Mr. Robert C. Neale was appointed to our Board of Directors in April 2018 and is currently our Chairman and as a Non-Executive Director. Mr. Neale is also the past Managing Director of New Hope Corporation Limited ("NHC"). He joined NHC in 1996 as General Manager and appointed as executive officer in 2005 and to the Board of Directors in 2008 until his retirement in 2014. Mr. Neale has more than 45 years' experience in the mining, oil& gas and exploration industries covering base metals, gold, coal, synthetic fuels and conventional oil and gas, bulk materials shipping, and power generation. Prior to NHC, Mr. Neale spent 23 years' with Esso Australia and EXXON Coal and Minerals Company.

Mr. Norman A. Seckold was appointed to our Board of Directors in September 2007 and is currently our Deputy Chairman and an Executive Director. Mr. Seckold graduated with a Bachelor of Economics degree from the University of Sydney in 1970. He has spent more than 26 years in the full time management of natural resource companies, both in Australia and overseas. Mr. Seckold has been the Chairman of a number of publicly listed companies including Moruya Gold Mines (1983) N.L., which acquired the Golden Reward heap leach gold deposit in South Dakota, USA, Pangea Resources Limited, which acquired and developed the Pauper's Dream gold mine in Montana, USA, Timberline Minerals, Inc. which acquired and completed a feasibility study for the development of the MacArthur copper deposit in Nevada, USA, Perseverance Corporation Limited, which discovered and developed the Nagambie gold mine in Victoria, Valdora Minerals N.L., which developed the Rustler's Roost gold mine in the Northern Territory and the Ballarat East Gold Mine in Victoria, Viking Gold Corporation, which discovered a high grade gold deposit in northern Sweden, Mogul Mining N.L., which drilled out the Magistral and Ocampo gold deposits in Mexico and Bolnisi Gold N.L, which discovered and developed the Palmarejo and Guadalupe gold and silver mines in Mexico. Mr. Seckold is currently Chairman of Alpha HPA Limited, a company planning to produce high purity alumina and operating in Australia and Indonesia, Santana Minerals Ltd, a precious metals exploration company and Sky Metals Limited, exploring for mineral resources in New South Wales, Australia. He is also a director of the unlisted public company Mekong Minerals Ltd.

Mr. Justin C. Werner was appointed to our Board of Directors in August 2012 and is currently our Managing Director. Mr. Werner holds a Bachelor of Management from the University of Sydney and has been involved in the mining industry for 20 years. He was a founding partner of PT Gemala Borneo Utama, a private Indonesian exploration and mining company, which developed a heap leach gold mine in West Kalimantan and also discovered the highly prospective Romang Island with ASX listed Robust Resources Limited which was acquired in 2012 by Indonesian business tycoon Anthony Salim. Prior to developing projects in Indonesia, Justin worked as a consultant, leading many successful turnaround projects for blue chip mining companies around the world including Freeport McMoran (Grasberg deposit, Indonesia where he spent 2 years), Lihir Gold (Lihir mine, Papua New Guinea), Placer Dome (Nevada, USA), BHP Billiton (Ingwe Coal, South Africa), Rio Tinto (West Angeles Iron Ore, Australia), Nickel West (Western Australia) and QNI Yabulu refinery (Queensland, Australia). Mr. Werner is currently a non-executive director of ASX Listed Alpha HPA Limited.

Mr. Peter J. Nightingale was appointed to our Board of Directors in September 2007 and is currently our Chief Financial Officer and an Executive Director. Mr Nightingale graduated with a Bachelor of Economics degree from the University of Sydney and is a member of the Institute of Chartered Accountants in Australia. He has worked as a chartered accountant in both Australia and the USA. As a director or company secretary Mr. Nightingale has, for more than 25 years, been responsible for the financial control, administration, secretarial and in-house legal functions of a number of private and public listed companies in Australia, the USA and Europe including Pangea Resources Limited, Timberline Minerals Inc., Perseverance Corporation Limited, Valdora Minerals N.L., Mogul Mining N.L., Bolnisi Gold N.L and Planet Gas Limited (now Sky Metals Limited). Mr Nightingale is currently a director of ASX Listed Alpha HPA Limited and Prospech Limited.

Mr. James Crombie was appointed to our Board of Directors in May 2008 and is currently a Non-Executive Director. Mr. Crombie graduated from the Royal School of Mines, London, in 1980 with a B.Sc. (Hons) in Mining Engineering, having been awarded an Anglo American Scholarship. Mr. Crombie held various positions with DeBeers Consolidated Mines and the Anglo American Corporation in South Africa and Angola between 1980 and 1986. He spent the next thirteen years as a Mining Analyst and Investment Banker with Shepards, Merrill Lynch, James Capel & Co. and finally with Yorkton Securities. Mr. Crombie was the Vice President, Corporate Development of Hope Bay Mining Corporation Inc. from February 1999 through May 2002 and President and CEO of Ariane Gold Corp. from August 2002 to November 2003. Mr. Crombie was President, CEO and a director of Palmarejo Silver and Gold Corporation until the merger with Coeur d'Alene Mines Corporation, one of the world's leading silver companies, in December 2007. He was a director of Sherwood Copper Corporation until its business combination with Capstone Mining Corp. in November 2008. Currently, Mr. Crombie is President and CEO of Odyssey Resources Corp.

Mr. Weifeng Huang was appointed to our Board of Directors in April 2018 and is currently a Non-Executive Director. Mr. Huang graduated with a Bachelor of Engineering degree from Zhejiang University in 1982 and obtained his Master of Business Administration degree from Zhejiang University in 1998. Mr. Huang started his career in several industrial enterprises and had broad management experiences from serving as the Plant Manager of Wenzhou Tractor Plant to the General Manager of Wenzhou Machinery Industrial Corporation, and as the Vice Mayor of Wenzhou and Executive Chairman of China Perfect Machinery Industry Corp., Ltd. While he was serving as the Deputy Director of the Management Committee of Shanghai Jinqiao Export Processing Zone, he was appointed as a Director of Shanghai Jinqiao Export Processing Zone Development Co., Ltd, a publicly-listed company on the Shanghai Stock Exchange (SSE code 600639) and concurrently the Deputy CEO of Shanghai Jinqiao Group. Mr. Huang was also a former Chairman of the board of Harbin High Tech (Group) Co., Ltd, another publicly-listed company on the Shanghai Stock Exchange (SSE code 600095). Mr. Huang is currently the Chairman of Shanghai Decent a flagship company within the Tsingshan group, and the President Director of PT. Indonesia Morowali Industrial Park.

Mr. Mark Lochtenberg was appointed to our Board of Directors in March 2017 and is currently a Non-Executive Director. Mr. Lochtenberg was formerly the co-head of Glencore International AG's worldwide coal division, where he spent 13 years overseeing a range of trading activities including the identification, due diligence, negotiation, acquisition and aggregation of the coal project portfolio that would become Xstrata coal. He is the former Executive Chairman and founding Managing Director of Cockatoo Coal Limited. Currently he is the Non-Executive Chairman of Equus Mining Limited, a minerals exploration company with operations in Chile and a director of non-listed companies Australian Transport Energy Corridor Pty Ltd and Montem Resources Limited.

Mr. Dasa Sutantio was appointed to our Board of Directors in May 2020 and is currently a Non-Executive Director. Mr. Sutantio graduated with a Bachelor of Commerce degree from the Australian National University in 1987 and has been involved in the Asian financial sector for more than 20 years, holding various senior positions at Citibank N.A., Bank Tiara Asia Tbk., the Indonesian Bank Restructuring Agency and PT Bank Mandiri Tbk. He joined the Indonesian Tanito Group in 2010 and is currently a Director and CFO responsible for overseeing the Tanito Group’s investments in the financial, mining support, marine logistics/shipping, property and hospitality sectors.

Ms. Yuanyuan Xu was appointed to our Board of Directors in April 2018 and is currently a Non-Executive Director. Ms. Xu graduated with a Bachelor’s Degree in Fashion Business & Fashion Design from Instituto Marangoni. Since graduation, Ms. Xu has honed her business acumen, participating in the Shanghai Fashion Week with a focus on marketing, public relations and procurement activities. She is currently an Executive Director of Shanghai Wanlu Investment Co., Ltd. Ms. Xu has not sat on the board of any publicly listed companies.

Responsibilities of the Board of Directors

The Board’s role, functions, responsibility and accountability are defined under the Corporations Act and in the Company’s constitutional documents. In addition to its primary role of monitoring corporate performance, the functions of the Board include:

- evaluating, approving and monitoring the Company’s strategic, investment and financial plans and objectives;
- evaluating, approving and monitoring the annual budgets and business plans;
- evaluating, approving and monitoring major capital expenditure, capital management and all major acquisitions, divestitures and other corporate transactions;
- approving all accounting policies, financial reports and material reporting and external communications by the Company;
- overseeing senior management’s implementation of the Company’s strategic objectives;
- ensuring effective audit, risk management and regulatory compliance programs are in place to protect the Company’s assets and shareholder value;
- approving and overseeing the integrity of the accounting, financial and other corporate reporting systems and monitor the operation of these systems;
- engaging in strategic planning including establishing goals for management of the Company and monitoring the achievement of those goals;

- on an ongoing basis, reviewing how the strategic environment is changing, what key business risks and opportunities are appearing, how they are being managed and what, if any, modifications in strategic direction should be adopted; and
- adopting and applying appropriate ethical standards in relation to the management of the Company and the conduct of its business.

Senior Management

The following table sets forth certain information concerning our senior management.

No.	Name	Position	Age	Appointed since
1	Norman Seckold.................	Executive	73	September 12, 2007
2	Peter Nightingale................	Chief Financial Officer	63	September 12, 2007
3	Justin Werner......................	Managing Director	46	August 23, 2012
4	Richard Edwards	Company Secretary	49	March 28, 2012
5	Fanfan Zhao........................	Chief Development Officer	41	November 1, 2020

Mr. Norman A. Seckold – see "*–Board of Directors*".

Mr. Peter J. Nightingale – see "*–Board of Directors*".

Mr. Justin C. Werner – see "*–Board of Directors*".

Mr Richard Edwards graduated with a Bachelor of Commerce degree from the University of New South Wales, is a Fellow of the Governance Institute of Australia, is a member of CPA Australia and holds a Graduate Diploma of Applied Finance and Investment from FINSIA. Mr Edwards has worked for over fifteen years providing financial reporting and company secretarial services to a range of publicly listed companies in Australia with a focus on the mining sector. He is currently Company Secretary of ASX listed Alpha HPA Limited and Prospech Limited.

Ms. Fanfan Zhao graduated from Shanghai Jiaotong University with a Master of Management and a Bachelor of Engineering in Thermal Engineering and Computer Science and Application. She has over 15 years of investment experience in China and overseas, including the establishment of the IMIP in Indonesia. Since June 2008 she has been General Manager of the Assets and Legal Department and then Assistant President of Shanghai Decent, a Tsingshan group company. Ms Zhao has been a key contributor to the establishment and growth of the collaboration between the Company and the Tsingshan Group.

Board Committees

To assist the Board of Directors in meeting its responsibilities, the Group has established the following committees:

- the Audit and Risk Management Committee, which is responsible for monitoring and advising the Board of Directors on the Company's audit, risk management and regulatory compliance policies and procedures;

- the Remuneration Committee, which is responsible for establishing the policies and practices of the Company regarding the remuneration of directors and other senior executives and reviewing all components of the remuneration framework; and
- the Nomination Committee, which is responsible for advising the Board of Directors on the composition of the Board of Directors and its committees, reviewing the performance of the Board of Directors, its committees and the individual directors, ensuring the proper succession plans are in place and advising the Board of Directors in respect of the effectiveness of its corporate governance policies and developments in corporate governance.

Although the Board of Directors may delegate powers and responsibilities to these committees, the Board of Directors retains ultimate accountability for discharging its duties.

The Board of Directors may establish other committees as and when required.

SHAREHOLDING PATTERN

As of the date of this Offering Memorandum, we have 2,515,029,051 outstanding equity shares, all of which are publicly listed and traded on the ASX.

Our significant shareholders beneficially owning greater than 5% of our equity share capital as of the date of this Offering Memorandum are as follows:

- Shares held, directly or indirectly, by Shanghai Decent and its affiliated entities: 452,978,291 – 18.0%;
- Shares held, directly or indirectly, by PT Karunia Bara Perkasa and its affiliated entities: 378,395,960 – 15.1%;
- Shares held, directly or indirectly, by our directors: 345,054,171 – 13.7%;
- Shares held, directly or indirectly, by the BlackRock Group and its affiliated entities: 144,012,902 – 5.7%;
- Shares held, directly or indirectly, by the Baillie Gifford & Co: 129,551,010 – 5.2%; and
- Public float traded on the ASX: 1,065,036,717 – 42.3%.

RELATED PARTY TRANSACTIONS

We have not had any transactions with related parties, as defined under IFRS, during the periods presented in this Offering Memorandum.

For a description of our material agreements and other transactions with the Tsingshan group, see “Business—Our Partnership with the Tsingshan Group”.

DESCRIPTION OF THE NOTES

For purposes of this "Description of the Notes" the term the "Company" refers to only to Nickel Mines Limited (ACN 127 510 589), a company incorporated under the laws of the Commonwealth of Australia, and not to any of its Subsidiaries.

The Notes are to be issued under an Indenture, to be dated as of the Original Issue Date between the Company and Citibank International Limited, as trustee (the "Trustee").

The following is a summary of certain provisions of the Indenture, the Notes and the Subsidiary Guarantees. This summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Indenture, the Notes and the Subsidiary Guarantees. It does not restate those agreements in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. You should read the Indenture and the Notes as they, and not this "Description of the Notes", define your rights as Holders. Copies of the Indenture will be available for inspection on or after the Original Issue Date during normal business hours at the corporate trust office of the Trustee, currently located at 20/F, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong.

Brief Description of the Notes

The Notes will be:

- general unsecured obligations of the Company;
- senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;
- *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law); and
- effectively subordinated in right of payment to all secured Indebtedness of the Company to the extent of the value of the assets serving as security therefor and to all liabilities (including trade payables and indebtedness) of each Subsidiary of the Company that does not guarantee the Notes.

On the Original Issue Date, all of the Company's Subsidiaries will be Restricted Subsidiaries. The operations of the Company are conducted through its Subsidiaries and, therefore, the Company will depend on the cash flow of its Subsidiaries to meet obligations, including its obligations under the Notes. None of the Company's Subsidiaries will initially guarantee the Notes, and the Notes will be effectively subordinated to all Indebtedness and other liabilities (including trade payables and lease obligations) of such Subsidiaries. Any right of the Company to receive assets of any of its Subsidiaries upon the liquidation or reorganization of such Subsidiaries, and the consequent right of the Holders of the Notes to participate in those assets, will be effectively subordinated to the claims of that Subsidiary's creditors, except to the extent that the Company is itself recognized as an unsubordinated creditor of such Subsidiary. Even if the Company is recognized as an unsubordinated creditor of such Subsidiary, the claims of the Company would still be subordinate in right of payment to any Indebtedness of such Subsidiary to the extent of any security interest in the assets of that Subsidiary securing such Indebtedness and to any indebtedness of that Subsidiary senior to that held by the Company. See "*Risk Factors — Risks Relating to the Notes — We are a holding company. Holders of the Notes are effectively subordinated to all our subsidiaries' indebtedness and obligations*".

Under certain circumstances, the Company will be able to designate current or future Subsidiaries as Unrestricted Subsidiaries. Unrestricted Subsidiaries generally will not be subject to the restrictive covenants set forth in the Indenture and will not guarantee the Notes.

The Notes will mature on April 1, 2024, unless redeemed earlier pursuant to the terms thereof and the Indenture. The Indenture will allow additional Notes to be issued from time to time (the "Additional Notes"), subject to certain limitations described under "— *Further Issues*". Unless the context requires otherwise, references to the "Notes" for all purposes of the Indenture and this "Description of the Notes" include any Additional Notes that are actually issued. The Notes will bear interest at 6.50% per annum from and including the Original Issue Date or from and including the most recent interest payment date to which interest has been paid or duly provided for, payable semi-annually in arrears on April 1 and October 1 of each year (each an "Interest Payment Date") commencing on October 1, 2021.

Except as otherwise provided in the Indenture, the Notes may not be redeemed prior to maturity.

Interest on the Notes will be paid on each Interest Payment Date to Holders of record at the close of business on March 17 or September 16 immediately preceding such Interest Payment Date (each, a "Record Date"), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. In any case in which the date of the payment of principal of, premium (if any) or interest on the Notes (including any payment to be made on any date fixed for redemption or purchase of any Note) is not a Business Day in the relevant place of business of the Paying Agent, then payment of principal, premium (if any) or interest need not be made in such place on such date but may be made on the next succeeding Business Day in such place. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due, and no interest on the Notes shall accrue for the period after such date. Interest on the Notes will be calculated on the basis of a 360-day year comprising twelve 30-day months.

The Notes will be issued only in fully registered form, without coupons, in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. See "— *Book-Entry; Delivery and Form*". No service charge will be made for any registration of transfer or exchange of the Notes, but the Company may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made in U.S. dollars by wire transfer by the Company at the office or agency of the Company maintained for that purpose (which initially will be the specified office of the Paying Agent, currently located at c/o Citibank, N.A., Dublin Branch, 1 North Wall Quay, Dublin 1, Ireland), and the Notes may be presented for registration of transfer or exchange at such office or agency; *provided that*, if the Notes are in certificated form and the Company is acting as its own paying agent, at the option of the Company, payment of interest may be made by check mailed to the address of the Holders as such address appears in the Note register or by wire transfer. Interest payable on the Notes held through Euroclear or Clearstream will be available to Euroclear or Clearstream participants on the Business Day following payment thereof.

Further Issues

Subject to the covenants described below, the Company may, from time to time, without notice to or the consent of the Holders, create and issue Additional Notes having the same terms and conditions as the Notes (including the benefit of any Subsidiary Guarantees and any collateral) in all respects (or in all respects except for the issue date, issue price and the first interest period and, to the extent necessary, certain temporary securities law transfer restrictions) (a "Further Issue") so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; *provided that* the issuance of any such Additional Notes would then be permitted under the "Limitation on Indebtedness" covenant described below.

In addition, the issuance of any Additional Notes by the Company will be subject to the following conditions:

(1) all obligations with respect to the Additional Notes shall be secured and guaranteed under the Indenture, the Notes, any Subsidiary Guarantees and any collateral to the same extent and on the same basis as the Notes outstanding on the date the Additional Notes are issued; and

(2) the Company shall have delivered to the Trustee an Officers' Certificate, in form and substance satisfactory to the Trustee, confirming that the issuance of the Additional Notes complies with the Indenture.

Optional Redemption

At any time and from time to time prior to April 1, 2023, the Company may at its option redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, and Additional Amounts, if any, on the Notes redeemed, to (but not including) the redemption date. Neither the Trustee nor the Paying Agent shall be responsible for calculating or verifying the Applicable Premium.

At any time and from time to time on or after April 1, 2023, the Company may at its option redeem the Notes, in whole or in part, at a redemption price equal to 103.25% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, on the Notes redeemed, to (but not including) the redemption date.

At any time and from time to time prior to April 1, 2023, the Company may at its option redeem up to 40% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 106.50% of the principal amount of the Notes, plus accrued and unpaid interest, if any, and Additional Amounts, if any, on the Notes redeemed, to (but not including) the redemption date; *provided* that at least 60% of the aggregate principal amount of the Notes issued on the Original Issue Date (excluding Notes held by the Company and its Restricted Subsidiaries) remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering. Notice of any redemption upon any Equity Offering may be given prior to the completion of such Equity Offering, and any such redemption or notice may, at the Company's discretion, be conditioned on the completion of the related Equity Offering.

The Company will give not less than 30 days' nor more than 60 days' notice of any redemption to the Holders and upon reasonable notice in advance of such notice to Holders to the Trustee and the Paying Agent (which notice shall be irrevocable). If less than all of the Notes are to be redeemed at any time, the Notes for redemption will be selected as follows:

(1) if the Notes are listed on any national securities exchange and/or are held through a clearing system, in compliance with the requirements of the principal national securities exchange on which the Notes are listed (if any) and/or the requirements of the clearing system; or

(2) if the Notes are not listed on any national securities exchange or held through the clearing systems, on a pro rata basis, by lot or by such other method as the Trustee in its sole and absolute discretion shall deem to be fair and appropriate unless otherwise required by law.

A Note of U.S.$200,000 in principal amount or less shall not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. A new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

Repurchase of Notes Upon a Change of Control Triggering Event

Not later than 30 days following a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding Notes (a "Change of Control Offer") at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, and Additional Amounts, if any, to (but not including) the Offer to Purchase Payment Date.

The Company will agree in the Indenture that, upon a Change of Control Triggering Event, it will timely repay all Indebtedness or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the Company, it is important to note that if the Company is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the failure of the Company to purchase tendered Notes would constitute an Event of Default under the Indenture.

The Company will not be required to make a Change of Control Offer following a Change of Control Triggering Event if (1) a third party makes such Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to such Change of Control Offer and such third party purchases all Notes validly tendered and not withdrawn under such Change of Control Offer or (2) notice of redemption for all outstanding Notes has been given pursuant to the Indenture as described above under the caption "*— Optional Redemption*", unless and until there is a default in payment of the applicable redemption price.

Certain of the events constituting a Change of Control under the Notes may also constitute an event of default, or trigger the rights of lenders to require prepayment, under certain other debt instruments. Future debt of the Company may also (1) prohibit the Company from purchasing Notes in the event of a Change of Control Triggering Event; (2) provide that a Change of Control Triggering Event is a default; or (3) require repurchase or repayment of such debt upon a Change of Control Triggering Event. Moreover, the exercise by the Holders of their right to require the Company to purchase the Notes could cause a default under other Indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of the purchase on the Company. The ability of the Company to pay cash to the Holders following the occurrence of a Change of Control Triggering Event may be limited by the Company's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See "*Risk Factors — Risks Relating to the Notes — The Company may not have the ability to raise the funds necessary to finance an offer to repurchase the Notes upon the occurrence of certain events constituting a Change of Control Triggering Event as required by the Indenture governing the Notes*".

The phrase "all or substantially all", as used with respect to the assets of the Company in the definition of "Change of Control", will likely be interpreted under New York law and its interpretation will be dependent upon particular facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer of "all or substantially all" the assets of the Company has occurred.

Notwithstanding anything to the contrary contained herein, an Offer to Purchase may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made.

The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with each repurchase of Notes pursuant to a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with the provisions of the covenant described hereunder, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations described hereunder by virtue of its compliance with such laws and regulations.

The Trustee shall not be required to take any steps to ascertain whether a Change of Control Triggering Event or any event which could lead to the occurrence of a Change of Control Triggering Event has occurred and shall not be liable for any failure to do so.

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the Holders to require that the Company purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

If holders of not less than 90% in aggregate principal amount of the outstanding Notes at such time properly tender such Notes pursuant to a Change of Control Offer and the Company, or any third party making such Change of Control offer in lieu of the Company, as described above, purchases all of the Notes properly tendered by such holders, the Company or such third party will have the right, upon not less than 30 days nor more than 60 days' notice given not later than 60 days following the settlement of such Change of Control Offer, to redeem any and all Notes that remain outstanding following such Change of Control Offer, at a redemption price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, and Additional Amounts, if any, to (but not including) the redemption date.

No Sinking Fund

There will be no mandatory redemption or sinking fund payments for the Notes.

Additional Amounts

All payments of principal of, and premium (if any) and interest on the Notes and all payments under the Subsidiary Guarantees will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or other governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company, any Subsidiary Guarantor or any Surviving Person (as defined under the caption "*— Consolidation, Merger and Sale of Assets*") of the Company or any Subsidiary Guarantor is organized or resident for tax purposes or through which payment is made (or any political subdivision or taxing authority thereof or therein) (each, as applicable, a "Relevant Jurisdiction"), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required by a Relevant Jurisdiction, the Company, the applicable Subsidiary Guarantor or any Surviving Person of any of the foregoing, as the case may be, will pay such additional amounts ("Additional Amounts") as will result in receipt by the Holder of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

(1) for or on account of:

  (a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:

    (i) the existence of any present or former connection between the Holder or beneficial owner of such Note or Subsidiary Guarantee, as the case may be, and the Relevant

Jurisdiction other than merely holding such Note or the receipt of payments thereunder or under the Subsidiary Guarantee, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;

(ii) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period;

(iii) the failure of the Holder or beneficial owner to comply with a timely request of the Company, any Subsidiary Guarantor or any Surviving Person of any of the foregoing, as the case may be, addressed to the Holder or beneficial owner, as the case may be, to provide information concerning such Holder's or beneficial owner's nationality, residence, identity or connection with the Relevant Jurisdiction, or other pertinent information, if and to the extent that due and timely compliance with such request is required by statute, regulation or administrative practice of the Relevant Jurisdiction to reduce or eliminate any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder; or

(iv) the presentation of such Note (in cases in which presentation is required) for payment in the Relevant Jurisdiction, unless such Note could not have been presented for payment elsewhere;

(b) any tax, duty, assessment or other governmental charge which is payable other than by deduction or withholding from payments of principal or interest of the Notes;

(c) any tax required to be withheld or deducted under Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "Code") (or any amended or successor versions of such Sections) ("FATCA"), any current or future regulations or other official guidance thereunder, any intergovernmental agreement entered into in connection with FATCA, any agreements entered into pursuant to Section 1471(b) of the Code, or any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA or an intergovernmental agreement;

(d) any estate, inheritance, gift, sale, transfer, capital gains, excise, personal property or similar tax, assessment or other governmental charge; or

(e) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a) through (d);

(2) with respect to any payment of the principal of, or premium, if any, or interest on, such Note or any payment under any Subsidiary Guarantee to a Holder, if the Holder is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in income under the laws of the Relevant Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Holder thereof.

As a result of these provisions, there are circumstances in which taxes could be withheld or deducted but Additional Amounts would not be payable to some or all beneficial owners of Notes.

Notwithstanding the foregoing, the limitations on the obligations of the Company, a Surviving Person or any Subsidiary Guarantor, as applicable, to pay Additional Amounts set forth in clause (1)(a)(iii) above will not apply if the provision of any certification, identification, information, documentation or other reporting requirement described in such clause (1)(a)(iii) would be materially more onerous, in form, in procedure or in the substance of information disclosed, to a Holder or beneficial owner of a Note than comparable information or other reporting requirements imposed under U.S. tax law, regulations and administrative practice (such as U.S. Internal Revenue Service Forms W-8BEN, W-8BEN-E and W-9). For the avoidance of doubt, no Holder or beneficial owner of a Note shall have any obligation to establish eligibility for a reduced withholding tax rate under any income tax treaty.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note or under any Subsidiary Guarantee, such mention shall be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Company, any Subsidiary Guarantor or any Surviving Person, as the case may be, will also (i) make such withholding or deduction and (ii) remit the full amount deducted or withheld to the relevant authority in accordance with applicable law.

At least 30 days prior to each date on which any payment under or with respect to the Notes is due and payable, if the Company, any Subsidiary Guarantor or any Surviving Person, as the case may be, becomes aware that it will be obligated to pay Additional Amounts with respect to such payment, the Company will deliver to the Trustee an Officers' Certificate stating the fact that such Additional Amounts will be payable and the amounts so payable, and will set forth such other information necessary to enable the Paying Agent to pay such Additional Amounts to the Holders on the payment date.

The Indenture will further provide that if the Company or any Subsidiary Guarantor conducts business in any jurisdiction (an "Additional Jurisdiction") other than a Relevant Jurisdiction and, as a result, is required by the law of such Additional Jurisdiction to deduct or withhold any amount on account of taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within such Additional Jurisdiction from payments under the Notes or, as the case may be, a Subsidiary Guarantee, which would not have been required to be so deducted or withheld but for such conduct of business in such Additional Jurisdiction, all references in this Offering Memorandum and in the Indenture to a Relevant Jurisdiction shall be construed to include a reference to such Additional Jurisdiction.

In addition, the Company will pay any stamp, issue, registration, documentary, value added or other similar taxes and other duties (including interest and penalties) payable in any Relevant Jurisdiction in respect of the creation, issue, offering, execution or enforcement of the Notes, or any documentation with respect thereto (other than a transfer of the Notes by a Holder).

Redemption for Taxation Reasons

The Notes may be redeemed, at the option of the Company or the Surviving Person of the Company, as the case may be, in whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the Holders (which notice shall be irrevocable) and upon reasonable notice in advance of such notice to the Trustee and the Paying Agent, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company or the Surviving Person of the Company, as the case may be, for redemption (the "Tax Redemption Date") if, as a result of:

(a) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a jurisdiction in which the Company or a Surviving Person of the Company is organized or resident for tax purposes (or any political subdivision or taxing authority thereof) (a "Relevant Taxing Jurisdiction"); or

(b) any change in, or amendment to, the existing official position, interpretation or the stating of an official position regarding the application or interpretation of such laws, or regulations or rulings promulgated thereunder (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment becomes effective (i) with respect to the Company or any Surviving Person of the Company on or after the Original Issue Date and (ii) with respect to any Subsidiary Guarantor, on or after the date such Subsidiary Guarantor became a Subsidiary Guarantor, with respect to any payment due or to become due under the Notes or any Subsidiary Guarantee, or the Indenture, the Company, any Subsidiary Guarantor, or any Surviving Person of any of the foregoing, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Company, the relevant Subsidiary Guarantor or any Surviving Person of any of the foregoing, as the case may be; *provided* that changing the jurisdiction of the Company, a Subsidiary Guarantor or the Surviving Person of any of the foregoing is not a reasonable measure for the purposes of this section; *provided further* that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company, any Subsidiary Guarantor, or any Surviving Person of any of the foregoing, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the mailing of any notice of redemption of the Notes pursuant to the foregoing, the Company or the Surviving Person of the Company, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before a redemption date:

(1) an Officers' Certificate stating that such change or amendment referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Company, the relevant Subsidiary Guarantor or such Surviving Person, as the case may be, taking reasonable measures available to it; and

(2) an Opinion of Counsel or an opinion of a tax consultant, in each case of recognized international standing with respect to tax matters of the Relevant Taxing Jurisdiction, that the requirement to pay such Additional Amounts results from such change or amendment referred to in the prior paragraph.

The Trustee shall accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the Holders.

Any Notes that are redeemed will be cancelled as soon as is practicable.

Open Market Purchases

The Company and any Restricted Subsidiary may purchase Notes by means other than a redemption, whether by tender offer, open market purchases, negotiated transactions or otherwise, in accordance with applicable securities laws and regulations, so long as such acquisition does not otherwise violate the terms of the Indenture. Any Notes acquired by the Company or any Restricted Subsidiary will be cancelled.

Certain Covenants

Set forth below are summaries of certain covenants contained in the Indenture.

Limitation on Indebtedness

(1) The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, Incur any Indebtedness (including Acquired Indebtedness), *provided that* the Company or any Restricted Subsidiary may Incur Indebtedness (including Acquired Indebtedness) if, after giving pro forma effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing, (y) the Fixed Charge Coverage Ratio would not be less than 2.5 to 1.0 and (z) if such Indebtedness constitutes Consolidated Priority Indebtedness, such Indebtedness constitutes Permitted Priority Indebtedness. Notwithstanding the foregoing, the Company will not permit any Restricted Subsidiary to Incur any Disqualified Stock (other than Disqualified Stock held by the Company or a Restricted Subsidiary so long as it is so held).

(2) Notwithstanding the foregoing, the Company and any Restricted Subsidiary may Incur Indebtedness ("Permitted Indebtedness") to the extent provided below:

(a) Indebtedness under the Notes (excluding any Additional Notes) and any Subsidiary Guarantee thereof and any related Deed of Guarantee;

(b) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date after giving effect to the application of the proceeds from the sale of the Notes, excluding Indebtedness permitted under clause (2)(c) of this covenant;

(c) Indebtedness of the Company or any Restricted Subsidiary owed to the Company or any Restricted Subsidiary; *provided* that (x) any event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness (other than to the Company or any Restricted Subsidiary) will be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (2)(c), (y) if the Company is the obligor on such Indebtedness, such Indebtedness must be unsecured and expressly be subordinated in right of payment to the Notes and (z) if a Subsidiary Guarantor is the obligor on such Indebtedness and a Restricted Subsidiary that is not a Subsidiary Guarantor is the obligee, such Indebtedness must be unsecured and expressly subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor;

(d) Indebtedness of the Company or any Restricted Subsidiary ("Permitted Refinancing Indebtedness") issued in exchange for, or the net proceeds of which are used to refinance or refund, replace, exchange, renew, repay, defease, discharge or extend (collectively, "refinance" and "refinances" and "refinanced" shall have a correlative meaning), then-outstanding Indebtedness (or Indebtedness repaid substantially concurrently with the Incurrence of such Permitted Refinancing Indebtedness) Incurred under proviso to clause (1) of this covenant or any of clauses (2)(a), (2)(b), (2)(d), (2)(l) or (2)(m) of this covenant and any refinancings thereof; provided that (A) Indebtedness the proceeds of which are used to refinance or refund the Notes or Indebtedness that is pari passu with, or subordinated in right of payment to, the Notes or a Subsidiary Guarantee will only be permitted under this clause (2)(d) if (x) in case the Notes are refinanced in part or the Indebtedness to be refinanced is pari passu with the Notes or a Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is outstanding, is expressly made pari passu with the remaining Notes or such Subsidiary Guarantee, or (y) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes or a Subsidiary

Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes or such Subsidiary Guarantee at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes or such Subsidiary Guarantee, (B) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced or refunded, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced or refunded and (C) such new Indebtedness has an aggregate principal amount, or if Incurred with original issue discount, an aggregate issue price, that is equal to or less than the aggregate principal amount, or if Incurred with original issue discount, the aggregate accreted value, then outstanding under the Indebtedness being refinanced (plus premiums, accrued interest, underwriting discounts, costs (including any defeasance costs), fees and expenses);

(e) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to Hedging Obligations for the purpose of protecting the Company or such Restricted Subsidiary from fluctuations in interest rates, currencies or the price of commodities and not for speculation;

(f) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit or trade guarantees issued in the ordinary course of business to the extent that such letters of credit or trade guarantees are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than 30 days following receipt by the Company or such Restricted Subsidiary of a demand for reimbursement;

(g) Indebtedness Incurred by the Company or any Restricted Subsidiary in connection with one or more standby letters of credit, performance and surety bonds, bankers' acceptances or survey or appeal bonds issued by the Company or a Restricted Subsidiary in the ordinary course of business or pursuant to self-insurance obligations and not in connection with the borrowing of money or the obtaining of advances or credit;

(h) Indebtedness arising from agreements of the Company or a Restricted Subsidiary providing for indemnification, adjustment of purchase price, earn out or similar obligations, or from guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Company or any Restricted Subsidiary pursuant to such agreements, in each case, Incurred or assumed in connection with the acquisition or disposition of any business, assets or Capital Stock of a Restricted Subsidiary, other than guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Capital Stock of a Restricted Subsidiary for the purposes of financing such acquisition; *provided that* the maximum aggregate liability in respect of all such Indebtedness in connection with a disposition shall at no time exceed the gross proceeds actually received by the Company and its Restricted Subsidiaries in connection with such disposition;

(i) Indebtedness of the Company or a Restricted Subsidiary arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided, however*, that such Indebtedness is extinguished within five Business Days of Incurrence;

(j) guarantees by the Company or any Subsidiary Guarantor of Indebtedness of any Restricted Subsidiary or the Company that was permitted to be Incurred by another provision of this covenant; *provided* that if the Indebtedness being guaranteed is subordinated to or *pari passu* with the Notes or a Subsidiary Guarantee, then the guarantee shall be subordinated or *pari passu*, as applicable, to the same extent as the Indebtedness guaranteed;

(k) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to workers' compensation claims or claims arising under similar legislation, or self-insurance obligations or bid, performance or surety bonds, including guarantees or obligations of the Company or any Restricted Subsidiary thereof with respect to letters of credit supporting such bid, performance or surety bonds, in each case other than for an obligation for borrowed money;

(l) Indebtedness of the Company or any Restricted Subsidiary with a maturity of one year or less used by the Company or any Restricted Subsidiary for working capital; *provided* that the aggregate principal amount of Indebtedness Incurred under this clause (2)(l) at any time outstanding (together with refinancings thereof) does not exceed U.S.$50.0 million (or the Dollar Equivalent thereof);

(m) Indebtedness Incurred by the Company or any Restricted Subsidiary; *provided* that the aggregate principal amount of Indebtedness Incurred under this clause (2)(m) at any time outstanding does not exceed U.S.$30.0 million (or the Dollar Equivalent thereof); and

(n) Indebtedness Incurred by the Company or any Restricted Subsidiary to the extent the net cash proceeds thereof are promptly and irrevocably deposited with the Trustee (or such other entity designated or appointed (as agent) by it for such purpose) to defease or to satisfy and discharge the Notes as described under "*— Defeasance*" or "*— Satisfaction and Discharge*";

provided that, with respect to the incurrence of Permitted Indebtedness under this paragraph (other than (x) Permitted Refinancing Indebtedness that refinances Permitted Priority Indebtedness under clause (d) of this paragraph or (y) Indebtedness under clause (n) of this paragraph), if such Permitted Indebtedness constitutes Consolidated Priority Indebtedness, on the date of the incurrence of such Indebtedness and after giving effect thereto, such Indebtedness constitutes Permitted Priority Indebtedness.

(1) For purposes of determining compliance with this "Limitation on Indebtedness" covenant, in the event that an item of Indebtedness meets the criteria of more than one type of Indebtedness, the Company, in its sole discretion, shall classify such item of Indebtedness and only be required to include the amount of such Indebtedness as one of such types, and the Company may from time to time reclassify any such item of Indebtedness into one or more types of Indebtedness described above.

(2) The accrual of interest, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms, the reclassification of Preferred Stock as Indebtedness due to a change in accounting principles, and the payment of dividends on Disqualified Stock in the form of additional shares of the same class of Disqualified Stock will not be deemed to be an incurrence of Indebtedness; provided, in each such case, that the amount of any such accrual, accretion or payment is included in the Consolidated Fixed Charges of the Company as accrued.

(3) The principal amount of any Indebtedness incurred to refinance other Indebtedness, if incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such respective Indebtedness is denominated that is in effect on the date of such refinancing. Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Company or any Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates

or currency value. For purposes of determining compliance with any U.S. dollar-denominated restriction on the incurrence of Indebtedness, the U.S. dollar equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred (or first committed, in the case of revolving credit debt); *provided*, that if such Indebtedness is incurred to refinance other Indebtedness denominated in a foreign currency, and such refinancing would cause the applicable U.S. dollar denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced (plus premiums, accrued interest, underwriting discounts, costs (including any defeasance costs), fees and expenses).

Limitation on Restricted Payments

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as "Restricted Payments"):

(1) declare or pay any dividend or make any distribution on or with respect to the Company's or any of its Restricted Subsidiaries' Capital Stock (other than dividends or distributions payable solely in shares of the Company's Capital Stock or by a Restricted Subsidiary in its Capital Stock (in each case other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of any such Capital Stock) held by Persons other than the Company or any Restricted Subsidiary;

(2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock (or options, warrants or other rights to acquire such shares of Capital Stock) of the Company, any Subsidiary Guarantor or any direct or indirect parent of the Company held by any Persons other than the Company or any Restricted Subsidiary;

(3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Indebtedness that is subordinated in right of payment to the Notes or any Subsidiary Guarantee (excluding any intercompany Indebtedness between or among the Company and any of its Restricted Subsidiaries or between or among Restricted Subsidiaries); or

(4) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving pro forma effect to, the proposed Restricted Payment:

(a) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;

(b) the Company could not Incur at least U.S.$1.00 of Indebtedness under the proviso to clause (1) of the covenant described under the caption "— *Limitation on Indebtedness*"; or

(c) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Company and its Restricted Subsidiaries after the Original Issue Date, shall exceed the sum (without duplication) of:

(i) 50.0% of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on the first day of the semi-annual period in which the Original Issue Date occurs and ending on the last day of the Company's most recently ended semi-annual period for which consolidated financial statements of the Company (which may be internal consolidated financial statements) are available; plus

(ii) 100% of the aggregate Net Cash Proceeds received by the Company after the Original Issue Date as a capital contribution to its common equity by or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Subsidiary of the Company, and including any Net Cash Proceeds received upon (x) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Company or any Restricted Subsidiary into Capital Stock (other than Disqualified Stock) of the Company, or (y) the exercise by a Person who is not a Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock), in each case after deducting the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company); plus

(iii) the amount by which Indebtedness of the Company or any Restricted Subsidiary is reduced on the Company's statement of financial position upon conversion or exchange (other than by a Subsidiary of the Company) subsequent to the Original Issue Date of any Indebtedness of the Company or any Restricted Subsidiary into Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Company or any Restricted Subsidiary upon such conversion or exchange); plus

(iv) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Original Issue Date in any Person resulting from (A) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income), (B) the unconditional release of a guarantee provided by the Company or any Restricted Subsidiary after the Original Issue Date of an obligation of another Person, (C) the Net Cash Proceeds from the sale of any such Investment (except to the extent such Net Cash Proceeds are included in the calculation of Consolidated Net Income) or (D) from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments made by the Company or a Restricted Subsidiary after the Original Issue Date in any such Person.

The foregoing provision shall not be violated by reason of:

(1) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;

(2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any Subsidiary Guarantor with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;

(3) any Restricted Payment made in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution to or sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;

(4) the payment of any dividends or distributions declared, paid or made by a Restricted Subsidiary to all holders of any class of Capital Stock of such Restricted Subsidiary, a majority of which is held, directly or indirectly through Restricted Subsidiaries, by the Company, in each case on a pro rata basis or on a basis more favorable to the Company;

(5) repurchases of Capital Stock deemed to occur upon the exercise of stock options, warrants or other rights to acquire Capital Stock to the extent such Capital Stock represents a portion of the exercise price thereof;

(6) cash payments in lieu of the issuance of fractional shares in connection with the exercise of warrants, options or other securities convertible or exchangeable for Capital Stock of the Company; *provided* that any such cash payment shall not be for the purpose of evading the limitations of this covenant;

(7) the making of any other Restricted Payment in an aggregate amount, together with all other Restricted Payments made under this clause (7), not exceeding U.S.$25.0 million (or the Dollar Equivalent thereof); or

(8) any Investment by the Company or any Restricted Subsidiary in the Capital Stock of PT Hengjaya Mineralindo remaining after the issuance, sale, transfer or other disposition of any Capital Stock of PT Hengjaya Mineralindo to comply with Law No. 4 of 2009 on Mineral and Coal Mining, as amended by Law No. 3 of 2020 on Amendment to Law 4/2009 as well as Law No. 11 of 2020 on Job Creation or any other amendment thereto from time to time, and any regulations, rules or official guidance thereunder if, after giving effect thereto, PT Hengjaya Mineralindo is no longer a Restricted Subsidiary of the Company;

provided that in the case of clause (7) above, no Default will have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein, *provided further* that, each Restricted Payment made pursuant to clauses (4) and (8) of this paragraph will be included in calculating whether the conditions of clause (c) of the first paragraph of this "— *Limitation on Restricted Payments*" covenant have been met with respect to any subsequent Restricted Payments; and *provided further* that, each Restricted Payment made pursuant to clauses (1), (2), (3), (5), (6) and (7) of this paragraph will be excluded in calculating whether the conditions of clause (c) of the first paragraph of this "— *Limitation on Restricted Payments*" covenant have been met with respect to any subsequent Restricted Payments.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant will be the Fair Market Value. The Board of Directors' determination of the Fair Market Value of a Restricted Payment or any such assets or securities must be based upon an opinion or appraisal issued by an accounting, appraisal or investment banking firm of recognized international standing if the Fair Market Value exceeds U.S.$10.0 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment in excess of U.S.$10.0 million (or the Dollar Equivalent thereof), the Company will deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted under the Indenture and setting forth the basis upon which the calculations required by this "— *Limitation on Restricted Payments*" covenant were computed, together with a copy of any opinion or appraisal required by the Indenture.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

(1) Except as provided below, the Company will not, and will not permit any Restricted Subsidiary to create or otherwise cause or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

(a) pay dividends or make any other distributions on any Capital Stock of such Restricted Subsidiary owned by the Company or any Restricted Subsidiary;

(b) pay any Indebtedness or other obligation owed to the Company or any Restricted Subsidiary;

(c) make loans or advances to the Company or any Restricted Subsidiary; or

(d) sell, lease or transfer any of its property or assets to the Company or any Restricted Subsidiary,

provided that it being understood that (i) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on Common Stock; (ii) the subordination of loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness Incurred by the Company or any Restricted Subsidiary; and (iii) provisions requiring transactions between or among the Company and any Restricted Subsidiary or between or among any Restricted Subsidiary to be on fair and reasonable terms or on an arm's-length basis, in each case, shall not be deemed to constitute such an encumbrance or restriction.

(2) The provisions of paragraph (1) do not apply to any encumbrances or restrictions:

(a) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Subsidiary Guarantees or the Indenture, or any extensions, refinancings, renewals, supplements, amendments or replacements of any of the foregoing agreements; provided that the encumbrances and restrictions in any such extension, refinancing, renewal, supplement, amendment or replacement are not materially more restrictive, taken as a whole, than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed, supplemented, amended or replaced;

(b) existing under or by reason of applicable law, rule, regulation, license, concession, approval, decree or order issued by any government or any agency thereof;

(c) customary non-assignment provisions in contracts and licenses entered into in the ordinary course of business;

(d) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business;

(e) existing with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals, supplements, amendments or replacements thereof; *provided that* the encumbrances and restrictions in any such extension, refinancing, renewal, supplement, amendment or replacement are not materially more restrictive, taken as a whole, than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed, supplemented, amended or replaced;

(f) that otherwise would be prohibited by the provision described in clause (1)(d) of this covenant if they arise, or are agreed to, in the ordinary course of business and that (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license or similar instrument, (ii) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture or (iii) do not relate to any Indebtedness, and that do not, individually or in the aggregate, reduce the value of property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary;

(g) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is not prohibited by the "*— Limitation on Indebtedness*" and "*— Limitation on Asset Sales*" covenants;

(h) with respect to any Permitted Refinancing Indebtedness; *provided* that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced;

(i) existing with respect to any Unrestricted Subsidiary or the property or assets of such Unrestricted Subsidiary that is designated as a Restricted Subsidiary in accordance with the terms of the Indenture at the time of such designation and not incurred in contemplation of such designation, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Subsidiary or its subsidiaries or the property or assets of such Subsidiary or its subsidiaries, and any extensions, refinancings, renewals, supplements or amendments or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal, supplement, amendment or replacement are not materially more restrictive, taken as a whole, than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed, supplemented, amended or replaced;

(j) arising from provisions in joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements and other similar agreements entered into in the ordinary course of business if, as determined by the Board of Directors in good faith, the encumbrances or restrictions are (i) customary for such types of agreements and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company to make required payments on the Notes; or

(k) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness permitted to be Incurred under the covenant described under the caption "*— Certain Covenants — Limitation on Indebtedness*" if, as determined by the Board of Directors in good faith, the encumbrances or restrictions (i) are customary for such types of agreements and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company to make required payments on the Notes.

Limitation on Issuances of Guarantees by Restricted Subsidiaries

The Company will not permit any Restricted Subsidiary which is not a Subsidiary Guarantor, directly or indirectly, to provide any guarantee for any Indebtedness ("Guaranteed Indebtedness") of the Company or any Subsidiary Guarantor, unless (a) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for an unsubordinated Subsidiary Guarantee of payment of the Notes by such Restricted Subsidiary (and, if such Restricted Subsidiary is incorporated in Indonesia, enters into a Deed of Guarantee) and (b) such Restricted Subsidiary waives and will not in any manner whatsoever claim, or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Company or any Subsidiary Guarantor as a result of any payment by such Restricted Subsidiary under its Subsidiary Guarantee (or related Deed of Guarantee) until the Notes have been paid in full.

If the Guaranteed Indebtedness (A) ranks *pari passu* in right of payment with the Notes or any Subsidiary Guarantee, then the guarantee of such Guaranteed Indebtedness shall rank *pari passu* in right of payment with, or subordinated to, the Subsidiary Guarantee or (B) is subordinated in right of payment to the Notes or any Subsidiary Guarantee, then the guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to the Subsidiary Guarantee at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes or the Subsidiary Guarantee.

Limitation on Transactions with Affiliates

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder of 10.0% or more of any class of Capital Stock of the Company (or any Affiliate of such holder) or (y) any Affiliate of the Company, in either case, involving an aggregate consideration in excess of U.S.$2.5 million (each, an "Affiliate Transaction"), unless:

(1) the Affiliate Transaction is on terms that are no less favorable to the Company or the relevant Restricted Subsidiary, as the case may be, than those that would have been obtained in a comparable arm's-length transaction by the Company or the relevant Restricted Subsidiary with a Person that is not such a holder or an Affiliate of the Company or such Restricted Subsidiary or any such holder; and

(2) the Company delivers to the Trustee:

(a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of U.S.$5.0 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors (or if there are no disinterested members of the board of directors, by a majority of the Board of Directors); and

(b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of U.S.$10.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause (2)(a) above, an opinion issued by an accounting, appraisal or investment banking firm of recognized standing stating either (i) that such Affiliate Transaction is, or series of related Affiliate Transactions are, fair to the Company or such Restricted Subsidiary from a financial point of view or (ii) that the terms of such Affiliate Transaction is, or series of related Affiliate Transactions are, not materially less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable arm's-length transaction by the Company or such Restricted Subsidiary with a Person that is not such a holder or an Affiliate of the Company or such Restricted Subsidiary.

The foregoing limitation does not limit, and shall not apply to:

(1) the payment of reasonable and customary regular fees to directors or commissioners of the Company or any Restricted Subsidiary who are not employees of the Company or any Restricted Subsidiary;

(2) transactions between or among the Company and any of its Restricted Subsidiaries or between or among Restricted Subsidiaries;

(3) any Restricted Payment permitted by the covenant described under the caption "— Limitation on Restricted Payments";

(4) transactions or payments pursuant to any employment, compensation or benefit plan or agreement (whether based in cash or securities), officer, director or commissioner indemnification agreement,

severance or termination agreement or any similar arrangement entered into by the Company or any Restricted Subsidiary with their respective officers, directors, commissioners or employees and payments pursuant thereto, including the payment of reasonable fees and reimbursement of expenses, in each case in the ordinary course of business and in compliance with the listing rules of the ASX;

(5) transactions with a Person (other than an Unrestricted Subsidiary of the Company) that is an Affiliate of the Company solely because the Company, directly or indirectly, owns Capital Stock in, or controls, such Person or solely because the Company or one of its Subsidiaries has the right to designate one or more members of the Board of Directors or similar governing body of such Person;

(6) any agreement between any Person (other than a Person that is an Affiliate of the Company or acquired from an Affiliate of the Company) that is acquired by or merged into the Company or any of its Restricted Subsidiaries and an Affiliate of the Company existing at the time of such acquisition or merger; *provided* that such agreement was not entered into in contemplation of such acquisition or merger;

(7) transactions with clients, contractors, purchasers or suppliers of goods, services (including administrative, logistics, legal and regulatory, engineering, technical, financial, accounting, procurement, marketing, insurance, labor, management, operation and maintenance, power supply and other services), nickel ore, nickel pig iron or other resources or lessors or lessees, in each case in the ordinary course of business and that are fair or on terms at least as favorable as arm's-length as determined in good faith by the Board of Directors;

(8) any sale of Capital Stock (other than Disqualified Stock) of the Company;

(9) loans or advances to, or guarantees of obligations of, commissioners, directors, officers or employees of the Company or any Restricted Subsidiary in the ordinary course of business not to exceed U.S.$2.5 million (or the Dollar Equivalent thereof) in the aggregate at any one time outstanding; and

(10) the Angel Nickel Acquisition.

In addition, the requirements of (x) clause (2) of the first paragraph of this covenant will not apply to (i) transactions pursuant to agreements in effect on the Original Issue Date and described in the Offering Memorandum, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date or (ii) any Permitted Investment (other than a Permitted Investment of the type described in clause (1)(b) of the definition of "Permitted Investment") or (y) clause (2)(b) of the first paragraph of this covenant will not apply to transactions with Shanghai Decent Investment (Group) Co., Ltd. and its Affiliates.

Limitation on Liens

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind, whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are secured equally and ratably with (or, if the obligation to be secured by such Lien is subordinated in right of payment to the Notes or any Subsidiary Guarantee, senior in priority to) the obligation so secured for so long as such obligation is so secured by such Lien.

Limitation on Asset Sales

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, consummate any Asset Sale, unless:

(1) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of;

(2) in the case of an Asset Sale that constitutes an Asset Disposition, the Company could Incur at least U.S.$1.00 of Indebtedness under the proviso to clause (1) of the covenant described above under the caption "*— Limitation on Indebtedness*" after giving pro forma effect to such Asset Disposition; and

(3) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets, *provided* that for purposes of this provision, each of the following will be deemed to be cash:

  (a) any liabilities, as shown on the Company's most recent consolidated statement of financial position, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that irrevocably and unconditionally releases the Company or such Restricted Subsidiary, as the case may be, from further liability; and

  (b) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are promptly, but in any event within 45 days of closing, converted by the Company or such Restricted Subsidiary, as the case may be, into cash, to the extent of the cash received in such conversion.

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Company or the applicable Restricted Subsidiary, as the case may be, may apply such Net Cash Proceeds to:

(1) permanently repay any Senior Indebtedness of the Company or any Restricted Subsidiary (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly permanently reduce commitments with respect thereto) in each case owing to a Person other than the Company or a Restricted Subsidiary; or

(2) acquire Replacement Assets.

Pending application of such Net Cash Proceeds as set forth in the preceding paragraph, the Company (or applicable Restricted Subsidiary) may use such Net Cash Proceeds to make an Investment in cash or Temporary Cash Investments or to temporarily reduce revolving credit Indebtedness.

Any Net Cash Proceeds from Asset Sales by the Company or any Restricted Subsidiary that are not applied or invested as provided in clauses (1) and (2) in the second preceding paragraph will constitute "Excess Proceeds". Excess Proceeds of less than U.S.$15.0 million (or the Dollar Equivalent thereof) may be carried forward and accumulated. Within 10 days after the aggregate amount of Excess Proceeds totals at least U.S.$15.0 million (or the Dollar Equivalent thereof), the Company must commence and thereafter consummate an Offer to Purchase from the Holders and holders of Senior Indebtedness containing provisions similar to those set forth in the Indenture with respect to offers to purchase with the proceeds of sales of assets, to purchase the maximum principal amount of Notes and such Senior Indebtedness that may be purchased out of the Excess Proceeds.

The offer price in any Offer to Purchase will be equal to 100% of the principal amount (or accreted value, if applicable) of the Notes and such Senior Indebtedness plus accrued and unpaid interest, if any, and Additional Amounts, if any, to the date of purchase, and will be payable in cash. If the aggregate principal amount of Notes and Senior Indebtedness tendered into such Offer to Purchase exceeds the amount of Excess Proceeds, the Notes and such Senior Indebtedness will be purchased on a pro rata basis based on the principal amount tendered or such other method as the Company shall deem to be fair and appropriate. To the extent that any

Excess Proceeds remain after consummation of an Offer to Purchase pursuant to this "Limitation on Asset Sales" covenant, the Company or any Restricted Subsidiary may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture, and those Excess Proceeds shall no longer constitute "Excess Proceeds".

The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with each repurchase of Notes pursuant to an Offer to Purchase. To the extent that the provisions of any securities laws or regulations conflict with the provisions of the covenant described hereunder, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations described hereunder by virtue of its compliance with such laws and regulations.

Limitation on Business Activities of the Company

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than Permitted Businesses; *provided, however*, that the Company or any Restricted Subsidiary may own Capital Stock of an Unrestricted Subsidiary or joint venture or other entity that is engaged in a business other than Permitted Businesses as long as any Investment therein was not prohibited when made by the covenant under the caption "*— Limitation on Restricted Payments*".

Use of Proceeds

The Company will not, and will cause its Restricted Subsidiaries not to, use the net proceeds from the sale of the Notes issued and sold on the Original Issue Date in any amount or for any purpose other than (1) in the approximate amounts and for the purposes specified under the caption "Use of Proceeds" in this Offering Memorandum and (2) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in Temporary Cash Investments.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary, *provided that* (1) in no event will any license, authorization or concession to operate the Permitted Business be transferred to or held by an Unrestricted Subsidiary to the extent such transfer would have a material and adverse effect on the business prospects, financial condition or results of operation of the Company or any Restricted Subsidiary; (2) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (3) such Restricted Subsidiary does not own any Disqualified Stock of the Company or any Disqualified or Preferred Stock of any Restricted Subsidiary or hold any Indebtedness of, or any Lien on any property of, the Company or any Restricted Subsidiary, if such Disqualified or Preferred Stock or Indebtedness could not be Incurred under the covenant described under the caption "*— Limitation on Indebtedness*" or the grant of such Lien would violate the covenant described under the caption "*— Limitation on Liens*"; (4) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated to be Unrestricted Subsidiaries in accordance with this paragraph; (5) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Company or any other Restricted Subsidiary; and (6) the Investment deemed to have been made thereby in such newly designated Unrestricted Subsidiary and each other newly designated Unrestricted Subsidiary being concurrently designated would be permitted to be made by the covenant described under the caption "*— Limitation on Restricted Payments*".

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided that* (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred under the covenant described under the caption "—

Limitation on Indebtedness"; (3) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been incurred by such newly designated Restricted Subsidiary as a result of such designation would be permitted to be incurred under the covenant described under the caption "— *Limitation on Liens*"; (4) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary); and (5) such Unrestricted Subsidiary will, if required to guarantee the Notes under the covenant described under "— *Limitation on Issuances of Guarantees by Restricted Subsidiaries*", upon such designation, (i) execute and deliver to the Trustee a supplemental Indenture by which it shall become a Subsidiary Guarantor, and (ii) enter into a related Deed of Guarantee if incorporated in Indonesia.

All designations under this covenant must be evidenced by a Board Resolution delivered to the Trustee certifying compliance with the preceding provisions.

Government Approvals and Licenses; Compliance with Law

The Company will, and will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary or desirable to engage in the Permitted Business (if any); (2) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Liens not prohibited by the covenant described under "— *Limitation on Liens*"; and (3) comply with all applicable laws, regulations, orders, judgments and decrees of any governmental body; except to the extent that failure to so obtain, maintain, preserve and comply would not reasonably be expected to have a material adverse effect on (1) the business, results of operations or prospects of the Company and its Restricted Subsidiaries taken as a whole or (2) the ability of the Company or any Subsidiary Guarantor to perform its obligations under the Notes, the relevant Subsidiary Guarantee or the Indenture.

Anti-Layering

The Company will not, and the Company will not permit any Subsidiary Guarantor to, directly or indirectly, Incur any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Company or such Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes or the applicable Subsidiary Guarantee on substantially identical terms; *provided that* no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Company or any Subsidiary Guarantor solely by virtue of being unsecured or by virtue of being secured on a junior priority basis.

Maintenance of Insurance

The Company will, and will cause its Restricted Subsidiaries to, maintain insurance coverage with reputable and financially sound carriers against such risks and in such amounts as is customarily carried by similarly situated businesses.

Suspension of Certain Covenants

If on any date following the Original Issue Date, the Notes have a rating of Investment Grade from both of the Rating Agencies and no Default or Event of Default has occurred and is continuing (a "Suspension Event"), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have a rating of Investment Grade from both of the Rating Agencies, the provisions of the Indenture summarized under the following captions will be suspended:

(1) "*— Certain Covenants — Limitation on Indebtedness*";

(2) "*— Certain Covenants — Limitation on Restricted Payments*";

(3) "*— Certain Covenants — Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries*";

(4) "*— Certain Covenants — Limitation on Issuances of Guarantees by Restricted Subsidiaries*";

(5) "*— Certain Covenants — Limitation on Asset Sales*";

(6) clauses (3), (4)(a) and (6) of the first paragraph of "*— Consolidation, Merger and Sale of Assets*";

(7) "*— Certain Covenants — Maintenance of Insurance*";

(8) "*— Certain Covenants — Anti-Layering*"; and

(9) "*— Certain Covenants — Limitation on Business Activities of the Company*".

Upon the occurrence of any Suspension Event, the amount of Excess Proceeds from Net Cash Proceeds shall be reset at zero.

During any period that the foregoing covenants have been suspended, the Board of Directors may not designate any of the Restricted Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant under the caption "*— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries*" or the definition of "Unrestricted Subsidiary".

Such covenants will be reinstated and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect (the "Reinstatement Date"). The period of time between the date of the Suspension Event and the Reinstatement Date is referred to as the "Suspension Period".

Such covenants will not, however, be of any effect with regard to actions of the Company or any Restricted Subsidiary properly taken in compliance with the provisions of the Indenture during the Suspension Period.

Following the Reinstatement Date, calculations under the covenant summarized under "*— Certain Covenants — Limitation on Restricted Payments*" will be made as if such covenant had been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made during the Suspension Period.

On the Reinstatement Date, all Indebtedness Incurred during the Suspension Period will be classified to have been Incurred pursuant to clause (d) of paragraph (2) of the covenant under the caption "*— Certain Covenants — Limitation on Indebtedness*".

There can be no assurance that the Notes will ever achieve an Investment Grade rating or that any such rating will be maintained.

Provision of Financial Statements and Reports

(1) So long as any of the Notes remain outstanding, the Company will file with the Trustee and furnish to the Holders upon request (a) as soon as available after the end of each fiscal year (and, in any event, within 120 days after the close of such fiscal year), annual reports in English, including financial statements (containing a consolidated statement of financial position as of the end of such fiscal year and immediately preceding fiscal year and consolidated statements of profit and loss and other comprehensive income, retained earnings and cash flows for such fiscal year and the immediately preceding fiscal year) with a report thereon by an internationally recognized independent firm of chartered accountants, (b) as soon as available (and, in any event, within 60 days after the close of the first six months in each fiscal year) interim semi-annual reports in English, containing a condensed consolidated statement of financial position as of the end of each interim period covered thereby and as of the end of the immediately preceding fiscal year and condensed consolidated statements of

earnings and cash flows for each interim period covered thereby and for the comparable period of the immediately preceding fiscal year and (c) as soon as available (and, in any event, within 60 days after the close of the first three and nine months in each fiscal year) quarterly reports required to be filed under the rules of the ASX. The Company need not file with the Trustee or furnish to Holders those annual, interim or quarterly reports if and to the extent that the Company files or furnishes those reports with the ASX and those reports are available on the ASX website within the time periods referred to in clauses (a), (b) and (c) above.

(2) In addition, so long as any of the Notes remain outstanding, the Company will provide to the Trustee (a) within 120 days after the close of each fiscal year, an Officers' Certificate stating the Fixed Charge Coverage Ratio with respect to the two most recent semi-annual periods and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio, together with a certificate from the Company's external auditors verifying the accuracy and correctness of the calculation and arithmetic computation (to the extent such auditor generally provides such certifications); and (b) as soon as possible and in any event within 30 days after the Company becomes aware or should reasonably become aware of the occurrence of a Default, an Officers' Certificate setting forth the details of the Default, and the action which the Company proposes to take with respect thereto.

All historical financial statements shall be prepared in accordance with GAAP as in effect on the date of such report or financial statement and on a consistent basis for the periods presented; *provided, however*, that the reports set forth in clause (1) above may, in the event of a change in applicable GAAP, present earlier periods on a basis that applied to such periods.

At any time that the Company has Subsidiaries which are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or group of Unrestricted Subsidiaries, if taken together as one Subsidiary, constitutes a Significant Subsidiary of the Company, then the annual, semi-annual and quarterly financial information required by clause (1) above shall include a summary presentation, either on the face of the financial statements or in the footnotes thereto or in the operating and financial review of the financial statements of the revenue, EBITDA (as presented in this Offering Memorandum), net income, cash, total assets, total debt, shareholders equity, capital expenditures and interest expense of such Unrestricted Subsidiaries.

Events of Default

The following events will be defined as "Events of Default" in the Indenture:

(1) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;

(2) default in the payment of interest or Additional Amounts on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;

(3) (x) the failure to make or consummate an Offer to Purchase in the manner described under the captions "*— Repurchase of Notes upon a Change of Control Triggering Event*" or "*— Certain Covenants — Limitation on Asset Sales*", or (y) the default in the performance of any of the obligations set forth under the captions "*— Consolidation, Merger and Sale of Assets*";

(4) the Company or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee or the Holders of 25% or more in aggregate principal amount of the Notes then outstanding;

(5) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of U.S.$15.0 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or will hereafter be created, (a) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (b) a failure to pay principal of, or interest or premium (subject to the applicable grace period in the relevant documents) on, such Indebtedness when the same becomes due;

(6) one or more final judgments or orders for the payment of money are rendered against the Company or any Restricted Subsidiary and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed U.S.$15.0 million (or the Dollar Equivalent thereof) (in excess of amounts that reputable insurance carriers have agreed in writing to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;

(7) an involuntary case or other proceeding is commenced against the Company or any Significant Subsidiary (or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary) with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Subsidiary (or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary) or for any substantial part of the property and assets of the Company or any Significant Subsidiary (or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary) and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Company or any Significant Subsidiary (or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary) under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;

(8) the Company or any Significant Subsidiary (or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary) (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Subsidiary (or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary) or for all or substantially all of the property and assets of the Company or any Significant Subsidiary (or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary) or (c) effects any general assignment for the benefit of creditors;

(9) any Subsidiary Guarantor denies or disaffirms in writing its obligations under its Subsidiary Guarantee or any Subsidiary Guarantee is finally determined in any judicial proceeding by a court of competent jurisdiction to be unenforceable or invalid or will for any reason cease to be in full force and effect, or the Company or any Subsidiary Guarantor repudiates the Indenture, the Notes or any Subsidiary Guarantee in writing, except as permitted by the Indenture;

(10) a moratorium is agreed or declared in respect of any Indebtedness of the Company or any Subsidiary Guarantor, excluding any moratorium instituted in accordance with the directions or circular of any governmental authority, if such a moratorium is not specifically directed at the Company or its Affiliates or declared by the creditors of the Company or its Affiliates on account of actual stress in the accounts of the Company or its Affiliates, or any governmental authority shall take any action to

condemn, seize, nationalize or appropriate all or a substantial part of the assets of the Company and its Restricted Subsidiaries; or

(11) it becomes unlawful for the Company or any Subsidiary Guarantor to perform or comply with any of its obligations under or in respect of the Notes, any Subsidiary Guarantee or the Indenture in any material respect.

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the written direction of such Holders shall (subject to receiving indemnity and/or security (including by way of prefunding) to its satisfaction), declare the principal of, premium, if any, and accrued and unpaid interest and Additional Amounts, if any, on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest and Additional Amounts, if any, shall be immediately due and payable. If an Event of Default specified in clause (7) or (8) above occurs, the principal of, premium, if any, and accrued and unpaid interest, and Additional Amounts, if any, on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

If an Event of Default occurs and is continuing, the Trustee may, at its sole discretion and without further notice, pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of and interest on the Notes or to enforce the performance of any provision of the Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding.

The Trustee will be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the Holders unless (i) the Trustee shall have been directed in writing by the requisite number of Holders, (ii) the Trustee shall have been offered security and/or indemnity (including by way of prefunding) to its satisfaction against the losses, liabilities and expenses that might be incurred by it in compliance with such request or direction, *provided that*, with respect to a request or direction from Holders to enforce the Deed of Guarantee, or any other document governed under the laws of Indonesia against the Subsidiary Guarantors or any other Person, such security and indemnity shall include, without limitation (and without limiting the Trustee's ability to accept other forms of security and/or indemnity), prefunding by the requesting Holders of an account in the name of the Trustee in such amounts as the Trustee determines in its sole discretion and (iii) the Trustee is satisfied that the act or exercise of any rights or powers vested in it by the Indenture will not result in any of its directors, officers, employees or agents incurring personal liability. It may not be possible for the Trustee to take certain actions notwithstanding the provision of indemnity and/or security (including by way of prefunding) to its satisfaction and accordingly, in such circumstances, it will be for the Holders to take such actions directly. The foregoing prefunding requirements shall be in addition, and subject in all respects, to any other requirements of the Trustee regarding the indemnity or security to be provided to it in connection with any such enforcement request, including requirements regarding the creditworthiness of the requesting Holders.

The Holders of at least a majority in aggregate principal amount of the outstanding Notes by written notice to the Company and to the Trustee (subject to the Trustee being indemnified and/or secured (including by way of prefunding) to its satisfaction by such Holders), may on behalf of all Holders waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

(x) all existing Events of Default, other than the non-payment of the principal of, premium, if any, and interest, and Additional Amounts, if any, on the Notes that have become due solely by such declaration of acceleration, have been cured or waived; and

(y) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. However, the Trustee will be under no obligation and may refuse to follow any direction that conflicts with law or the Indenture, that may involve the Trustee in personal liability or to the extent that it does not receive security and/or indemnification (including by way of prefunding) to its satisfaction, or that the Trustee determines in good faith may be unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from Holders. In addition, the Trustee will not be required to expend its own funds in following such direction if it does not believe that reimbursement or indemnification and/or security (including by way of prefunding) is assured to it to its satisfaction.

Notwithstanding anything to the contrary in the Indenture, the Deeds of Guarantee or any other document relating to the Notes, in the event the Trustee shall receive instructions and/or indemnity and/or security (including by way of prefunding) to its satisfaction from two or more groups of Holders, each holding at least 25% in aggregate principal amount of the then outstanding Notes, and the Trustee believes (in its sole discretion and subject to such legal or other advice as it may deem appropriate) that such instructions are conflicting, the Trustee may, in its sole discretion, exercise any one or more of the following options:

(i) refrain from acting on any such conflicting instructions;

(ii) take the action requested by the Holders of the highest percentage of the aggregate principal amount of the then outstanding Notes, notwithstanding any other provisions of the Indenture (and always subject to such indemnification and/or security (including by way of prefunding) from the Holders as is satisfactory to the Trustee); and

(iii) petition a court of competent jurisdiction for further instructions.

In all such instances where the Trustee has acted or refrained from acting as outlined above, the Trustee shall not be responsible or liable for any losses or liability of any nature whatsoever to any party as a result of its choosing to act or refrain from acting as outlined above.

Subject to the provisions of the Indenture relating to the duties of the Trustee, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any Holders unless such Holders have instructed the Trustee in writing and have offered to the Trustee security and/or indemnity (including by way of pre-funding) to its satisfaction (which, in the case of a direction to enforce the Deed of Guarantee, or any other document governed under the laws of Indonesia against the Guarantors or any other Person, shall be subject to the provisions of the Indenture) against any loss, liability or expense. Except to enforce the right to receive payment of principal, premium, if any, or interest or Additional Amounts when due, no Holder may pursue any remedy with respect to the Indenture, the Notes, the Subsidiary Guarantees or any Deed of Guarantee unless:

(1) the Holder has previously given the Trustee written notice of a continuing Event of Default;

(2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer the Trustee indemnity and/or security (including by way of prefunding) satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such request;

(4) the Trustee does not comply with the request within (x) 60 days after receipt of the written request pursuant to clause (2) above or (y) 60 days after the receipt of, the offer of indemnity and/or security (including by way of prefunding) pursuant to clause (3) above, whichever occurs later; and

(5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a written direction that is inconsistent with the request.

However, such limitations do not apply to the right of any Holder to receive payment of the principal of, premium, if any, or interest and Additional Amounts, if any, on, such Note or any payment under any Subsidiary Guarantee, or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the Holder.

Officers of the Company must certify to the Trustee, on or before a date not more than 120 days after the end of each fiscal year, and also within 14 days after any written request by the Trustee, that a review has been conducted of the activities of the Company and its Restricted Subsidiaries and the Company's performance under the Notes and the Indenture and that the Company has fulfilled all of its obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Company will also be obligated to promptly notify the Trustee in writing of any default or defaults in the performance of any covenants or agreements under the Indenture. See "*— Provision of Financial Statements and Reports*".

Consolidation, Merger and Sale of Assets

The Company will not consolidate with or merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of the properties and assets of the Company and its Restricted Subsidiaries (taken as a whole) (in one transaction or a series of related transactions) to another Person unless each of the following conditions is satisfied:

(1) the Company will be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets (the "Surviving Person") will be a corporation organized and validly existing under the laws of Australia or any state or territory thereof, Indonesia, Mauritius, The Netherlands, the Cayman Islands, the British Virgin Islands, Hong Kong, Singapore, Canada, the United Kingdom, any member state of the European Union, Switzerland, the United States or any state thereof or the District of Columbia and will expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Company under the Indenture and the Notes, and the Indenture and the Notes will remain in full force and effect;

(2) immediately after giving effect to such transaction on a *pro forma* basis, no Default will have occurred and be continuing;

(3) immediately after giving effect to such transaction on a *pro forma* basis, the Company or the Surviving Person, as the case may be, could Incur at least U.S.$1.00 of Indebtedness under the proviso to clause (1) of the covenant described under the caption "*— Certain Covenants — Limitation on Indebtedness*";

(4) the Company delivers to the Trustee (a) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clause (3) of this paragraph) and (b) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and such supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with;

(5) each Subsidiary Guarantor, unless such Subsidiary Guarantor is the Person with which the Company has entered into a transaction described under this covenant, shall execute and deliver (i) a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee shall apply to the obligations of the Company or the Surviving Person in accordance with the Notes and the Indenture; and (ii) a Deed of Guarantee; and

(6) no Rating Decline will have occurred.

The requirements of clause (3) of the first paragraph of this covenant will not apply to any consolidation, or other combination or merger, of the Company into an Affiliate incorporated or organized for the purpose of changing the legal domicile of the Company or changing the legal form of the Company.

Although there is a limited body of case law interpreting the phrase "substantially all", there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

Upon any consolidation or merger, or any sale, conveyance, transfer, lease, assignment or other disposition of all or substantially all of the properties and assets of the Company in a transaction that is subject to, and that complies with the provisions of, this "Consolidation, Merger and Sale of Assets" covenant, the successor Person (to the Company) shall, except as provided above, succeed to, and be substituted for (so that from and after the date of such consolidation, merger, sale, conveyance, transfer, lease, assignment or other disposition, the provisions of the Indenture referring to "Company" shall refer instead to the successor Person and not to the predecessor Company (and the predecessor Company shall be relieved from its obligations under the Indenture, including the obligation to pay the principal of, premium on, if any, and interest on, and Additional Amounts on, if any, on, the Notes under the Indenture or the Notes), and may exercise every right and power of the Company under the Indenture with the same effect as if such successor Person had been named as the Company in the Indenture; *provided, however*, that the predecessor Company shall not be relieved from the obligation to pay the principal of, premium on, if any, and interest on, and Additional Amounts on, if any, on, the Notes under the Indenture or the Notes in the case of a lease of all or substantially all of its properties and assets .

The foregoing provisions would not necessarily afford Holders protection in the event of highly leveraged or other transactions involving the Company or any Restricted Subsidiary that may adversely affect the Holders.

No Payments for Consents

The Company will not, and will not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture, the Notes or any Subsidiary Guarantee unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment. Notwithstanding the foregoing, the Company and its Subsidiaries shall be permitted, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture, to exclude Holders in any jurisdiction where (A) the solicitation of such consent, waiver or amendment in the manner deemed appropriate by the Company would require the Company or any of its Subsidiaries to (i) file a registration statement, prospectus or similar document or subject the Company or any of its Subsidiaries to ongoing periodic reporting or similar requirements under the securities laws (including but not limited to the United States federal securities laws, the laws of the European Union or its member states, and the laws of Australia), which the Company in its sole discretion determines would be burdensome, (ii) qualify as a foreign corporation or other entity or as a dealer in securities in such jurisdiction if it is not otherwise required to so qualify, (iii) generally consent to service of process in any such jurisdiction or (iv) subject itself or any of its Subsidiaries to taxation in such jurisdiction if it is not otherwise so subject; or (B) such solicitation would not otherwise be permitted under applicable law in such jurisdiction.

Defeasance

Defeasance and Discharge

The Indenture will provide that the Company will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below, and the provisions of the Indenture will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies and to hold monies for payment in trust) if, among other things:

(1) the Company (1) has deposited with the Trustee (or such other entity designated or appointed (as agent) by it for such purpose), in trust, cash in U.S. dollars and/or U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide cash in U.S. dollars in an amount sufficient to pay the principal of, premium, if any, and accrued interest and Additional Amounts, if any, on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes and (b) delivers to the Trustee an Opinion of Counsel or a certificate of an internationally recognized firm of independent accountants to the effect that the amount deposited by the Company is sufficient to provide payment for the principal of, premium, if any, and accrued interest and Additional Amounts, if any, on, the Notes on the Stated Maturity of such payment in accordance with the terms of the Indenture and an Opinion of Counsel to the effect that the Holders have a valid, perfected, exclusive security in such trust;

(2) the Company has delivered to the Trustee (a) either (i) an Opinion of Counsel of recognized standing with respect to U.S. federal tax laws which is based on a change in applicable U.S. federal income tax law occurring after the Original Issue Date to the effect that beneficial owners will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the Company’s exercise of its option under this “Defeasance and Discharge” provision and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same time as would have been the case if such deposit, defeasance and discharge had not occurred or (ii) a ruling directed to the Trustee received from the U.S. Internal Revenue Service to the same effect as the aforementioned Opinion of Counsel and (b) an Opinion of Counsel to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 183 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the U.S. Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law;

(3) the Company shall have delivered to the Trustee an Officers’ Certificate stating that the deposit was not made by it with the intent of preferring the Holders over any other of its creditors or with the intent of defeating, hindering, delaying or defrauding any other of its creditors or others;

(4) immediately after giving effect to such deposit on a pro forma basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company or any of its Restricted Subsidiaries is a party or by which the Company or any of its Restricted Subsidiaries is bound; and

(5) the Company must deliver to the Trustee an Officers' Certificate acceptable to the Trustee and an Opinion of Counsel, each stating that all conditions precedent relating to such defeasance have been complied with.

In the case of either discharge or defeasance of the Notes, each of the Subsidiary Guarantees will terminate.

Defeasance of Certain Covenants

The Indenture further will provide that the provisions of the Indenture will no longer be in effect with respect to clauses (3), (4)(a) and (6) of the first paragraph under "*— Consolidation, Merger and Sale of Assets*" and all the covenants described herein under "*— Certain Covenants*", other than as described under "*— Certain Covenants — Limitation on Issuances of Guarantees by Restricted Subsidiaries*; "*— Certain Covenants — Government Approvals and Licenses; Compliance with Law*" and "*— Certain Covenants — Anti-Layering*", clause (3) under "Events of Default" with respect to such clauses (3), (4)(a) and (5) of the first paragraph under "*— Consolidation, Merger and Sale of Assets*" and with respect to the other events set forth in such clause, clause (4) under "*— Events of Default*" with respect to such other covenants and clauses (5), (6), (7) and (8) under "— Events of Default" shall be deemed not to be Events of Default upon, among other things, the deposit with the Trustee (or such other entity designated or appointed (as agent) by it for such purpose), in trust, of cash in U.S. dollars, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide cash in U.S. dollars in an amount sufficient to pay the principal of, premium, if any, Additional Amounts, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes, the satisfaction of the provisions described in clause (2)(b), (3) and (5) of under "*— Defeasance and Discharge*" above and the delivery by the Company to the Trustee of an Opinion of Counsel of recognized standing with respect to U.S. federal income tax matters to the effect that beneficial owners will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance of certain covenants and Events of Default and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same time as would have been the case if such deposit and defeasance had not occurred.

Defeasance and Certain Other Events of Default

In the event the Company exercises its option to omit compliance with certain covenants and provisions of the Indenture with respect to the Notes as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable, the amount of cash in U.S. dollars and/or U.S. Government Obligations on deposit with the Trustee (or such other entity designated or appointed (as agent) by it for such purpose) will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the Company and the Subsidiary Guarantors will remain liable for such payments.

Amendments and Waiver

Amendments Without Consent of Holders

The Indenture, the Notes, the Subsidiary Guarantees and the Deeds of Guarantee may be amended or supplemented, without notice to or the consent of any Holder:

(1) to cure any ambiguity, defect, omission or inconsistency in the Indenture, the Notes, the Subsidiary Guarantees or the Deeds of Guarantee;

(2) to comply with the provisions described under "*— Consolidation, Merger and Sale of Assets*";

(3) to evidence and provide for the acceptance of appointment by a successor Trustee;

(4) to provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;

(5) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;

(6) to effect any changes to the Indenture in a manner necessary to comply with the procedures of DTC, Euroclear or Clearstream or any relevant clearing system or depositary;

(7) to add any Subsidiary Guarantor or any Subsidiary Guarantee or release any Subsidiary Guarantor from any Subsidiary Guarantee as provided or permitted by the terms of the Indenture;

(8) to conform the text of the Indenture, the Notes, any Subsidiary Guarantee or any Deed of Guarantee to any provision of this "Description of the Notes" to the extent that the relevant provision in the Indenture, the Notes, any Subsidiary Guarantee or any Deed of Guarantee was intended to be a verbatim recitation of the relevant provision of this "Description of the Notes";

(9) add collateral to secure the Notes or any Subsidiary Guarantee and create or register Liens on such collateral as provided or permitted under the Indenture;

(10) to provide for uncertificated Notes in addition to or in place of Certificated Notes; or

(11) make any other change that, in the good faith opinion of the Board of Directors, does not materially and adversely affect the rights of any Holder of Notes.

Amendments With Consent of Holders

Amendments to the Indenture, the Notes, any Subsidiary Guarantee or any Deed of Guarantee may be made by the Company, any Subsidiary Guarantor and the Trustee with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes (including, without limitation, consent obtained in connection with a purchase of, or tender offer or exchange offer for Notes), and the Holders of a majority in principal amount of the outstanding Notes may waive future compliance by the Company or any Subsidiary Guarantor with any provision of the Indenture, the Notes, any Subsidiary Guarantee or any Deed of Guarantee; *provided, however*, that, unless consented to by the Holders of at least 90% of the aggregate principal amount of the then outstanding Notes, no such modification, amendment or waiver may:

(1) change the Stated Maturity of the principal of, or any installment of interest on, any Note;

(2) reduce the principal amount of, or premium, if any, or interest on, any Note;

(3) change the currency or time of payment of principal of, or premium, if any, or interest on, any Note or any Subsidiary Guarantee;

(4) impair the contractual right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note or any Subsidiary Guarantee;

(5) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;

(6) waive a default in the payment of principal of, premium, if any, or interest on the Notes (except a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of the outstanding Notes and a waiver of the payment default that resulted from such acceleration);

(7) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;

(8) release any Subsidiary Guarantor from its Subsidiary Guarantee or modify any Subsidiary Guarantee in any manner adverse to the Holders (or release any Deed of Guarantee or modify any Deed of Guarantee in any manner adverse to the Holders), in any such case except as provided in the Indenture;

(9) reduce the amount payable upon a Change of Control Offer, or an Offer to Purchase with the Excess Proceeds from an Asset Sale or change the time or manner by which a Change of Control Offer, or an Offer to Purchase with the Excess Proceeds from an Asset Sale, may be made or by which the Notes must be repurchased pursuant to a Change of Control Offer, or an Offer to Purchase with the Excess Proceeds from an Asset Sale, in each case after the obligation to make such Change of Control Offer or Offer to Purchase with the Excess Proceeds from any Asset Sale has arisen;

(10) change the redemption date or the redemption price of the Notes from that stated under the captions "*— Optional Redemption*" or "*— Redemption for Taxation Reasons*";

(11) amend, change or modify the obligation of the Company or any Subsidiary Guarantor to pay Additional Amounts; or

(12) amend, change or modify any provision of the Indenture or the related definitions to contractually subordinate in right of payment the Notes or any Subsidiary Guarantee to any other Indebtedness of the Company or any Subsidiary Guarantor (for the avoidance of doubt, the Notes and the Subsidiary Guarantees will not be contractually subordinated in right of payment to any other Indebtedness of the Company or any Subsidiary Guarantor solely by virtue of being unsecured or by virtue of being secured on a junior priority basis).

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect (except as to surviving rights of registration of transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all outstanding Notes when:

(1) either:

    (a) all of the Notes theretofore authenticated and delivered (except lost, stolen or destroyed Notes which have been replaced or paid and Notes for whose payment cash in U.S. dollars has theretofore been deposited in trust by the Company and thereafter repaid to the Company) have been delivered to the Registrar for cancellation; or

(b) all Notes not theretofore delivered to the Registrar for cancellation have become due and payable pursuant to an optional redemption notice or otherwise or will become due and payable within one year, and the Company has irrevocably deposited or caused to be deposited with the Trustee (or such other entity designated or appointed (as agent) by it for such purpose) funds, in cash in U.S. dollars, non-callable U.S. Government Obligations or a combination thereof, in an amount sufficient to pay and discharge the entire indebtedness on the Notes not theretofore delivered to the Registrar for cancelation, for principal of, premium, if any, and interest on the Notes to the date of deposit together with irrevocable written instructions from the Company directing the Trustee to apply such funds to the payment thereof at maturity or redemption, as the case may be;

(2) the Company or any Subsidiary Guarantor has paid all other sums payable under the Indenture; and

(3) such deposit will not result in a breach or violation of, or constitute a default under, any instruments to which the Company or any Subsidiary Guarantor is a party or by which the Company or any Subsidiary Guarantor is bound (other than the Indenture or the Notes).

In addition, the Company must deliver to the Trustee an Officers' Certificate and an Opinion of Counsel stating that all conditions precedent to satisfaction and discharge under the Indenture have been satisfied. The Trustee shall be entitled to rely on such certificate and/or opinion without any liability or responsibility to any person.

Unclaimed Money

Claims against the Company for the payment of principal of, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

No Personal Liability of Incorporators, Stockholders, Members, Officers, Directors, Commissioners or Employees

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company, or any Subsidiary Guarantor in the Indenture, or in any of the Notes or the Subsidiary Guarantees if any, or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, member, officer, commissioner, director, employee or controlling person of the Company, or any Subsidiary Guarantor or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes and the Subsidiary Guarantees, if any. Such waiver may not be effective to waive liabilities under any applicable securities law.

Concerning the Trustee and the Agents

Citibank International Limited is to be appointed as Trustee under the Indenture, and Citibank, N.A., London Branch will also be appointed as registrar, transfer agent and paying agent (the "Paying Agent") with regard to the Notes. However the Company may change the Paying Agent without notice to the Holders, and the Company may act as Paying Agent. Except during the continuance of an Event of Default, the Trustee will only be liable for the performance of such duties as are specifically set forth in the Indenture to the extent of its own gross negligence or willful default. No implied covenant or obligation shall be read into the Indenture or the Notes against the Trustee. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture or the Notes as a prudent person would exercise under the circumstances in the conduct of such person's own affairs.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Company or any of the Subsidiary Guarantors, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions with the Company and its Affiliates.

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, we will appoint and maintain a paying agent in Singapore where the Notes may be presented or surrendered for payment or redemption in the event that a global certificate is exchanged for definitive certificates. In addition, in the event that a global certificate is exchanged for definitive certificates, an announcement of such exchange will be made by or on behalf of us through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive certificates, including details of the paying agent in Singapore.

The Trustee will be under no obligation to exercise any rights or powers conferred under the Indenture for the benefit of the Holders unless such Holders have instructed the Trustee in writing and offered to the Trustee security and/or indemnity (including by way of prefunding) satisfactory to the Trustee against any loss, liability or expense.

Notwithstanding anything to the contrary herein, whenever the Trustee is required or entitled by the terms of the Indenture to exercise any discretion or power, take any action of any nature, make any decision or give any direction or certification, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction or certification, to solicit Holders for direction, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction or certification where the Trustee is seeking such directions or the non-exercise of such discretion or power, or not taking any such action or making any such decision or giving any such direction or certification in the absence of any such directions from Holders. In any event, and as provided elsewhere herein and in the Indenture, even where the Trustee has been directed by the Holders, the Trustee shall not be required to exercise any such discretion, power or take any such action as aforesaid unless it has been indemnified and/or secured (including by way of prefunding) to its satisfaction.

The Trustee is entitled to rely on all certifications received pursuant to the Indenture without investigating the accuracy, authenticity and validity of those certifications.

The Trustee will not be responsible for the performance by any other person appointed by the Company in respect of the Notes and, unless notified in writing to the contrary, will assume that the same are being duly performed.

Book-Entry; Delivery and Form

The Notes will initially be represented by one or more permanent global notes in definitive, fully registered form without interest coupons (each a "Global Note") and will be deposited with a common depositary and registered in the name of the common depositary or its nominee for the accounts of Euroclear and Clearstream.

Global Note

Ownership of beneficial interests in the Global Note (the "book-entry interests") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants.

Except as set forth below under "— *Individual Definitive Notes*", the book-entry interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by such participant. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge book-entry interests.

So long as the Notes are held in global form, the common depositary for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of Global Note for all purposes under the Indenture and "holders" of book-entry interests will not be considered the owners or "Holders" of Notes for any purpose. As such, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own book-entry interests in order to transfer their interests in the Notes or to exercise any rights of Holders under the Indenture.

None of the Company, the Trustee or any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the book entry interests. The Notes are not issuable in bearer form.

Payments on the Global Note

Payments of any amounts owing in respect of the Global Note (including principal, premium, interest and Additional Amounts) will be made to the paying agent. The paying agent will, in turn, make such payments to the common depositary for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures. The Company will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "— *Additional Amounts*".

Under the terms of the Indenture, the Company and the Trustee will treat the registered holder of the Global Note (i.e., the common depositary or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Company, the Trustee, the Agents or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or
- any action or failure to take any action by Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of book-entry interests held through participants are the responsibility of such participants.

Redemption of Global Note

In the event any Global Note, or any portion thereof, is redeemed, the common depositary will distribute the amount received by it in respect of the Global Note so redeemed to Euroclear and/or Clearstream, as applicable, who will distribute such amount to the holders of the book-entry interests in such Global Note. The redemption price payable in connection with the redemption of such book-entry interests will be equal to the amount received by the common depositary, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Company understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; *provided* that no book-entry interest of U.S.$200,000 principal amount, or less, as the case may be, will be redeemed in part.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Holder only at the direction of one or more participants to whose account the book-entry interests in the Global Note are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Note.

Transfers

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a Holder requires physical delivery of individual definitive notes for any reason, including to sell the Notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such Holder must transfer its interest in the Global Note in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

Any book-entry interest in a Global Note that is transferred to a person who takes delivery in the form of a book-entry interest in another Global Note will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Note and become a book-entry interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Global Note for as long as it retains such a book-entry interest.

Global Clearance and Settlement Under the Book-Entry System

Book-entry interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable. Book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the Business Day following the settlement date against payment for value on the settlement date.

The book-entry interests will trade through participants of Euroclear or Clearstream, and will settle in immediately available funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Information Concerning Euroclear and Clearstream

We understand as follows with respect to Euroclear and Clearstream: Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of Euroclear and Clearstream, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Company, the Trustee, the Agents or any of their respective agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.

Individual Definitive Notes

If (1) the common depositary or any successor to the common depositary is at any time unwilling or unable to continue as a depositary for the reasons described in the Indenture and a successor depositary is not appointed within 90 days, (2) either Euroclear or Clearstream, or a successor clearing system, is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with "— Events of Default" and the Company have received a written request from a Holder, the Company will issue individual definitive notes in registered form in exchange for the Global Note. Upon receipt of such notice from the common depositary or the Trustee, as the case may be, the Company will use its best efforts to make arrangements with the common depositary for the exchange of interests in the Global Note for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the Registrar in sufficient quantities and authenticated by the Registrar for delivery to Holders. Persons exchanging interests in a Global Note for individual definitive notes will be required to provide the registrar, through the relevant clearing system, with written instruction and other information required by the Company and the registrar to complete, execute and deliver such individual definitive notes. In all cases, individual definitive notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

Individual definitive notes will not be eligible for clearing and settlement through Euroclear or Clearstream.

Notices

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or by being deposited, first-class postage prepaid, in the United States mails (if intended for the Company or any Subsidiary Guarantor) addressed to the Company or Subsidiary Guarantor at the registered office of the Company, (if intended for the Trustee) at the corporate trust office of the Trustee; and (if intended for any Holder) addressed to such Holder at such Holder's last address as it appears in the Note register.

While the Notes are in global form, any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of Euroclear or Clearstream, as the case may be. Any such notice will be deemed to have been delivered on the day such notice is delivered to Euroclear or Clearstream, as the case may be, or if by mail, when so sent or deposited.

Consent to Jurisdiction; Service of Process

The Company, and each Subsidiary Guarantor will irrevocably (1) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, the Subsidiary Guarantees and the Indenture, or any transaction contemplated thereby; and (2) designate and appoint Cogency Global Inc. of 122 East 42nd Street, 18th Floor, New York, NY 10168 for receipt of service of process in any such suit, action or proceeding.

Governing Law

The Notes, the Subsidiary Guarantees and the Indenture provide that such instrument will be governed by, and construed in accordance with, the laws of the State of New York without giving effect to applicable principles of conflicts of law to the extent that the application of the law of another jurisdiction would be required thereby. The Deeds of Guarantee will be governed by Indonesian law.

Definitions

Set forth below are defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for other capitalized terms used in this "Description of the Notes" for which no definition is provided.

"**Acquired Indebtedness**" means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary, whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

"**Adjusted Treasury Rate**" means, with respect to any redemption date, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated "H.15(519)"or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under "Treasury Constant Maturities", for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three (3) months before or after April 1, 2023 yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date.

"**Affiliate**" means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; (2) who is a director, commissioner or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or (3) who is a spouse or any person cohabiting as a spouse, child, parent, brother, sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew or niece of a Person described in clause (1) or

(2). For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling", "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"**Angel Nickel Acquisition**" means the acquisition of up to an additional 50% indirect equity interest in the Angel Nickel Project from Shanghai Decent Investment (Group) Co., Ltd. or its Affiliates as described in this Offering Memorandum.

"**Angel Nickel Project**" means the development project within the Indonesia Weda Bay Industrial Park on Halmahera Island in Indonesia's North Maluku province as described in this Offering Memorandum.

"**Applicable Premium**" means, with respect to a Note at any redemption date, the greater of (i) 1.00% of the principal amount of such Note and (ii) the excess of (A) the present value at such redemption date of the redemption price of such Note on April 1, 2023 (such redemption price being described in the second paragraph in the "*— Optional Redemption*" section exclusive of any accrued interest), plus all required remaining scheduled interest payments due on such Note through April 1, 2023 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate plus 50 basis points, over (B) the principal amount of such Note on such redemption date.

"**Asset Acquisition**" means (1) an Investment by the Company or any Restricted Subsidiary in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Company or any Restricted Subsidiary; or (2) an acquisition by the Company or any Restricted Subsidiary of the property and assets of any Person other than the Company or any Restricted Subsidiary that constitute substantially all of a division or line of business of such Person.

"**Asset Disposition**" means the sale or other disposition by the Company or any Restricted Subsidiary (other than to the Company or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary; or (2) all or substantially all of the assets that constitute a division or line of business of the Company or any Restricted Subsidiary.

"**Asset Sale**" means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale or issuance of Capital Stock) in one transaction or a series of related transactions by the Company or any Restricted Subsidiary to any Person; *provided that* "Asset Sale" shall not include:

(1) sales or other dispositions of inventory, receivables and other current assets, or rights granted to others pursuant to leases or licenses, in each case in the ordinary course of business;

(2) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the covenant described under the caption "*— Certain Covenants — Limitation on Restricted Payments*";

(3) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of U.S.$5.0 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;

(4) a sale or the disposition of cash or Temporary Cash Investment;

(5) any sale, transfer, assignment or other disposition of any property or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Company or its Restricted Subsidiaries;

(6) any sale, transfer, assignment or other disposition deemed to occur in connection with creating or granting any Lien in compliance with the covenant described under the caption *"— Certain Covenants — Limitation on Liens*";

(7) a transaction covered by the covenant described under the caption "— Consolidation, Merger and Sale of Assets";

(8) foreclosures, condemnation, eminent domain or any similar action on assets;

(9) any sale, transfer or other disposition of any assets by the Company or any Restricted Subsidiary to the Company or to any Restricted Subsidiary;

(10) any transfer resulting from any casualty or condemnation of property; *provided* that any Net Cash Proceeds from any such transfer shall be applied in accordance with the covenant described under the caption "Limitation on Asset Sales";

(11) any transfer, termination, unwinding or other disposition of Hedging Obligations;

(12) any sale, transfer or other disposition of Investments in joint ventures to the extent required by, or made pursuant to, customary buy/sell arrangements between joint venture parties set forth in joint venture arrangements and similar binding arrangements; *provided* that any Net Cash Proceeds from any such sale, transfer or other disposition shall be applied in accordance with the covenant described under the caption "Limitation on Asset Sales";

(13) any surrender or waiver of contract rights or settlement, release, recovery on or surrender of contract, tort or other claims in the ordinary course of business; and

(14) any issuance, sale, transfer or other disposition of Capital Stock of PT Hengjaya Mineralindo to comply with Law No. 4 of 2009 on Mineral and Coal Mining, as amended by Law No. 3 of 2020 on Amendment to Law 4/2009 as well as Law No. 11 of 2020 on Job Creation or any other amendment thereto from time to time, and any regulations, rules or official guidance thereunder; *provided* that any Net Cash Proceeds from any such sale, transfer or other disposition shall be applied in accordance with the covenant described under the caption "Limitation on Asset Sales".

"**ASX**" means ASX Limited or any successor thereof.

"**Attributable Indebtedness**" means, in respect of a Sale and Leaseback Transaction, at the time of determination, the present value, discounted at the interest rate implicit in such Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in such Sale and Leaseback Transaction, including any period for which such lease has been extended or may, at the option of the lessor, be extended, determined in accordance with GAAP.

"**Australian PPSA**" means the Personal Property Securities Act 2009 (Cth).

"**Average Life**" means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

"**Beneficial Owner**" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular "person" (as that term is used in Section 13(d)(3) of the Exchange Act), such "person" will be deemed to have beneficial ownership of all securities that such "person" has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or exercisable only upon the occurrence of a subsequent condition. The terms "Beneficially Owns" and "Beneficially Owned" will have a corresponding meaning.

"**Board of Directors**" means the board of directors of the Company elected or appointed by the stockholders of the Company to manage the business of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.

"**Board Resolution**" means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

"**Business Day**" means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, Sydney, Australia, London, England or Indonesia (or in any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

"**Capital Stock**" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, all Common Stock and Preferred Stock, but excluding debt securities convertible into such equity.

"**Capitalized Lease**" means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the statement of financial position of such Person.

"**Capitalized Lease Obligations**" means the discounted present value of the rental obligations under a Capitalized Lease.

"**Change of Control**" means the occurrence of one or more of the following events:

(1) the direct or indirect sale of all or substantially all the consolidated assets of the Company to another Person, other than one or more Permitted Holders;

(2) the Company consolidates with, or merges with or into, any Person (other than one or more Permitted Holders), or any Person (other than one or more Permitted Holders) consolidates with, or merges with or into, the Company, in any such event pursuant to a transaction in which any of the outstanding Voting Stock of the Company or such other Person is converted into or exchanged for cash, securities or other property, other than any such transaction where the Voting Stock of the Company outstanding immediately prior to such transaction is converted into or exchanged for (or continues as) Voting Stock (other than Disqualified Stock) of the surviving or transferee Person constituting a majority of the outstanding shares of Voting Stock of such surviving or transferee Person (immediately after giving effect to such issuance) and in substantially the same proportion as before the transaction;

(3) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any "person" or "group" (as those terms are used in Section 13(d)(3) of the Exchange Act) (other than one or more Permitted Holders) becomes the Beneficial Owner, directly or indirectly, of the Company's Voting Stock representing more than 50.0% of the voting power of the Company's outstanding Voting Stock;

(4) individuals who on the Original Issue Date constituted the Board of Directors (together with any new directors whose election was approved by (i) a vote of at least a majority of the members of the Board of Directors then in office who were members of the Board of Directors on the Original Issue Date or whose election was previously so approved or (ii) a vote of at least a majority of the members of the

nominating committee of the board of commissioners of the Company) cease for any reason to constitute a majority of the members of the Board of Directors then in office; or

(5) the adoption of a plan relating to the liquidation or dissolution of the Company.

"**Change of Control Triggering Event**" means the occurrence of both a Change of Control and a Rating Decline.

"**Clearstream**" means Clearstream Banking S.A. or any successor thereof.

"**Commodity Agreement**" means any spot, forward or futures contract, commodity swap agreement, commodity price protection, commodity cap or floor agreement, commodity option agreement or other similar agreement or arrangement.

"**Common Stock**" means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common stock or ordinary shares, whether or not outstanding at the date of the Indenture, and includes, without limitation, all series and classes of such common stock or ordinary shares.

"**Comparable Treasury Issue**" means the U.S. Treasury security having a maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes from the redemption date to April 1, 2023.

"**Comparable Treasury Price**" means, with respect to any redemption date, if clause (ii) of the Adjusted Treasury Rate is applicable, the average of three, or such lesser number as is obtained by the Company, Reference Treasury Dealer Quotations for such redemption date.

"**Consolidated EBITDA**" means, with respect to any Person for any period, Consolidated Net Income of such Person for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense;

(2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets); and

(3) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period that reflect cash expenses paid or to be paid in another period), less all non-cash items increasing Consolidated Net Income (other than accrual of revenue in the ordinary course of business);

all as determined on a consolidated basis for the Company and its Restricted Subsidiaries in conformity with GAAP; *provided* that Consolidated EBITDA will be reduced (to the extent not otherwise reduced in accordance with GAAP or the Indenture), if any Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, by an amount equal to (A) the amount of the Consolidated EBITDA attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Company or any Restricted Subsidiary; and *provided further* that the amounts referred to in clauses (2) and (3) relating to a Restricted Subsidiary will be added to Consolidated Net Income to compute Consolidated EBITDA only to the extent that a corresponding amount would be permitted at the date of determination to be dividended to the Company or a Restricted Subsidiary by such Restricted Subsidiary without prior government approval (that has not been obtained), and without direct or indirect restriction pursuant to the terms of its charter and all agreements, instruments, judgments, decrees, orders, statutes, rules and governmental regulations applicable to such Restricted Subsidiary or its stockholders.

"**Consolidated Fixed Charges**" means, for any period, the sum (without duplication) of (i) Consolidated Interest Expense for such period and (ii) all cash and non-cash dividends or distributions paid, declared, accrued or accumulated during such period on any Disqualified Stock, Preferred Stock or perpetual capital or similar securities (other than Common Stock) of the Company or any Restricted Subsidiary held by Persons other than the Company or any Restricted Subsidiary, except for dividends payable in the Company's Capital Stock (other than Disqualified Stock); *provided* that dividends declared, accrued or accounted for in one period shall not be included in "Consolidated Fixed Charges" of a later period when subsequently paid in such later period).

"**Consolidated Interest Expense**" means, for any period, the amount that would be included in gross interest expense on a consolidated statement of comprehensive income prepared in accordance with GAAP for such period of the Company and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by the Company and its Restricted Subsidiaries, without duplication, (i) interest expense attributable to Capitalized Lease Obligations and imputed interest with respect to Attributable Indebtedness, (ii) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (iii) the interest portion of any deferred payment obligation, (iv) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (v) the net costs associated with Hedging Obligations (including the amortization of fees), (vi) interest accruing on Indebtedness of any other Person that is guaranteed by the Company or any Restricted Subsidiary or secured by a Lien on assets of the Company or any Restricted Subsidiary proportionate to the extent that such Indebtedness is guaranteed or secured, (vii) any capitalized interest and (viii) all other non-cash interest expense.

"**Consolidated Net Income**" means, with respect to any Person (the "Subject Person") for any period, the aggregate of the net income (or loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; *provided that* the following items shall be excluded in computing Consolidated Net Income (without duplication):

(4) the net income (or loss) of any Person that is not the Company or a Restricted Subsidiary or that is accounted for by the equity method of accounting except to the extent of the amount of net income actually paid in cash to the Subject Person or a Restricted Subsidiary of the Subject Person during such period;

(5) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any Restricted Subsidiary or all or substantially all of the property and assets of such Person are acquired by the Company or any Restricted Subsidiary;

(6) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;

(7) the cumulative effect of a change in accounting principles;

(8) any net after tax gains realized on the sale or other disposition of (a) any property or assets of the Company or any Restricted Subsidiary which is not sold in the ordinary course of its business or (b) any Capital Stock of any Person (including any gains by the Company or a Restricted Subsidiary realized on sales of Capital Stock of the Company or any Restricted Subsidiary);

(9) any translation gains or losses due solely to fluctuations in currency values and related tax effects; and

(10) any net after-tax extraordinary or non-recurring gains or losses.

"**Consolidated Priority Indebtedness**" means, without duplication, (a) any Indebtedness of any Restricted Subsidiary (other than a Subsidiary Guarantor) other than Indebtedness outstanding under clause (2)(c) or (2)(e) of the covenant described under the caption *"— Certain Covenants — Limitation on Indebtedness*" and (b) any secured Indebtedness of the Company or a Subsidiary Guarantor, other than (i) the Notes and the Subsidiary Guarantees, (ii) Indebtedness outstanding under clause (2)(c) or (2)(e) of the covenant described under the caption *"— Certain Covenants — Limitation on Indebtedness*", and (iii) any other Indebtedness of the Company or a Subsidiary Guarantor secured by a Lien on property or assets that also equally and ratably secures the Notes and the Subsidiary Guarantees as permitted by the Indenture.

"**Currency Agreement**" means any foreign exchange forward or futures contract, currency swap agreement, currency cap or floor agreement, currency hedge agreement, currency option agreement or other similar agreement or arrangement.

"**Default**" means any event that is, or after notice or passage of time or both would be, an Event of Default.

"**Disqualified Stock**" means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed on or prior to the date that is 366 days after the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock on or prior to the date that is 366 days after the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity on or prior to the date that is 366 days after the Stated Maturity of the Notes; *provided that* any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an "asset sale" or "change of control" occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the "asset sale" or "change of control" provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the *"— Limitation on Asset Sales*" and *"— Repurchase of Notes upon a Change of Control Triggering Event*" covenants and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company's repurchase of such Notes as are required to be repurchased pursuant to the covenants described under the captions *"— Certain Covenants — Limitation on Asset Sales*" and *"— Repurchase of Notes upon a Change of Control Triggering Event*".

"**Dollar Equivalent**" means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination or, in the case of the Rupiah, at the average of the buying and selling exchange rate of the Indonesian Rupiah to the U.S. dollar quoted by Bank Indonesia.

"**DTC**" means The Depository Trust Company.

"**Equity Offering**" means any underwritten public offering or private placement of Common Stock (or options, warrants or rights related to Common Stock) of the Company after the Original Issue Date to any Person other than to a Subsidiary of the Company.

"**Euroclear**" means Euroclear Bank SA/NV or any successor thereof.

"**Exchange Act**" means the U.S. Securities Exchange Act of 1934, as amended.

“**Fair Market Value**” means the price that would be paid in an arm’s-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution.

“**Fitch**” means Fitch Ratings Ltd. or any successor to the rating agency business thereof.

“**Fixed Charge Coverage Ratio**” means, on any Transaction Date, the ratio of (a) the aggregate amount of Consolidated EBITDA for the Two Semi-Annual Period with respect to such Transaction Date to (b) the aggregate Consolidated Fixed Charges during such Two Semi-Annual Period. In making the foregoing calculation:

(1) *pro forma* effect will be given to any Indebtedness Incurred, repaid or redeemed during the Reference Period relating to such Two Semi-Annual Period (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Two Semi-Annual Period), in each case as if such Indebtedness had been Incurred, repaid or redeemed on the first day of such Reference Period, including the application of the proceeds of such Indebtedness; *provided that*, in the event of any such repayment or redemption, Consolidated EBITDA for such period will be calculated as if the Company or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay or redeem such Indebtedness;

(2) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a *pro forma* basis and bearing a floating interest rate will be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;

(3) *pro forma* effect will be given to the creation, designation or redesignation of Restricted Subsidiaries and Unrestricted Subsidiaries during the Reference Period as if such creation, designation or redesignation had occurred on the first day of such Reference Period;

(4) *pro forma* effect will be given to Asset Dispositions and Asset Acquisitions (including giving *pro forma* effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and

(5) *pro forma* effect will be given to asset dispositions and asset acquisitions (including giving *pro forma* effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged or consolidated with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period,

provided that to the extent that clause (4) or (5) of this sentence requires that *pro forma* effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such *pro forma* calculation will be based upon the Two Semi-Annual Period immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

“**GAAP**” means Australian Accounting Standards as in effect from time to time.

“**guarantee**” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided that* the term “guarantee” shall not include endorsements for collection or deposit in the ordinary course of business. The term “guarantee” used as a verb has a corresponding meaning.

“**Hedging Obligation**” of any Person means the obligations of such Person pursuant to any Commodity Agreement, Currency Agreement or Interest Rate Agreement.

“**Holder**” means the Person in whose name a Note is registered in the Note register.

“**Incur**” means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; *provided* that (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount, the accrual of interest, the accrual of dividends, the payment of interest in the form of additional Indebtedness, the reclassification of Preferred Stock as Indebtedness due to a change in accounting principles and the payment of dividends on Preferred Stock or Disqualified Stock in the form of additional shares of Preferred Stock or Disqualified Stock (to the extent provided for when the Indebtedness, Preferred Stock or Disqualified Stock on which such interest or dividend is paid was originally issued) will not be considered an Incurrence of Indebtedness. The terms “Incurrence”, “Incurred” and “Incurring” have meanings correlative with the foregoing.

“**Indebtedness**” means, with respect to any Person at any date of determination (without duplication):

(1) all indebtedness of such Person for borrowed money;

(2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all obligations of such Person in respect of letters of credit, bankers’ acceptances or other similar instruments;

(4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;

(5) all Capitalized Lease Obligations and Attributable Indebtedness;

(6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided that* the amount of such Indebtedness shall be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness;

(7) all Indebtedness of other Persons guaranteed by such Person to the extent such Indebtedness is guaranteed by such Person;

(8) to the extent not otherwise included in this definition, Hedging Obligations; and

(9) all Disqualified Stock issued by such Person and all Preferred Stock issued by any Restricted Subsidiary of such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase or redemption price plus accrued dividends.

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; *provided that*:

(1) the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP;

(2) that money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be "Indebtedness" so long as such money is held to secure the payment of such interest; and

(3) the amount of Indebtedness with respect to any Hedging Obligation shall be equal to (i) zero if such Hedging Obligation has been Incurred pursuant to clause (2)(e) of the covenant described under the caption *"— Certain Covenants — Limitation on Indebtedness*" or (ii) the net amount payable if the Commodity Agreement, Currency Agreement or Interest Rate Agreement giving rise to such Hedging Obligation terminated at that time due to default by such Person if not Incurred pursuant to such clause.

Notwithstanding the foregoing, "Indebtedness" shall not include any obligations of the Company or any Restricted Subsidiary in respect of letters of credit, bank guarantees of payments to contractors or subcontractors, trade guarantees or similar instruments, bankers' acceptances or performance, surety or appeal bonds issued in the ordinary course of business to the extent that such letters of credit, bank guarantees or trade guarantees or performance, surety or appeal bonds are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than the 30 days following receipt by the Company or such Restricted Subsidiary of a demand for reimbursement.

"**Indonesia**" means the Republic of Indonesia.

"**Interest Rate Agreement**" means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement.

"**Investment**" means:

(1) any direct or indirect advance, loan or other extension of credit to another Person;

(2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);

(3) any purchase or acquisition of Capital Stock (or options, warrants or other rights to acquire such Capital Stock), Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or

(4) any guarantee of any obligation of another Person to the extent such obligation is outstanding and to the extent guaranteed by such Person; or

(5) all other items that would be classified as investments (including purchases of assets outside the ordinary course of business) on a statement of financial position of such Person prepared in accordance with GAAP.

For the purposes of the provisions of the covenants described under the captions *"— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries*" and "*— Certain Covenants — Limitation on Restricted Payments*": (1) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Fair Market Value of the Company's proportionate interest in the assets (net of the Company's proportionate interest in the liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not guaranteed by the Company or a Restricted Subsidiary), of a Restricted Subsidiary that is designated an Unrestricted Subsidiary calculated as of the time of such designation, (2) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors and (3) if the Company or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Company or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment at that time.

"**Investment Grade**" means a rating of "Aaa", "Aa", "A" or "Baa", as modified by a "1", "2" or "3" indication, or an equivalent rating representing one of the four highest rating categories, by Moody's or any of its successors or assigns, or a rating of "AAA", "AA", "A" or "BBB", as modified by a "+" or "—" indication, or an equivalent rating representing one of the four highest rating categories, by Fitch or any of its successors or assigns or an equivalent rating representing one of the four highest rating categories of any internationally recognized rating agency or agencies, as the case may be, which shall have been designated by the Company as having been substituted for Moody's or Fitch or both, as the case may be.

"**Lien**" means any mortgage, fiduciary security, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

"**Moody's**" means Moody's Investors Service, Inc. and its affiliates and its successors.

"**Net Cash Proceeds**" means:

(1) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or Temporary Cash Investments, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or Temporary Cash Investments and proceeds from the conversion of other property received when converted to cash or Temporary Cash Investments, net of:

(a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment banks) related to such Asset Sale;

(b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and its Restricted Subsidiaries, taken as a whole;

(c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale; and

(d) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP;

(e) any portion of the purchase price in respect of such Asset Sale placed in escrow (excluding amounts as and when released from escrow and received by the Company or any Restricted Subsidiary); and

(f) all distributions and other payments required to be made to minority shareholders; and

(2) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or Temporary Cash Investments, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or Temporary Cash Investments and proceeds from the conversion of other property received when converted to cash or Temporary Cash Investments, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"**Offer to Purchase**" means an offer to purchase Notes by the Company from the Holders commenced by the Company mailing a notice by first class mail, postage prepaid, to the Trustee and each Holder at its last address appearing in the Note register stating:

(1) the provision in the Indenture pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a pro rata basis;

(2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "Offer to Purchase Payment Date");

(3) that any Note not tendered will continue to accrue interest pursuant to its terms;

(4) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;

(5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled "Option of the Holder to Elect Purchase" on the reverse side of the Note completed, to the Paying Agent or tender agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;

(6) that Holders will be entitled to withdraw their election if the Paying Agent or tender agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and

(7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; *provided that* each new Note issued shall be in a principal amount of U.S.$200,000 or integral multiples of U.S.$1,000 in excess thereof.

One Business Day prior to the Offer to Purchase Payment Date, the Company shall deposit with the Paying Agent or tender agent for such Offer to Purchase immediately available and cleared funds sufficient to pay the purchase price of all Notes or portions thereof to be accepted by the Company for payment on the Offer to Purchase Payment Date. On the Offer to Purchase Payment Date, the Company shall (a) accept for payment on a pro rata basis Notes or portions thereof tendered pursuant to an Offer to Purchase; and (b) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers' Certificate specifying the Notes or portions thereof accepted for payment by the Company. The Paying Agent or tender agent for such Offer to Purchase will as soon as practicable mail to the Holders of Notes so accepted payment in an amount equal to the purchase price and, upon receipt of a written order of the Issuer signed by an Officer, the Trustee shall promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided* that each new Note issued shall be in a principal amount of U.S.$200,000 or integral multiples of U.S.$1,000 in excess thereof. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date.

The materials used in connection with an Offer to Purchase are required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase. To the extent that the provisions of any securities laws or regulations conflict with the requirements of the relevant Offer to Purchase, the Company will comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations under the Notes, the Indenture and the Subsidiary Guarantees by virtue of its compliance with such securities laws or regulations.

"**Officer**" means one of the directors, managing directors or officers of the Company or a Subsidiary Guarantor, as applicable.

"**Officers' Certificate**" means a certificate signed by two Officers.

"**Opinion of Counsel**" means a written opinion, from legal counsel who is reasonably acceptable to the Trustee that meets the requirements of the Indenture.

"**Original Issue Date**" means the date on which the Notes are originally issued under the Indenture.

"**Permitted Business**" means any business conducted or proposed to be conducted by the Company and its Restricted Subsidiaries (as described in this Offering Memorandum) and other businesses reasonably related, ancillary or complementary thereto, including the operation of high pressure acid leach nickel processing facilities and stainless steel manufacturing.

"**Permitted Holder**" means Shanghai Decent Investment (Group) Co., Ltd. and its Affiliates.

"**Permitted Investment**" means:

(1) any Investment in (a) the Company or a Restricted Subsidiary that is, directly or indirectly, primarily engaged in a Permitted Business or (b) a Person which will, upon the making of such Investment, become a Restricted Subsidiary that is primarily engaged in a Permitted Business or be merged or consolidated with or into or transfer or convey all or substantially all its assets to the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business;

(2) cash or Temporary Cash Investments;

(3) payroll, travel, entertainment, relocation and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;

(4) stock, obligations or securities received in satisfaction of claims or judgments, in compromise or settlement of debts created in the ordinary course of business or by reason of a composition or readjustment of debts or reorganization of another Person;

(5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment by one Unrestricted Subsidiary in another Unrestricted Subsidiary;

(6) any Investment pursuant to a Hedging Obligation designed to protect the Company or any Restricted Subsidiary against fluctuations in commodity prices, interest rates or foreign currency exchange rates;

(7) receivables, trade credits or other current assets owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms, including such concessionary trade terms as the Company or any Restricted Subsidiary considers reasonable under the circumstances;

(8) any securities or other Investments received as consideration in, or retained in connection with sales or other dispositions of property or assets, including Asset Dispositions, made in compliance with the covenant described under the caption "*— Certain Covenants — Limitation on Asset Sales*";

(9) pledges or deposits (i) with respect to leases or utilities provided to third parties in the ordinary course of business or (ii) otherwise described in the definition of "Permitted Liens";

(10) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers, compensation claims and other purposes specified by statute or regulation from time to time in the ordinary course of a Permitted Business;

(11) Investments received in compromise or resolution of obligations of trade creditors or customers that were incurred in the ordinary course of business of the Company or any Restricted Subsidiary, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer or as a result of foreclosure of or transfer of title with respect to any secured Investment and any Investments obtained in exchange for any such Investments;

(12) advances or extensions of credit to customers, suppliers, contractors or distributors for the acquisition of assets, consumables or services or construction of property and equipment in the ordinary course of business that are recorded as deposits or prepaid expenses on the Company's consolidated statement of financial position;

(13) repurchases of the Notes;

(14) loans or advances to, or guarantees of obligations of, directors, commissioners, officers or employees of the Company or a Restricted Subsidiary in the ordinary course of business in an aggregate amount not to exceed U.S.$2.5 million (or the Dollar Equivalent thereof) at any time outstanding;

(15) deposits made to secure the performance of tenders, bids, leases, bankers' acceptances, surety and appeal bonds, government contracts, performance and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business;

(16) deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries and prepayments made in connection with the acquisition of real property or other assets by the Company or any Restricted Subsidiary, in each case, in the ordinary course of business;

(17) any guarantee of Indebtedness of the Company or a Restricted Subsidiary Incurred in accordance with the covenant described under the caption "*— Certain Covenants — Limitation on Indebtedness*";

(18) Investments existing, or made pursuant to legally binding commitments in existence, at the Original Issue Date and described in the Offering Memorandum and any Investment that amends, extends, renews, replaces or refinances an Investment existing on such date; *provided* that such new Investment

is on terms and conditions no less favorable to the Company or the applicable Restricted Subsidiary than the Investment being amended, extended, renewed, replaced or refinanced; and

(19) other Investments in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (19) since the Original Issue Date, not to exceed 2.5% of Total Assets.

"**Permitted Liens**" means:

(1) Liens for taxes, assessments, governmental charges or claims, including, but not limited to, sales taxes, value-added taxes and customs and excise taxes and duties, that are either (a) not yet delinquent by more than 30 days or (b) are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;

(2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, materialmen, repairmen, employees or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as required in conformity with GAAP will have been made and Liens arising solely by virtue of any statutory or common law provisions relating to attorney's Liens;

(3) any Lien in favor of the Commonwealth of Australia, any state or territory thereof, or any department, agency, instrumentality or political subdivision of either, or any municipal or local authority in Australia;

(4) any Lien required by any contract or statute in order to permit the Company or any of its Restricted Subsidiaries to perform any contract or subcontract made with or at the request of the Commonwealth of Australia, any state or territory thereof, or any department, agency, instrumentality or political subdivision of either, or any municipal or local authority in Australia;

(5) an interest that is a Lien by virtue only of the operation of section 12(3) of the Australian PPSA provided that it does not secure the payment or performance of an obligation;

(6) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers' acceptances, surety and appeal bonds, government contracts, performance and return-of-money bonds, reclamation and mine closure obligations (including reclamation guarantees) and other obligations of a similar nature or deposits as security for contested taxes or import duties, in each case incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);

(7) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Company and its Restricted Subsidiaries, taken as a whole;

(8) Liens on property of, or on shares of Capital Stock or Indebtedness of, any Person existing at the time such Person becomes, or becomes a part of, any Restricted Subsidiary; *provided* that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets acquired; *provided further* that such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;

(9) Liens in favor of the Company or any Restricted Subsidiary;

(10) Liens arising from attachment or the rendering of a final judgment or order against the Company or any Restricted Subsidiary that does not give rise to an Event of Default;

(11) Liens securing reimbursement obligations with respect to (i) letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof or (ii) in favor of any bank having a right of set-off, revocation, refund or chargeback with respect to money or instruments of the Company or any Restricted Subsidiary on deposit with or in the possession of such bank;

(12) Liens existing on the Original Issue Date;

(13) Liens securing the Notes (including Additional Notes issued in accordance with the Indenture) and any Subsidiary Guarantees;

(14) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is permitted to be Incurred under clause (2)(d) of the covenant described under the caption "—Certain Covenants—Limitation on Indebtedness"; *provided* that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;

(15) Liens securing Indebtedness under Hedging Obligations permitted by clause (2)(e) of the covenant described under the caption "*— Certain Covenants — Limitation on Indebtedness*";

(16) any interest or title of a lessor in the property subject to any operating lease;

(17) Liens with respect to minor survey exceptions, minor encumbrances, easements or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or municipal ordinances, zoning ordinances or other restrictions as to the use of real property, not interfering in any material respect with the conduct of the business of the Company and its Restricted Subsidiaries;

(18) Liens securing Indebtedness Incurred by the Company or any Restricted Subsidiary relating to bid, performance or surety bonds or letters of credit or bank guarantees issued in the ordinary course of business;

(19) Liens incurred or deposits made in connection with workers' compensation, unemployment insurance, other types of social security and other types of related statutory obligations;

(20) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods;

(21) Liens securing rights of setoff in favor of a bank imposed by law or customary general terms of banks and incurred in the ordinary course of business on deposit accounts maintained with such bank and cash and Temporary Cash Investments in such accounts;

(22) Liens resulting from escrow arrangements entered into in connection with the acquisition or disposition of assets;

(23) any retention of title reserved by any seller of goods or any Lien imposed, reserved or granted over goods supplied by such seller in the ordinary course of business;

(24) Liens Incurred in connection with any cash or treasury management program, or cash pooling, netting or set-off arrangements, in each case established in the ordinary course of business for the benefit of the Company or any Restricted Subsidiary;

(25) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into by the Company or any Restricted Subsidiary in the ordinary course of business;

(26) licenses or leases or subleases as licensor, lessor or sublessor of any of the Company's or the Restricted Subsidiaries' property, including intellectual property, in the ordinary course of business;

(27) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Company or its Restricted Subsidiaries relating to such property or assets;

(28) Liens securing Permitted Priority Indebtedness;

(29) (x) Liens on property or assets securing Indebtedness used or to be used to defease or satisfy and discharge the Notes; provided that (a) the Incurrence of such Indebtedness was not prohibited by the Indenture and (b) such defeasance or satisfaction and discharge is not prohibited by the Indenture and (y) Liens on cash and Temporary Cash Investments arising in connection with the defeasance, discharge or redemption of Indebtedness;

(30) any encumbrance or restriction, including customary rights of first refusal and tag, drag and similar rights with respect to Capital Stock of any joint venture pursuant to joint venture agreements entered into in the ordinary course of business;

(31) Liens on any interest reserve, debt service reserve, debt service accrual or similar account used to service interest payments or debt obligations with respect to Indebtedness permitted to be Incurred under the covenant described under the caption entitled "*— Certain Covenants — Limitation on Indebtedness*";

(32) Liens upon specific items of inventory or other goods and proceeds of any Person securing such Person's obligations in respect of bankers' acceptances issued or credited for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods; and

(33) Liens with respect to obligations that do not exceed U.S.$5.0 million (or the Dollar Equivalent thereof) at any one time outstanding.

"**Permitted Priority Indebtedness**" means any Consolidated Priority Indebtedness, *provided* that, on the date of Incurrence of such Indebtedness, and after giving effect thereto and the application of the proceeds thereof, the Consolidated Priority Indebtedness would be no greater than 10.0% of Total Assets.

"**Person**" means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

"**Preferred Stock**" as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"**Rating Agencies**" means (1) Moody's and (2) Fitch and (3) if Moody's or Fitch or both shall not make a rating of the Notes publicly available, a nationally recognized statistical rating organization (as defined in Rule 436 under the Securities Act) or organizations, as the case may be, selected by the Company, which shall be substituted for Moody's or Fitch or both, as the case may be.

"**Rating Category**" means (i) with respect to Fitch, any of the following categories: "BB", "B", "CCC", "CC", "C" and "D" (or equivalent successor categories), (ii) with respect to Moody's, any of the following categories: "Ba", "B", "Caa", "Ca", "C" and "D" (or equivalent successor categories); and (iii) the equivalent of any such category of Fitch or Moody's used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories ("+" and "-" for Fitch; "1", "2" and "3" for Moody's; or the equivalent gradations for another Rating Agency) will be taken into account (e.g., with respect to Fitch, a decline in a rating from "BB+" to "BB", as well as from "BB-" to "B+", will constitute a decrease of one gradation).

"**Rating Date**" means (1) in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (x) a Change of Control and (y) a public notice of the occurrence of a Change of Control or of the intention by the Company or any other Person or Persons to effect a Change of Control or (2) in connection with actions contemplated under the caption "*—Consolidation, Merger and Sale of Assets*", that date which is 90 days prior to the earlier of (x) the occurrence of any such actions as set forth therein and (y) a public notice of the occurrence of any such actions.

"**Rating Decline**" means (1) in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Company or any other Person or Persons to effect a Change of Control (which period shall be extended so long as the rating of the Notes, the Company or the Company and its Subsidiaries, is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below or (2) in connection with actions contemplated under the caption "—Consolidation, Merger and Sale of Assets", the notification by any of the Rating Agencies that such proposed actions will result in any of the events listed below:

(a) in the event the Notes are rated by both Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by either Rating Agency shall be below Investment Grade;

(b) in the event the Notes are rated by either, but not both, of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or

(c) in the event the Notes are rated below Investment Grade by both Rating Agencies on the Rating Date, the rating of the Notes by either Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories),

provided that a Rating Agency will be deemed to have not changed its rating of the Notes to below Investment Grade or to have decreased its rating of the Notes if such Rating Agency states publicly in writing that (i) its change in rating of the Notes is the result of a rating downgrade applicable to the Government of Indonesia or generally applicable to companies in the Company's industry or companies located or operating in Indonesia and (ii) is not as a result of such proposed action contemplated under the caption "*— Consolidation, Merger and Sale of Assets*".

"**Reference Period**" means, with respect to any Transaction Date, the period commencing on and including the first day of the Two Semi-Annual Period with respect to such Transaction Date and ending on and including the Transaction Date.

"**Reference Treasury Dealer**" means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in The City of New York, selected by the Company in good faith.

"**Reference Treasury Dealer Quotations**" means, with respect to each Reference Treasury Dealer and any redemption date, the average as determined by the Company, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Company by such Reference Treasury Dealer at 5:00 p.m. on the third Business Day preceding such redemption date.

"**Replacement Assets**" means, with respect to an Asset Sale, (1) properties and assets that replace the properties and assets that were the subject of such Asset Sale and properties or assets (other than current assets) that will be used in a Permitted Business, (2) acquiring all or substantially all of the assets of any Person that is primarily engaged in a Permitted Business or the Capital Stock of any Person that is primarily engaged in a Permitted Business holding such property or assets if such Person is or will, upon the acquisition by the Company or any of its Restricted Subsidiaries of such Capital Stock, become a Restricted Subsidiary or (3) any other capital expenditure relating to properties or assets that are used in a Permitted Business.

"**Restricted Subsidiary**" means any Subsidiary of the Company other than an Unrestricted Subsidiary.

"**S&P**" means Standard & Poor's Ratings Services and its affiliates.

"**Sale and Leaseback Transaction**" means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person.

"**Securities Act**" means the U.S. Securities Act of 1933, as amended.

"**Senior Indebtedness**" of the Company or any Restricted Subsidiary, as the case may be, means all Indebtedness of the Company or such Restricted Subsidiary, as relevant, whether outstanding on the Original Issue Date or thereafter created, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be subordinated in right of payment to the Notes or, in respect of the Company or, in respect of any Subsidiary Guarantor, its Subsidiary Guarantee; *provided* that Senior Indebtedness does not include (a) any obligation to the Company or any Restricted Subsidiary, (b) trade payables or (c) Indebtedness Incurred in violation of the Indenture.

"**SGX-ST**" means the Singapore Exchange Securities Trading Limited.

"**Significant Subsidiary**" means any Restricted Subsidiary that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated under the Securities Act, as such regulation is in effect on the Original Issue Date; *provided* that in each instance in such definition in which the term "10 percent" is used, the term "5 percent" shall be substituted therefor.

"**Stated Maturity**" means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

"**Subordinated Indebtedness**" means any Indebtedness of the Company or any Subsidiary Guarantor that is contractually subordinated or junior in right of payment to the Notes or any Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

"**Subsidiary**" means, with respect to any Person, any corporation, association or other business entity (a) of which more than 50.0% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person or (b) of which 50.0% of the outstanding Voting Stock is owned, directly or indirectly, by such Person and which is "controlled" and consolidated by such Person in accordance with GAAP; *provided* that with respect to clause (b) the occurrence of any event (other than the issuance or sale of Capital Stock) as a result of which such corporation, association or other business entity ceases to be "controlled" by such Person under GAAP and to constitute a Subsidiary of such Person shall be deemed to be a designation of such corporation, association or other business entity as an Unrestricted Subsidiary by such Person and be subject to the requirements under the first paragraph of the "*— Designation of Restricted and Unrestricted Subsidiaries*" covenant.

"**Subsidiary Guarantee**" means any guarantee of the obligations of the Company under the Indenture and the Notes by any Subsidiary Guarantor.

"**Subsidiary Guarantor**" means any Restricted Subsidiary that guarantees the obligations of the Company under the Indenture and the Notes; *provided that* "Subsidiary Guarantor" does not include any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes.

"**Temporary Cash Investment**" means any of the following:

(1) direct obligations of the United States of America, Australia, any state of the European Economic Area, the United Kingdom, Singapore or Hong Kong or any agency of the foregoing; *provided* that such country or state is rated "AA" (or such similar equivalent rating) or higher by at least two nationally recognized statistical rating organization (as defined in Section 3(a)(62) of the Exchange Act) (each such country or state a "Rated Country/State"), or obligations fully and unconditionally guaranteed by any Rated Country/State, in each case (unless such securities are deposited to defease or satisfy and discharge any Indebtedness) maturing within one year of the date of acquisition thereof;

(2) demand or time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America or any state thereof, or any other Rated Country/State, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of U.S.$500 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated "A" (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Section 3(a)(62) of the Exchange Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;

(4) commercial paper, maturing within 180 days of the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of "P-1" (or higher) according to Moody's or "A-1" (or higher) according to S&P or Fitch;

(5) securities maturing within one year of the date of acquisition thereof, issued or fully and unconditionally guaranteed by any state, commonwealth or territory of the United States of America or Australia, or by any political subdivision or taxing authority thereof, and rated at least "A" by S&P, Fitch or Moody's;

(6) any mutual or money market fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above; and

(7) demand or time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with (i) Westpac Banking Corporation, Bank Mandiri, Bank Sulteng, Bank Rakyat Indonesia, Bank China, Bank Rakyat Indonesia, Bank Rakyat Indonesia, Bank Sulteng, Bank Negara Indonesia, United Overseas Bank Limited and China Citic Bank; (ii) any other bank, financial institution or trust company organized under the laws of Australia or Indonesia or a jurisdiction where the principal place of business of the Company or a Restricted Subsidiary is located whose long-term debt rating by Moody's, Fitch or S&P is rated as high or higher than any of those banks listed in subclause (i) of this paragraph or (iii) any other bank, financial institution or trust company organized under the laws of Australia or Indonesia or a jurisdiction where the principal place of business of the Company or a

Restricted Subsidiary is located; *provided* that, in the case of clause (iii), such deposits do not exceed U.S.$5.0 million (or the Dollar Equivalent thereof) with any single bank or U.S.$15.0 million (or the Dollar Equivalent thereof) in the aggregate, at any date of determination thereafter.

"**Total Assets**" means, as of any date of determination, the total consolidated assets of the Company and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recently ended semi-annual period prior to such date for which consolidated financial statements (which may be internal financial statements) of the Company are available; *provided* that "Total Assets" will be calculated after giving pro forma effect to reflect (without duplication) (a) the cumulative value of all assets, real or personal property, machinery, plant and equipment, the acquisition, development, installation, expansion, construction or improvement of which requires or required the Incurrence of Indebtedness, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Company or any Restricted Subsidiary to the bank or financial institutional lender providing such Indebtedness (but only to the extent that such cumulative value is not reflected in such total consolidated assets as of the last day of such semi-annual period) and (b) any asset acquisitions and asset dispositions (including giving pro forma effect to the application of proceeds of any asset disposition) that have been made since the last day of such semi-annual period and on or prior to such date of determination.

"**Trade Payables**" means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services and payable within 365 days.

"**Transaction Date**" means, with respect to (i) the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and (ii) any Restricted Payment, the date such Restricted Payment is to be made.

"**Two Semi-Annual Period**" means, as of any Transaction Date, the then most recent two fiscal semi-annual periods prior to such Transaction Date for which consolidated financial statements of the Company (which may be internal financial statements) are available.

"**Unrestricted Subsidiary**" means (1) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Indenture; and (2) any Subsidiary of an Unrestricted Subsidiary.

"**U.S. Government Obligations**" means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof at any time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; *provided that* (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

"**Voting Stock**" means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

"**Wholly Owned**" means, with respect to any Subsidiary, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director's qualifying shares or Investments by foreign nationals mandated by applicable law or a legal requirement to have more than one shareholder) by the Company or one or more Wholly Owned Subsidiaries of the Company.

TAXATION

The following summary is based on applicable tax laws, regulations, decisions, administrative guidelines and circulars, and practices in effect on the date of this Offering Memorandum, and is subject to changes, including changes that could have retroactive effect. The following summary does not take into account or discuss the tax laws of any jurisdiction other than the ones described below. The summary represents a general guide only. The summary is not to be regarded as advice on the tax position of any Noteholder or of any person acquiring, selling or otherwise dealing with the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. The following summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which may be subject to special rules. Prospective purchasers in all jurisdictions are advised to consult their own tax advisors as to tax consequences applicable to the acquisition, ownership and disposition of the Notes, including, in particular, the effect of any foreign, state or local tax laws to which they are subject.

Indonesian Taxation

The following is a summary of the principal Indonesian tax consequences relevant to prospective Noteholders who are either tax residents of Indonesia and/or non-residents who have no permanent establishment in Indonesia based on Indonesian tax laws and their implementing regulations in force as of the date of this Offering Memorandum.

General

In general, an individual is considered to be a non-resident of Indonesia if the individual does not reside in Indonesia, does not stay in Indonesia for more than 183 days within a year, or is present in Indonesia during a tax year but does not intend to reside in Indonesia. A corporation will be considered a non-resident of Indonesia if the entity is not established or domiciled in Indonesia. Non-resident individuals and non-resident corporates are further classified into those that have a permanent establishment in Indonesia and those that do not. In determining the tax residence or existence of a permanent establishment of an individual or a corporation consideration will also be given to the provision of any applicable agreement for the avoidance of double taxation (a “tax treaty”) that Indonesia has entered into with other countries. In this section, both a non-resident individual and a non-resident corporation without permanent establishment in Indonesia will be referred to as “non-resident taxpayers” unless the context requires otherwise.

Resident taxpayers who receive income from Indonesia in the form of interest on the Notes are generally subject to a final withholding income tax at the rate of 15.0%. Non-resident taxpayers who receive Indonesian sourced income, including interest, are generally subject to a final withholding income tax at the rate of 20.0% This withholding tax may be reduced or exempted under the provisions of the applicable tax treaty.

Withholding tax on interest on the Notes

Pursuant to Indonesian Government Regulation No. 16/2009 dated February 9, 2009 (“GR 16/2009”), as lastly amended by Indonesian Government Regulation No. 55/2019 dated August 7, 2019 (“GR 55/2019”), and Ministry of Finance Regulation No. 85/PMK.03/2011 dated May 23, 2011 (“MoFR 85/2011”), which has been amended by Ministry of Finance Regulation No. 07/PMK.011/2012 dated January 13, 2012 (“MoFR 07/2012”), interest on the Notes is subject to a final withholding tax under Article 4(2) of the Income Tax Law.

Interest on the Notes (including premium or discount and any other payments in the nature of interest in the form of additional amounts) paid to a resident taxpayer is subject to a final withholding tax at the rate of

15.0% for which the issuer or custodian in Indonesia as appointed paying agent shall be obliged to act as the withholding agent. A special withholding tax at the rate of 5.0% is available until the end of 2020 for interest on the Notes received by mutual funds, infrastructure investment funds (under collective investment contract arrangements), real estate investment funds (under collective investment contract arrangements) and asset-backed securities (under collective investment contract arrangements) registered at OJK. From 2021 onwards, a special withholding tax at the rate of 10.0% is available for interest on the Notes received by such taxpayers.

Interest due on the Notes (including premium or discount and any other payments in the nature of interest in the form of additional amounts) paid to a non-resident taxpayer is subject to a final withholding tax of 20.0% for which the issuer or custodian in Indonesia as appointed paying agent shall be obliged to act as the withholding agent. However, the withholding tax rate could be reduced or exempted under the applicable tax treaty. The application of the tax treaty rate or benefits is subject to the completion of certain requirements by the non-tax residents as stipulated under the Indonesian tax regulations. See "*— Procedures for the application of tax treaty benefits*".

Withholding tax on disposition and repayment at maturity of the Notes

Pursuant to GR 16/2009 (as lastly amended by GR 55/2019) and MoFR 85/2011 (as amended by MoFR 07/2012), gains from the disposal of the Notes, and gains or discounts from the repayment of the Notes at maturity, are considered interest and is therefore subject to the final withholding tax outlined above.

Any gain from the disposal of the Notes by a resident taxpayer, where the transactions are conducted through a securities company, dealer or bank in Indonesia (either as intermediary or buyer), and any gain or discount from the repayment of the Notes at maturity, will be subject to a final withholding tax at the rate of 15.0%.

Any gain from the disposal of Notes by a non-resident taxpayer, where the transactions are conducted through a securities company, dealer or bank in Indonesia (either as intermediary or buyer), and any gain or discount from the repayment of the Notes at maturity, will be subject to a final withholding tax at the rate of 20.0% which is normally applicable to Indonesian-sourced interest.

In relation to the gain on the disposal of the Notes, the withholding tax should be paid by the relevant securities company, dealer or bank in Indonesia (either as intermediary or buyer). In relation to the gain or discount on the repayment of the Notes at maturity, the withholding tax should be paid by the issuer or custodian in Indonesia as the appointed paying agent.

However, if the non-resident taxpayer is a tax resident of a country that has a tax treaty with Indonesia which defines the gain on the disposal of the Notes as capital gain instead of interest, and where the treaty provides an exemption for capital gain in relation to the disposal of the Notes, relief from the imposition of such withholding tax shall be available. The exempted withholding tax is applicable subject to the satisfaction of the eligibility and reporting requirements for the relevant tax treaty and the Indonesian tax regulations, including the requirements that the recipient be the beneficial owner of the income and the availability of the certificate of domicile (i.e. the form from the Directorate General of Taxes ("DGT"), also known as "Form DGT"). See "*— Procedures for the application of tax treaty benefits*".

Procedures for the application of tax treaty benefits

Indonesia has concluded tax treaties with a number of countries, including the United States of America, the United Kingdom, the Netherlands, Australia, Belgium, Canada, France, Germany, Japan, Singapore, Sweden and Switzerland. The relevant tax treaty may provide a different definition of non-resident taxpayers and permanent establishment and the reduced rate or exemption of withholding tax that might be applied to payments on the Notes.

Where a tax treaty exists and the eligibility requirements of that treaty are satisfied, the tax treaty benefits are not abused and the administrative requirements under Indonesian tax regulations are met, a reduced rate of withholding tax or exemption of withholding tax may be applicable on interest (or payments in the nature of interest, such as premium or discount) and gains from the disposal of the Notes or gains from the repayment of the Notes at maturity.

Indonesia has specific rules regarding the application of benefits under the various tax treaties. On November 21, 2018, the Indonesian tax authority issued Regulation No. PER-25/PJ/2018 ("PER 25/2018") regarding the Procedures for Applying Tax Treaties. The regulation is effective starting January 1, 2019 and revoked the previous regulation. This regulation sets out tests and administrative criteria to be satisfied. Failure to comply with the conditions means that the domestic withholding tax of 20.0% will apply. Under PER 25/2018, the provisions of tax treaty apply under the following conditions:

- the income recipient is not an Indonesian tax resident;
- the income recipient is an individual or an entity who is a tax resident of a tax treaty partner;
- the administrative requirements have been fulfilled;
- there is no tax treaty abuse by the income recipient; and
- the income recipient is the beneficial owner of the income (if so required by the tax treaty).

Administrative requirements

Under PER 25/2018, in order to enjoy tax treaty benefits, the certificate of domicile must meet the following administrative requirements:

- be in the form prescribed in the attachment to PER 25/2018 (i.e. Form DGT);
- filled in correctly, completely and clearly by the non-resident taxpayer;
- signed by the non-resident taxpayer or equivalent mark as normally used in its country;
- certified by the competent tax authority of the treaty country of the non-resident taxpayer or equivalent mark as normally used;
- included declaration from the non-resident taxpayer that there is no treaty abuse;
- included declaration that the non-resident taxpayer is the beneficial owner of the income (if so required by the tax treaty); and
- used for the period stated in the Form DGT (a maximum of 12 months).

If certification from the tax authority of the tax treaty country (as set out in point (d) above) cannot be obtained, non-resident taxpayers may replace this with the local Certificate of Residence ("CoR") issued by the competent tax authority of the treaty country. In this case, the local CoR issued by the competent tax authority is required to be attached to the Form DGT that has been completed and signed by the non-resident taxpayer. The local CoR must satisfy certain requirements set by the DGT as follows:

- is in the English language;
- contains, at least, information concerning the name of the non-resident taxpayer, issuance date and the applicable tax year; and

- bears the name and signature of the authorized tax officer of the competent tax authority of the tax treaty country or sign/stamp that is equal to the signature of the tax officer and the name of the tax officer as commonly used.

Non-resident taxpayers should provide the original Form DGT (including local CoR, if applicable) to the Indonesian tax withholder. The Indonesian tax withholder is required to attach the copy of Form DGT from the non-resident taxpayer, or a receipt of earlier filing, in the relevant monthly tax return.

No treaty abuse

A tax treaty abuse takes place when the main purpose or one of the main purposes of the transaction(s) or arrangement(s) is to directly or indirectly obtain tax treaty benefits and in contradiction with the purposes and intention of the tax treaty. A treaty abuse will not have taken place where:

- there is economic substance in the establishment of the entity or in the execution of the transaction;
- the legal form is the same as the economic substance in the establishment of the entity or the execution of the transaction;
- the non-resident has activities managed by its own management and the management has appropriate authorities to carry out transactions;
- the non-resident has fixed assets and non-fixed assets (other than the assets generating income from Indonesia), which are adequate and sufficient to conduct business activities in the tax treaty partner country;
- the non-resident has sufficient employees with the expertise and certain skills in accordance with the line of business; and
- the non-resident has activities or active business other than receiving the income in the form of dividends, interest, royalties from Indonesia.

Beneficial Owner

Where a non-resident taxpayer is required by a tax treaty to be the beneficial owner of the income (e.g. for interest income), in addition to satisfying the conditions for non-abuse of the tax treaty, the non-resident taxpayer must fulfill the following:

- for a non-resident individual, he/she is not acting as an agent or nominee; or
- for a non-resident entity, it is not acting as an agent, nominee, or conduit, which is an entity that:
    - (i) has the power to use or enjoy the funds, assets, or rights to earn income from Indonesia;
    - (ii) does not use more than 50.0% of the total non-consolidated income to fulfill obligations to other parties in the form of interest, royalty, or other fees (excluding reasonable remuneration to employees and other normal business expenditures);
    - (iii) bears the risks of its own assets, capital, and/or liabilities; and
    - (iv) has no contractual or legal obligation to transfer the whole or part of the income received from Indonesia to another party.

In the event that there is tax treaty abuse or the income recipient is not the beneficial owner the following will apply:

- the Indonesian tax withholder will not be entitled to apply the tax treaty benefits and must withhold tax which is payable in accordance with Indonesian tax regulations (i.e. withholding tax at the rate of 20.0%); and
- the non-resident taxpayer who abuses the tax treaty will not be able to apply for a refund for the overpayment of the tax which should not have been payable.

If there is a difference between the legal form of a structure/scheme and the economic substance, the tax regulations will be applied in accordance with the economic substance (i.e. substance over form).

Multilateral Instrument

On November 12, 2019, the President of Indonesia issued Regulation No. 77 of 2019 ("PerPres No. 77/2019"), which ratifies the multilateral convention implementing tax treaty-related measures to prevent base erosion and profit shifting ("MLI"). Pursuant to PerPres No. 77/2019, 47 tax treaties (also referred to as Covered Tax Agreements ("CTAs")) with Indonesia are nominated by Indonesia to become subject to the changes set out under the MLI, including CTAs with Australia, Canada, France, Hong Kong, India, Japan, Luxembourg, Malaysia, Netherlands, Singapore, Switzerland, the United Kingdom and the U.S.

The MLI will become effective and modify a relevant CTA at a point (determined in the MLI) after both relevant jurisdictions have deposited the instrument of ratification, acceptance or approval and the entry into force of the MLI. On April 28, 2020, Indonesia deposited its instrument of ratification for implementation of the MLI with the Organization for Economic Co-operation and Development ("OECD"). The MLI will enter into force for Indonesia on August 1, 2020. Out of the 47 treaty partner jurisdictions, some of treaty partner jurisdictions have already deposited the instrument of ratification with the OECD, while others have not.

The MLI will introduce several changes to a relevant CTA including, among others, the following:

(a) the addition of the following preamble to the purpose of a CTA:

    "*Intending to eliminate double taxation with respect to the taxes covered by this agreement without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance (including through treaty-shopping arrangements aimed at obtaining reliefs provided in this agreement for the indirect benefit of residents of third jurisdictions);*" and

(b) the replacement of the existing provision relating to the prevention of treaty abuse with the below or the addition of the provision below relating to the prevention of treaty abuse:

    "*Notwithstanding any provisions of the CTA, a benefit under the CTA shall not be granted in respect of an item of income or capital if it is reasonable to conclude, having regard to all relevant facts and circumstances, that obtaining that benefit was one of the principal purposes of any arrangement or transaction that resulted directly or indirectly in that benefit, unless it is established that granting that benefit in these circumstances would be in accordance with the object and purpose of the relevant provisions of the CTA."*

Noteholders should monitor the timing of when the MLI comes into effect and understand how the corresponding modifications to the provisions of a CTA will impact the Noteholders' respective resident jurisdiction. To the extent the MLI comes into effect and operates to modify an applicable CTA with a Noteholder's resident jurisdiction, the Noteholder should, in particular, note the potential implications, arising from the acquisition, sale and other dealings in respect of the Notes, of the principal purpose test and limitation of benefits ("LOB") under the MLI, which may operate to limit treaty benefits in certain circumstances. Only some of the nominated tax treaties will be modified to include an LOB.

Stamp duty and other Indonesian taxes

Nominal stamp duty applies on a per document basis, and is not related to the value of the transaction. Stamp duty applies to:

- Documents that are made as instruments to represent events that are within the scope of civil law, including:
  - (i) agreement, explanatory letter, statement letter, or other similar letters, including its counterpart;
  - (ii) notarial deed including its *grosse*, copy and extract;
  - (iii) deed made by land deed officer including its copy and extract;
  - (iv) commercial paper with any name and form;
  - (v) securities transaction documents, including futures contract documents, with any name and form;
  - (vi) auction documents including extract from minutes of auction, minutes of auction, copy of minutes of auction and *grosse* of minutes of auction;
  - (vii) document that represents an amount of money of more than IDR5,000,000 (five million rupiah) that states receipt of money or contains recognition that a debt has been fully or partly repaid; and
  - (viii) other documents stipulated by government regulation; and
- Documents that are used as evidence before a court.

The nominal amount of the Indonesian stamp duty for any kind of securities transaction is Rp.10,000. Generally, the stamp duty is due at the time the document is executed. Stamp duty is payable by the party that benefits from the executed document unless both parties state otherwise.

There are no other Indonesian taxes (namely estate tax, inheritance tax, succession tax or gift taxes) generally applicable to an acquisition, ownership or disposition of the Notes. There are no Indonesian registration or similar taxes payable by the Noteholders.

Australian Taxation

The following is a general summary of the material Australian tax consequences for Noteholders under the Income Tax Assessment Acts of 1936 and 1997 of Australia (together, the "Australian Tax Act"), the Taxation Administration Act 1953 of Australia (the "TAA") and any relevant rulings, judicial decisions or administrative practice, as of the date of this Offering Memorandum.

There are a number of limitations to the summary below, including that:

- it applies only to the purchase, ownership and disposition of the Notes by investors that are not residents of Australia for Australian taxation purposes who will not hold the Notes, and will not derive the interest on the Notes, in carrying on business at or through a permanent establishment in Australia ("Non-Resident Investor"). It does not apply to Australian residents (for Australian taxation purposes) who may purchase the Notes. Such persons should consult with their tax and/or other professional advisors in respect of the Australian tax consequences of purchasing, owning or disposing of the Notes;

- it applies only to the absolute beneficial owners of the Notes, but is not exhaustive and does not deal with all classes of holders of the Notes (e.g., dealers); and
- it is based on Australian tax law and applicable double taxation agreements ("DTAs") in force as of the date of this Offering Memorandum and does not take into account or anticipate any change in the law (including changes to legislation, regulations or judicial authority) or any DTAs.

The tax consequences of holding and otherwise dealing with the Notes can vary depending upon individual circumstances of the Noteholders. This general summary is not intended to be, nor should it be construed to be, legal or tax advice to any particular investor or relied upon as such. Each investor, and particularly those Noteholders not covered by this summary as noted above, should obtain independent professional taxation advice relating to their holding of the Notes in their particular circumstances.

Interest withholding tax

The Company intends to issue Notes which are to be characterized as "debt interests" for the purposes of the tests contained in Division 974 of the Australian Tax Act. In the case of "debt interests", interest withholding tax ("IWT") is generally payable at a rate of 10% of the gross amount of interest paid on the Notes (the rate may be modified under an applicable DTA) to a non-Australian resident (other than a non-Australian resident who derives the interest income in carrying on business at or through a permanent establishment in Australia) or an Australian resident who derives the interest income in carrying on business at or through a permanent establishment outside Australia, unless an exemption is available.

An exemption from IWT is available in respect of interest paid on the Notes if (i) the requirements of section 128F of the Australian Tax Act are satisfied, or (ii) the requirements of an applicable DTA are satisfied. The Company intends to issue the Notes in a manner which will satisfy the requirements of section 128F of the Australian Tax Act.

Exemption under section 128F of the Australian Tax Act

An exemption from Australian IWT is available under section 128F of the Australian Tax Act in respect of the payment of interest on the Notes if the following conditions are met:

(a) the Company is a resident of Australia and a company when it issues the Notes and when interest (as defined in section 128A(1AB) of the Australian Tax Act, including any original issue discount) is paid;

(b) the Notes are issued as a result of an offer made in a manner which satisfies the public offer test. There are five principal methods of satisfying the public offer test, the purpose of which is to ensure that lenders in debt capital markets are aware that the Company is offering Notes for issue. Only one of the methods needs to be satisfied. In summary, the five principal methods are:

    (i) offers to 10 or more unrelated persons carrying on a business of providing finance, or investing or dealing in securities, in the course of operating in financial markets;

    (ii) offers to 100 or more investors of a certain type;

    (iii) offers of listed Notes;

    (iv) offers via publicly available information sources; and

    (v) offers to a dealer, manager or underwriter who offers to sell the Notes within 30 days by one of the preceding methods.

    In addition, the issue of a Note in global form and the offering of interests in a Note by one of these methods should satisfy the public offer test;

(c) the Company does not know, or have reasonable grounds to suspect, at the time of issue, that the Notes (or interests in them) were being, or would later be, acquired, directly or indirectly, by an offshore associate of the Company (other than in the capacity of a dealer, manager or underwriter in relation to the placement of the relevant Notes or a clearing house, custodian, funds manager or responsible entity of a registered managed investment scheme); and

(d) at the time of the payment of interest, the Company does not know, or have reasonable grounds to suspect, that the payee is an offshore associate of the Company (other than in the capacity of a clearing house, paying agent, custodian, funds manager or responsible entity of a registered managed investment scheme).

An "associate" of the Company for the purposes of section 128F of the Australian Tax Act broadly includes (i) a person or entity which holds more than 50% of the voting shares in, or otherwise controls, the Company; (ii) any entity that can sufficiently influence the Company; (iii) a company that is sufficiently influenced by the Company or another entity that is an associate of the Company; (iv) any entity in which more than 50% of the voting shares are held by, or which is otherwise controlled by, the Company; (v) a trustee of a trust where the Company is capable of benefiting (whether directly or indirectly) under that trust; and (vi) a person or entity who is an "associate" of another person or company which is an "associate" of the Company under points (i) and (ii) above.

An "offshore associate" of the Company is an associate of the Company that is either (i) a non-Australian resident that does not acquire the Notes in carrying on a business at or through a permanent establishment in Australia; or (ii) an Australian resident that acquires the Notes in carrying on a business at or through a permanent establishment outside Australia.

Unless otherwise specified in a supplement to this Offering Memorandum, the Company proposes to issue Notes in a manner which will satisfy the requirements of section 128F of the Australian Tax Act.

Exemption under double tax conventions

The Australian government has signed new or amended double tax conventions ("New Treaties") with a number of countries (each a "Specified Country").

In broad terms, once they have entered into force, the New Treaties effectively prevent IWT being imposed on interest derived by:

- the government of the relevant Specified Country and certain governmental authorities and agencies in the Specified Country; or
- a "financial institution" which is a resident of a Specified Country, is otherwise entitled to the benefits of the applicable New Treaty and which is unrelated to and dealing wholly independently of the Company. The term "financial institution" refers to either a bank or any other form of enterprise which substantially derives its profits by carrying on a business of raising and providing finance. (However, interest under a back-to-back loan or an economically equivalent arrangement will not qualify for this exemption.)

The Australian Federal Treasury maintains a listing of Australia's double tax conventions which provides details of country, status, withholding tax rate limits and Australian domestic implementation.

Notes in bearer form

Section 126 of the Australian Tax Act imposes a type of withholding tax at the rate of (currently) 45% on the payment of interest on the Notes which are in bearer form if the Company fails to disclose the names and addresses of the holders to the Australian Taxation Office ("ATO"). Section 126 does not apply to the payment of interest on the Notes held by non-Australian resident noteholders who are not engaged in carrying on business in Australia at or through a permanent establishment in Australia where the issue of those Notes has satisfied in Taxation Determination 2001/19 the requirements of section 128F of the Australian Tax Act or IWT is payable. In addition, the ATO has confirmed that for the purpose of section 126 of the Australian Tax Act, the holder of debentures (such as the Notes) means the person in possession of the debentures. Section 126 is therefore limited in its application to persons in possession of Notes who are residents of Australia or non-Australian residents who are engaged in carrying on business in Australia at or through a permanent establishment in Australia.

Payment of additional amounts

As set out in more detail in "Description of the Notes", and unless expressly provided to the contrary in a supplement to this Offering Memorandum, if the Company should at any time be compelled or authorized by law to deduct or withhold an amount in respect of any withholding taxes imposed or levied by the Commonwealth of Australia in respect of the Notes the Company shall, subject to certain exceptions, pay such additional amounts as may be necessary in order to ensure that the net amounts received by the Noteholders after such deduction or withholding shall equal the respective amounts which would have been receivable had no such deduction or withholding been required. In the event that the Company is compelled by law in relation to any Notes to deduct or withhold an amount in respect of any withholding taxes as a result of a change in law and would be required to pay additional amounts in respect of such taxes, the Company will have the option to redeem such Notes (as described above under "Description of the Notes").

Other Australian tax matters

The Company notes that under Australian laws as presently in effect:

(a) assuming the requirements of section 128F of the Australian Tax Act are satisfied with respect to the Notes, payments of principal and interest in respect of the Notes to a Noteholder, who is a non-resident of Australia and who, during the taxable year, has not used the Notes in carrying on business at or through a permanent establishment in Australia, will not be subject to Australian income taxes;

(b) a Noteholder, who is a non-resident of Australia and who has never used the Notes in carrying on business at or through a permanent establishment in Australia, will not be subject to Australian income tax on gains realized during a year on the sale or redemption of the Notes, provided such gains do not have an Australian source. A gain arising on the sale of the Notes by a non-Australian resident Noteholder who does not hold the Notes in carrying on business at or through a permanent establishment in Australia to another non-Australian resident where the Notes are sold outside Australia and all negotiations are conducted and documentation executed outside Australia would not generally be regarded as having an Australian source;

(c) no Notes will be subject to death, estate or succession duties imposed by Australia, or by any political subdivision or authority therein having power to tax, if held at the time of death;

(d) no ad valorem stamp, issue, registration or similar taxes are payable in Australia on the issue, transfer or redemption of any Notes;

(e) neither the issue nor receipt of the Notes will give rise to a liability for goods and services tax ("GST") in Australia on the basis that the supply of the Notes will comprise a GST-free supply (in the case of an offshore subscriber that is a non-resident). Furthermore, neither the payment of principal or interest by the Company, nor the disposal or redemption of the Notes, would give rise to any GST liability in Australia;

(f) section 12-140 of Schedule 1 of the TAA imposes a type of withholding tax on the payment of interest on certain registered securities unless the relevant investor has quoted an Australian tax file number ("TFN"), in certain circumstances an Australian Business Number ("ABN") or proof of some other exception (as appropriate). Under current law, a withholding rate of 47% applies;

(g) Assuming the requirements of section 128F of the Australian Tax Act are satisfied with respect to the Notes, these rules should not apply to payments to a noteholder who is not a resident of Australia for tax purposes and not holding the Notes in the course of carrying on business at or through a permanent establishment in Australia. Payments to other classes of noteholders may be subject to withholding where the noteholder does not quote a TFN, ABN or provide proof of an appropriate exemption (as appropriate);

(h) payments in respect of the Notes can be made free and clear of the "supply withholding tax" imposed under section 12-190 of Schedule 1 to the TAA; and

(i) the Australian Commissioner of Taxation may give a direction requiring the Company to pay out of any payment to a noteholder any amount in respect of Australian tax payable by the noteholder. If the Company is served with such a direction then it will comply with that direction and will make any payment required by that direction.

Singapore Taxation

The statements made herein regarding Singapore taxation are general in nature and based on certain aspects of the current tax laws of Singapore and administrative guidelines and circulars issued by the Inland Revenue Authority of Singapore ("IRAS") and the Monetary Authority of Singapore ("MAS") in force as of the date of this Offering Memorandum and are subject to any changes in such laws, administrative guidelines or circulars, or in the interpretation of these laws, administrative guidelines or circulars, occurring after such date, which changes could be made on a retrospective basis. These laws, administrative guidelines and circulars are also subject to various interpretations and the relevant tax authorities or the courts could later disagree with the explanations or conclusions set out below. Neither these statements nor any other statements in this Offering Memorandum are intended or are to be regarded as advice on the tax position of any Noteholder or of any person acquiring, selling or otherwise dealing with the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. The statements made herein do not purport to be a comprehensive or exhaustive description of all the tax considerations that may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or financial institutions in Singapore which have been granted the relevant Financial Sector Incentive(s)) may be subject to special rules or tax rates. Prospective Noteholders are advised to consult their own professional tax advisers as to the Singapore or other tax consequences of the acquisition, ownership or disposition of the Notes, including, in particular, the effect of any foreign, state or local tax laws to which they are subject to. It is emphasised that none of the Company, the Joint Lead Managers and any other persons involved in the offer and issuance of the Notes accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of the Notes.

Interest and Other Payments

Subject to the following paragraphs, under Section 12(6) of the Income Tax Act, Chapter 134 of Singapore ("ITA"), the following payments are deemed to be derived from Singapore:

(a) any interest, commission, fee or any other payment in connection with any loan or indebtedness or with any arrangement, management, guarantee, or service relating to any loan or indebtedness which is (i) borne, directly or indirectly, by a person resident in Singapore or a permanent establishment in

Singapore (except in respect of any business carried on outside Singapore through a permanent establishment outside Singapore or any immovable property situated outside Singapore) or (ii) deductible against any income accruing in or derived from Singapore; or

(b) any income derived from loans where the funds provided by such loans are brought into or used in Singapore.

Such payments, where made to a person not known to the paying party to be a resident in Singapore for tax purposes, are generally subject to withholding tax in Singapore. The rate at which tax is to be withheld for such payments (other than those subject to the 15% final withholding tax described below) to non-resident persons (other than non-resident individuals) is currently 17%. The applicable withholding tax rate for non-resident individuals is currently 22%. However, if the payment is derived by a person not resident in Singapore otherwise than from any trade, business, profession or vocation carried on or exercised by such person in Singapore, and is not effectively connected with any permanent establishment in Singapore of that person, the payment is subject to a final withholding tax of 15%. The withholding tax rate of 15% may be reduced by applicable tax treaties.

Certain Singapore-sourced investment income derived by individuals from financial instruments is exempt from tax, including:

(a) interest from debt securities derived on or after January 1, 2004;

(b) discount income (not including discount income arising from secondary trading) from debt securities derived on or after February 17, 2006; and

(c) prepayment fee, redemption premium and break cost from debt securities derived on or after February 15, 2007,

except where such income is derived through a partnership in Singapore or is derived from the carrying on of a trade, business or profession in Singapore.

In addition, on the basis that the Issuer is not a "Singapore-based issuer" (as defined in the Income Tax (Qualifying Debt Securities) Regulations) and more than half of the Notes issued are distributed by Credit Suisse (Singapore) Limited, which is a Financial Sector Incentive — Standard Tier Company or Financial Sector Incentive — Capital Market Company (as defined in the ITA) at such time, and the Notes are issued as debt securities prior to December 31, 2023, the Notes would be qualifying debt securities ("QDS") for the purposes of the ITA, to which the following treatment applies:

(a) subject to certain prescribed conditions having been fulfilled (including the furnishing by the Company, or such other person as the MAS may direct, to the MAS of a return on debt securities for the Notes in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Notes as the MAS may require and the inclusion by the Company in all offering documents relating to the Notes of a statement to the effect that where interest, discount income, prepayment fee, redemption premium or break cost from the Notes is derived by a person who is not resident in Singapore and who carries on any operation in Singapore through a permanent establishment in Singapore, the tax exemption available for qualifying debt securities shall not apply if the non-resident person acquires the Notes using the funds and profits of such person's operations through the Singapore permanent establishment), interest, discount income (not including discount income arising from secondary trading), prepayment fee, redemption premium and break cost (collectively, the "Qualifying Income") from the Notes paid by the Company and derived by a holder who is not resident in Singapore and who (i) does not have any permanent establishment in Singapore or (ii) carries on any operation in Singapore through a permanent establishment in Singapore but the funds used by that person to acquire the Notes are not obtained from such person's operation through a permanent establishment in Singapore, are exempt from Singapore income tax;

(b) subject to certain prescribed conditions having been fulfilled (including the furnishing by the Company, or such other person as the MAS may direct, to the MAS of a return on debt securities for the Notes in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Notes as the MAS may require), Qualifying Income from the Notes derived by any company or body of persons (as defined in the ITA) in Singapore is subject to income tax at a concessionary rate of 10% (except for holders of the relevant Financial Sector Incentive(s) who may be taxed at different rates); and

(c) subject to:

  (i) the Company including in all offering documents relating to the Notes a statement to the effect that any person whose interest, discount income, prepayment fee, redemption premium or break cost derived from the Notes is not exempt from tax shall include such income in a return of income made under the ITA; and

  (ii) the furnishing by the Company, or such other person as the MAS may direct, to the MAS of a return on debt securities for the Notes in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Notes as the MAS may require,

  payments of Qualifying Income derived from the Notes are not subject to withholding of tax (if applicable) by the Company.

Notwithstanding the foregoing:

(a) if during the primary launch of the Notes, the Notes are issued to fewer than four persons and 50% or more of the issue of the Notes is beneficially held or funded, directly or indirectly, by related parties of the Company, the Notes would not qualify as QDS; and

(b) even though the Notes are QDS, if at any time during the tenure of the Notes, 50 per cent. or more of the Notes which are outstanding at any time during the life of their issue is beneficially held or funded, directly or indirectly, by any related party(ies) of the Company, Qualifying Income derived from the Notes held by:

  (i) any related party of the Company; or

  (ii) any other person where the funds used by such person to acquire the Notes are obtained, directly or indirectly, from any related party of the Company,

  shall not be eligible for the tax exemption or concessionary rate of tax as described above.

All foreign-sourced income received in Singapore on or after January 1, 2004 by Singapore tax-resident individuals will be exempted from tax, provided such foreign-sourced income is not received through a partnership in Singapore.

The term "related party", in relation to a person, means any other person who, directly or indirectly, controls that person, or is controlled, directly or indirectly, by that person, or where he and that other person, directly or indirectly, are under the control of a common person.

The terms "prepayment fee", "redemption premium" and "break cost" are defined in the ITA as follows:

"prepayment fee", in relation to debt securities and qualifying debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by the terms of the issuance of the securities;

"redemption premium", in relation to debt securities and qualifying debt securities, means any premium payable by the issuer of the securities on the redemption of the securities upon their maturity; and

"break cost", in relation to debt securities and qualifying debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by any loss or liability incurred by the holder of the securities in connection with such redemption.

References to "prepayment fee", "redemption premium" and "break cost" in this Singapore tax disclosure have the same meaning as defined in the ITA.

Where interest, discount income, prepayment fee, redemption premium or break cost (i.e. the Qualifying Income) is derived from the Notes by any person who is not resident in Singapore and who carries on any operations in Singapore through a permanent establishment in Singapore, the tax exemption available for QDS under the ITA (as mentioned above) shall not apply if such person acquires the Notes using the funds and profits of such person's operations through a permanent establishment in Singapore. Any person whose interest, discount income, prepayment fee, redemption premium or break cost (i.e. the Qualifying Income) derived from the Notes is not exempt from tax (including for the reasons described above) is required to include such income in a return of income made under the ITA.

Capital Gains

Any gains considered to be in the nature of capital made from the sale of the Notes will not be taxable in Singapore. However, any gains derived by any person from the sale of the Notes which are gains from any trade, business, profession or vocation carried on by that person, if accruing in or derived from Singapore, may be taxable as such gains are considered revenue in nature.

Holders of the Notes who apply or are required to apply Singapore Financial Reporting Standard ("FRS") 39, FRS 109 or Singapore Financial Reporting Standard (International) 9 ("SFRS(I) 9") (as the case may be), may for Singapore income tax purposes be required to recognize gains or losses (not being gains or losses in the nature of capital) on the Notes, irrespective of disposal, in accordance with FRS 39, FRS 109 or SFRS(I) 9 (as the case may be). Please see the section below on "Adoption of FRS 39, FRS 109 or SFRS(I) 9 for Singapore Income Tax Purposes".

Adoption of FRS 39, FRS 109 or SFRS(I) 9 for Singapore Income Tax Purposes

Section 34A of the ITA provides for the tax treatment for financial instruments in accordance with FRS 39 (subject to certain exceptions and "opt-out" provisions) to taxpayers who are required to comply with FRS 39 for financial reporting purposes. The IRAS has also issued a circular entitled "Income Tax Implications Arising from the Adoption of FRS 39 – Financial Instruments: Recognition and Measurement".

FRS 109 or SFRS(I) 9 (as the case may be) is mandatorily effective for annual periods beginning on or after January 1, 2018, replacing FRS 39. Section 34AA of the ITA requires taxpayers who comply or who are required to comply with FRS 109 or SFRS(I) 9 for financial reporting purposes to calculate their profit, loss or expense for Singapore income tax purposes in respect of financial instruments in accordance with FRS 109 or SFRS(I) 9 (as the case may be), subject to certain exceptions. The IRAS has also issued a circular entitled "Income Tax: Income Tax Treatment Arising from Adoption of FRS 109 – Financial Instruments".

Holders of the Notes who may be subject to the tax treatment under Sections 34A or 34AA of the ITA should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding or disposal of the Notes.

Estate Duty

Singapore estate duty has been abolished with respect to all deaths occurring on or after February 15, 2008.

PLAN OF DISTRIBUTION

The Company and the Initial Purchasers have entered into a purchase agreement (the "Purchase Agreement") with respect to the Notes. Subject to the terms and conditions stated in the Purchase Agreement, each of the Initial Purchasers has agreed to purchase, severally and not jointly, and the Company has agreed to sell to each of the Initial Purchasers, the principal amount of the Notes set forth opposite its name as indicated in the following table:

	Principal Amount of Notes
	(U.S.$)
Citigroup Global Markets Limited	85,750,000
Credit Suisse (Singapore) Limited	89,250,000
Total	175,000,000

The Purchase Agreement provides that the several and not joint obligations of the Initial Purchasers to purchase the Notes are subject to certain conditions. The Initial Purchasers must purchase all of the Notes if they purchase any of the Notes. The Initial Purchasers initially propose to offer the Notes for resale at the issue price that appears on the cover page of this Offering Memorandum. After the initial offering, the Initial Purchasers may change the offering price and any other selling terms. The Initial Purchasers may offer and sell Notes through certain of their affiliates. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

The Company has agreed to indemnify each Initial Purchaser against certain liabilities, including liabilities under the Securities Act, or contribute to payments each Initial Purchaser may be required to make in respect of these liabilities.

In the Purchase Agreement, the Company has agreed that we will not offer, sell, contract to sell, pledge or otherwise dispose of any of our debt securities (other than the Notes) for a period of 90 days after the date of this Offering Memorandum without the prior consent of the Initial Purchasers.

The Notes have not been registered under the Securities Act and, unless so registered, may not be offered or sold within the United States except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "Transfer Restrictions".

The Notes will constitute a new class of securities with no established trading market. Approval in-principle has been received from the SGX-ST for the listing and quotation of each series of Notes on the SGX-ST. The offering and settlement of the Notes is not conditioned upon obtaining the listing. The Company does not intend to apply for listing or quotation of the Notes on any national securities exchange in the United States. However, there can be no assurance that the prices at which the Notes will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the Notes after the completion of the offering will develop and continue after this offering.

The Initial Purchasers have advised us that they currently intend to make a market in the Notes. However, they are not obligated to do so and may discontinue any market-making activities with respect to the Notes at any time without notice. In addition, market-making activity will be subject to the limits imposed by applicable law. Accordingly, there can be no assurance that the trading market for the Notes will have any liquidity.

Each Initial Purchaser or its affiliates may purchase the Notes for its own account or enter into secondary market transactions or derivative transactions relating to the Notes, including, without limitation, purchase, sale (or facilitation thereof), stock borrowing or credit or equity-linked derivatives such as asset swaps, repackagings and credit default swaps, at the same time as the offering of the Notes. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Notes to which this Offering Memorandum relates (notwithstanding that such selected counterparties may also be a purchaser of the Notes). As a result of such transactions, an Initial Purchaser or its affiliates may hold long or short positions relating to the Notes.

In connection with this offering, Citigroup Global Markets Limited, as stabilizing manager, or any person acting for it, may purchase and sell Notes in the open market. These transactions may, to the extent permitted by law, include short sales, stabilizing transactions (other than in circumstances where such action would reasonably be expected to support, maintain or otherwise have an effect on the market for or the price of the Notes traded within Australia or on a financial market as defined in the Corporations Act, specified within Australia) and purchases to cover positions created by short sales. Short sales involve the sale of a greater amount of Notes than the Initial Purchasers are required to purchase in this offering. Stabilizing transactions consist of certain bids or purchases for the purpose of preventing or retarding a decline in the market price of the Notes while this offering is in progress. These activities, to the extent permitted by law, may stabilize, maintain or otherwise affect the market price of the Notes. These activities may be conducted in the over-the-counter market or otherwise. As a result, the price of the Notes may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued at any time and must in any event be brought to an end after a limited time. These activities will be undertaken solely for the account of the stabilizing managers and not for and on behalf of the Company.

The Initial Purchasers and their respective affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. Each of the Initial Purchasers and its affiliates may also engage in investment or commercial banking and other dealings in the ordinary course of business with the Company or its affiliates from time to time and may receive fees and commissions for these transactions. In addition to the transactions noted above, each Initial Purchaser and its affiliates may, from time to time after completion of the offering of the Notes, engage in other transactions with, and perform services for, the Company or its affiliates in the ordinary course of their business. Each Initial Purchaser or its affiliates may also purchase Notes for asset management and/or proprietary purposes but not with a view to distribution or may hold Notes on behalf of clients or in the capacity of investment advisors. In the ordinary course of their various business activities, the Initial Purchasers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investments and securities activities may involve our securities and other financial instruments, including the Notes. The Initial Purchasers and their affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Notes or our other financial instruments, and may recommend to their clients that they acquire long and/or short positions in the Notes or other financial instruments. While each Initial Purchaser and its affiliates have policies and procedures to deal with conflicts of interests, any such transactions may cause an Initial Purchaser or its affiliates or its clients or counterparties to have economic interests and incentives which may conflict with those of an investor in the Notes. Each Initial Purchaser may receive returns on such transactions and has no obligation to take, refrain from taking or cease taking any action with respect to any such transactions based on the potential effect on a prospective investor in the Notes.

You should be aware that the laws and practices of certain countries require investors to pay stamp taxes and other charges in connection with purchases of securities.

It is expected that delivery of the Notes will be made against payment therefor on or about April 1, 2021, which is the third business day following the date hereof (such settlement cycle being referred to as “T+3”). Under Rule 15c6-1 under the Exchange Act, trades in the secondary market generally are required to settle in two business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on any date prior to the second business day before delivery will be required, by virtue of the fact that the Notes initially will settle in “T+3”, to specify an alternative settlement cycle at the time of any such trade to prevent failed settlement. Purchasers of the Notes who wish to trade the Notes on the date of pricing and prior to the date that is more than two business days preceding the settlement date should consult their own advisors.

Selling Restrictions

General

No action has been taken or will be taken in any jurisdiction by the Company or the Initial Purchasers that would permit a public offering of notes, or the possession, circulation or distribution of this Offering Memorandum or any other material relating to the Notes or this offering, in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Memorandum nor such other material may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of such country or jurisdiction.

United States

The Notes have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States.

The Notes are being offered and sold outside of the United States in offshore transactions in reliance on Regulation S.

In addition, until 40 days following the commencement of this offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act unless the dealer makes the offer or sell in compliance with an exemption from registration under the U.S. Securities Act.

United Kingdom

This Offering Memorandum has been prepared on the basis that any offer of securities in the UK will be made pursuant to an exemption under the FSMA from the requirement to publish a prospectus for offers of securities. The expression FSMA means the Financial Services and Markets Act 2000 (as amended). Neither the Company nor the Initial Purchasers have authorized, nor do they authorize, the making of any offer of Notes in circumstances in which an obligation arises for the Company or the Initial Purchasers to publish a prospectus for such offer. Neither the Company nor the Initial Purchasers have authorized, nor do they authorize, the making of any offer of Notes through any financial intermediary, other than offers made by the i Initial Purchasers, which constitute the final placement of the Notes contemplated in this Offering Memorandum.

The Initial Purchasers have not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the United Kingdom. For the purposes of this provision, the expression “retail investor” means a person who is one (or more) of the following:

(a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA"); or

(b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

This Offering Memorandum is for distribution only to persons who (i) fall within Article 43(2)(b) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"), (ii) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Promotion Order, (iii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc") of the Financial Promotion Order, (iv) are outside the United Kingdom, or (v) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (as amended, the "FSMA")) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This Offering Memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

Each of the Initial Purchasers has represented, warranted and agreed that:

- it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of section 21 of the "FSMA") received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Company; and

- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

European Economic Area

This Offering Memorandum has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area will be made pursuant to an exemption under the Prospectus Regulation from the obligation to publish a prospectus for offers of Notes. Neither the Company nor the Initial Purchasers have authorized, nor do they authorize, the making of any offer of Notes in circumstances in which an obligation arises for the Company or the Initial Purchasers to publish a prospectus for such offer. Neither the Company nor the Initial Purchasers have authorized, nor do they authorize, the making of any offer of Notes through any financial intermediary, other than offers made by the Initial Purchasers, which constitute the final placement of the Notes contemplated in this Offering Memorandum.

The Initial Purchasers have not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or

(b) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Hong Kong

The Notes may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, the Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, the Laws of Hong Kong) ("SFO") and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, the Laws of Hong Kong) and no advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the SFO and any rules made thereunder.

Japan

The Notes offered in this Offering Memorandum have not been and will not be registered under the Financial Instruments and Exchange Act of Japan. The Notes may not and will not, directly or indirectly, be offered or sold in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act of Japan and other relevant laws and regulations of Japan.

Singapore

This Offering Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offering Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than: (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore, as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA; (ii) to a relevant person (as defined in Section 275(2) of the SFA pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Indonesia

This offering does not constitute a public offering or private placement of debt securities in Indonesia under the Indonesia Capital Markets Law and OJK Rule No. 30. This Offering Memorandum may not be distributed in Indonesia and the Notes may not be offered or sold in Indonesia or to Indonesian citizens or entities wherever they are domiciled, or to Indonesian residents in a manner which constitutes a public offering or private placement under the laws and regulations of Indonesia, including OJK Rule No. 30.

Switzerland

The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or any other exchange or regulated trading facility in Switzerland. Neither this Offering Memorandum nor any other offering or marketing material relating to the Notes constitutes (i) a prospectus as such term is understood pursuant to Article 652a or 1156 of the Swiss Code of Obligations or (ii) a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland, and neither this Offering Memorandum nor any other marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland. In addition, this Offering Memorandum nor any other offering or marketing material relating to the Notes may not comply with the Directive for Notes of Foreign Borrowers of the Swiss Bankers Association. The Notes are being offered in Switzerland by way of private placement, without any public advertisement and only to investors who do not purchase the Notes with the intention to distribute them to the public. The investors will be individually approached directly from time to time. This Offering Memorandum, as well as any other offering or marketing material relating to the Notes, is personal and confidential and does not constitute an offer to any other person. This Offering Memorandum, as well as any other offering or marketing material relating to the Notes, may only be used by those investors to whom it has been handed out in connection with the offering and may neither directly nor indirectly be distributed or made available to other persons without the Company’s express consent.

Australia

No prospectus or other disclosure document (as defined in the Corporations Act in relation to the Notes has been, or will be, lodged with the Australian Securities and Investments Commission (“ASIC”) or the Australian Securities Exchange. Each Initial Purchaser has represented and agreed that, unless the relevant Offering Memorandum otherwise provides, it:

(a) has not made or invited, and will not make or invite, an offer of the Notes for issue or sale in Australia (including an offer or invitation which is received by a person in Australia); and

(b) has not distributed or published, and will not distribute or publish, this Offering Memorandum or any other offering material or advertisement relating to the Notes in Australia, unless:

(i) the aggregate consideration payable by each offeree is at least A$500,000 (or its equivalent in an alternative currency, in either case, disregarding moneys lent by the offeror or its associates) or the offer or invitation does not otherwise require disclosure to investors under Parts 6D.2 or 7.9 of the Corporations Act;

(ii) the offer or invitation does not constitute an offer to a "retail client" for the purposes of section 761G and 761GA of the Corporations Act;

(iii) such action complies with any applicable laws, regulations and directives (including without limitation, the licensing requirements set out in Chapter 7 of the Corporations Act) in Australia; and

(iv) such action does not require any document to be lodged with ASIC.

TRANSFER RESTRICTIONS

Because the following restrictions will apply to the Notes, investors should consult legal counsel prior to making any offer, resale, pledge or transfer of the Notes.

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only outside the United States in offshore transactions, in reliance upon Regulation S under the Securities Act.

By its purchase of the Notes, each purchaser of the Notes will be deemed to have represented, agreed and acknowledged that:

It is, or at the time such Notes are purchased will be, the beneficial owner of such notes and (a) it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Company or a person acting on behalf of such an affiliate.

(a) It understands that such Notes have not been and will not be registered under the Securities Act.

(b) It will inform each person to whom it transfers Notes of any restrictions on transfer of such Notes.

(c) The Company, the Registrar, the Initial Purchasers, the Trustee and Transfer Agent, and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and, if any such acknowledgments, representations or agreements deemed to have been made by virtue of its purchase of the Notes are no longer accurate, it agrees to promptly notify the Company and the Initial Purchasers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

(d) Each Note will contain a legend substantially to the following effect:

“THIS NOTE HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS ACQUIRING THIS NOTE IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.”

LEGAL MATTERS

Certain legal matters with respect to the Notes will be passed upon for us by Linklaters Singapore Pte. Ltd. as to matters of New York law and U.S. federal securities law, Allens as to matters of Australian law and by Widyawan & Partners as to matters of Indonesian law. Certain legal matters with respect to the Notes will be passed upon for the Initial Purchasers by Shearman & Sterling LLP as to matters of New York law and U.S. federal securities law, Clifford Chance as to matters of Australian law and by Hiswara Bunjamin & Tandjung as to matters of Indonesian law.

INDEPENDENT AUDITORS

Our consolidated financial statements as of and for: (i) the years ended December 31, 2020 and June 30, 2019 and 2018 and (ii) for the six months ended December 31, 2019, included in this Offering Memorandum, have been audited by KPMG, independent auditors, as stated in their auditor report appearing herein.

Our unaudited condensed consolidated interim financial statements as of and for the six months ended June 30, 2020 have been reviewed by KPMG, independent auditors, as stated in their review report appearing herein.

INDUSTRY CONSULTANT

The information contained in Appendix A to this Offering Memorandum, including all statistics and data therein, was prepared by Wood Mackenzie, independent industry consultants and experts in the nickel industry. Wood Mackenzie has given and not withdrawn their written consent to the issue of this Offering Memorandum with the inclusion herein of their name and all references thereto in this Offering Memorandum and to the inclusion of the Industry Report as an appendix to this Offering Memorandum, in the form and context in which it appears, and to act in such capacity in relation thereto. The Industry Report does not include all of the information that may be important for an investment decision.

The data relied on for forecasts by Wood Mackenzie in Appendix A to this Offering Memorandum were obtained in February 2021.

RESOURCES CONSULTANT

The information contained in the Nickel Resources Statement attached as Appendix B to this Offering Memorandum, including all statistics, estimates and data therein, was prepared by in accordance with the JORC Code by PT Danmar Explorindo, an independent mining consultant, for the purpose of estimating our nickel resources at the Hengjaya mining project within the laterite nickel mine, in the Regency of Morowali, Province of Central Sulawesi, Indonesia. The Nickel Resources Statement utilizes exploration and mining data up to June 30, 2020, and does not include all of the information that may be important for an investment decision. For more information, see the Nickel Resources Statement attached as Appendix B to this Offering Memorandum.

RATINGS

The Notes are expected to be rated "B1" by Moody's and "B+" by Fitch. The credit ratings accorded the Notes are not a recommendation to purchase, hold or sell the Notes inasmuch as such ratings do not comment as to market price or suitability for a particular investor. There can be no assurance that the ratings will remain in effect for any given period or that the ratings will not be revised, suspended or withdrawn by the rating agencies in the future if, in their judgment, circumstances so warrant. See "*Risk Factors — Risks relating to the Notes — The ratings assigned to the Notes may be lowered or withdrawn*".

GLOSSARY

Attributable nameplate production capacity	Refers, with respect to any of our nickel-producing assets, to the aggregate nameplate production capacity of such asset, as adjusted for our 80% indirect controlling interest in such asset as of the date hereof (or to be acquired in the future).
C1 Cash Costs	A standard metric used in the nickel industry as a reference point to denote the basic cash costs of running a nickel operation to allow a comparison across the industry. C1 Cash Costs include direct costs incurred in mining and processing nickel (such as labor, power, reagents, materials) plus local general and administrative expenses, freight and realization and selling costs. C1 Cash Costs are reported in US dollars per unit of nickel produced.
Deposit	A body of mineralization containing a sufficient average grade of tin to warrant further exploration and/or development expenditure.
Hengjaya Mine	A long-life, high-grade nickel laterite deposit located approximately 12 kilometers from the IMIP, with a JORC compliant resource of 185 dmt at 1.3% nickel including 39.7 dmt at 1.8% nickel.
Hengjaya Nickel Project	An NPI-producing asset located within the IMIP comprising two RKEF lines with an aggregate nameplate production capacity of 15,000 NiEq tonnes per annum, which produced its first batch of NPI in January 2019.
JORC	The Australasian Joint Ore Reserves Committee, which is sponsored by the Australian mining industry and its professional organization.
JORC Code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves published by the JORC, Australian Institute of Geoscientists and Minerals Council of Australia in 2012, which contains the minimum standards, recommendations and guidelines for the reporting of exploration results, mineral resources and ore reserves.
Kcal/kg	Kilocalorie per kilogram.
Kg	Kilogram.
Km	Kilometer.
Koz	Kilo ounce or 1000 ounces.
Koz t	Kilo troy ounce or 1000 troy ounces.
kt	Kilo tonnes, a unit of weight, equal to 1000 tonnes.
ktpa	Kt per annum.
kV	Kilovolt.
kVA	Kilovolt-ampere.

kWp	Kilowattpeak.
kWh	Kilowatt-hour.
Mining Cash Cost	Mining Cash Cost is a standard industry measure used by most major nickel mining companies which reflects the direct costs involved in producing each tonne of nickel ore, including related transportation costs. Mining Cash Cost is calculated as U.S. dollars per tonne of payable nickel ore produced.
Mt	Megatonne, a metric unit equivalent to 1 million (106) tonnes, or 1 billion (109) kilograms.
Mtpa	Metric tonne per annum.
MW	Megawatt.
MWh	Megawatt-hour.
NiEq tonnes	Tonnes of nickel contained in NPI.
NPI	Nickel pig iron.
Open-cut mining	A form of mining designed to extract minerals that lie near the surface. Overburden is removed to expose the minerals for mining. Rock covering the minerals may be blasted and removed by large draglines or electric shovels and trucks.
Open-pit mining	A mining method which involves removing the overlying strata or overburden and extracting the coal.
Ore	Mineral bearing rock which can be mined and treated profitably under current or immediately foreseeable economic conditions.
Ore reserve	The economically mineable part of a measured and/or indicated mineral resource, including diluting materials and allowances for losses which may occur when the material is mined.
Overburden	Any material, consolidated or unconsolidated, such as layers of earth and rock, that overlies a coal seam. In surface mining operations, overburden is removed prior to coal extraction.
Processing	The process which in general refers to the extraction of usable portions of ore by using physical and chemical methods.
Qualified Person	A minerals industry professional responsible for the preparation of, and/or signing off on, reports on exploration results and mineral reserves and resources estimates and who is accountable for the prepared reports.
Ranger Nickel Project	An NPI-producing asset located within the IMIP comprising two RKEF lines with an aggregate nameplate production capacity of 15,000 NiEq tonnes per annum, which produced its first batch of NPI in May 2019.
Reclamation	The process of restoring the environment to a stable state following mining activities by restoring topsoil and planting vegetation. The process commonly includes “recontouring” or “reshaping” the land to its approximate original appearance,

	restoring topsoil and planting native grass and ground covers. Reclamation operations are usually underway before the mining of a particular site is completed. Reclamation is regulated by applicable local law.
RKEF	Rotary kiln electric furnace.
RKEF Cash Cost	RKEF Cash Cost is a standard industry measure used by most major nickel companies which reflects the direct costs involved in producing each tonne of nickel equivalent NPI, including related transportation costs. RKEF Cash Cost is calculated as U.S. dollars per tonne of payable nickel unit produced.
Rotary kiln	A rotary kiln is a pyroprocessing device used to raise materials to a high temperature (calcination) in a continuous process.
Saprolite	Saprolite nickel ore is formed beneath the limonite zone. It contains generally 1.5% to 2.5% nickel.
Shanghai Decent	Shanghai Decent Investment (Group) Co., Ltd.
Slag	By-product of smelting, consisting of a mixture of metal oxides and silicon dioxide.
Smelting	A pyro-metallurgical process of separating metal by fusion from those impurities with which it is chemically combined or physically mixed in ores.
Stockpile	A stockpile is a pile or storage location for bulk materials, forming part of the bulk material handling process.
Strip or strip ratio	The strip ratio is the number of bank cubic meters of overburden needing removal to access one tonne of coal. A strip ratio of 4:1 means that four bank cubic meters of overburden must be stripped to produce one metric tonne of coal. Strip ratios vary based primarily on geological characteristics of the "in situ" coal and the depth at which deposits lie.
tonne	Tonne or metric tonne is a metric unit of mass equal to 1,000 kilograms or approximately 2,204.6 pounds.
Tsingshan group	A group of privately-held companies, including Tsingshan Holding Group Company Limited, Shanghai Decent and their respective subsidiaries and affiliated entities.
wmt	Wet metric tonne, a unit of measurement with the same mass value as a metric tonne, for materials with slurry or liquid components.

GENERAL INFORMATION

1 The issue of the Notes has been authorized by resolutions of the Company's Board of Directors dated March 15, 2021.

2 Citibank International Limited has given its consent to act as the Trustee and for its name to be included in all subsequent periodical communication to be sent to the Noteholders.

3 Save as disclosed in this Offering Memorandum, there are no, nor have there been any, litigation or arbitration proceedings, including those which are pending or threatened, of which the Company is aware, which may have, or have had during the 12 months prior to the date of this Offering Memorandum, a material adverse effect on the Company's financial position.

4 Save as disclosed in this Offering Memorandum, there has been no material change in the Company's or the Group's financial or trading position since December 31, 2020 and, since such date, save as disclosed in this Offering Memorandum, there has been no material adverse change in the Company's or the Group's financial position or prospects.

5 Copies of the following documents, all of which are published in English, may be inspected during normal business hours at the offices of the Trustee (upon reasonable advance notice being given to the Trustee) after the date of this Offering Memorandum for so long as any of the Notes remains outstanding:

(a) the Company's Memorandum and Articles of Association; and

(b) the Indenture.

6 The Global Notes have been accepted for clearance through Euroclear and Clearstream. The ISIN for the Global Notes is XS2325213689. The Common Code for the Global Notes is 232521368.

7 Listing of the Notes:

Approval in-principle has been received from the SGX-ST for listing of and quotation for the Notes. The SGX-ST assumes no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Admission of the Notes to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Company, the Group, their subsidiaries, their associated companies or the Notes. The Notes will be traded on the SGX-ST in a minimum board lot size of S$200,000 (or its equivalent in other currencies) for so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require.

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Group will appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, in the event that a global note representing such Notes is exchanged for Notes in definitive form. In addition, in the event that a global note is exchanged for Notes in definitive form, an announcement of such exchange shall be made by or on behalf of the Group through the SGX-ST and such announcement will include all material information with respect to the delivery of the Notes in definitive form, including details of the paying agent in Singapore.

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

Audited Consolidated Financial Statements as of and for the year ended June 30, 2019

Audited Consolidated Financial Statements as of and for the year ended June 30, 2018

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Nickel Mines Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Nickel Mines Limited for the year ended 31 December 2020 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Stephen Board
Partner

Brisbane
24th February 2021

NICKEL MINES LIMITED
and its controlled entities

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

USD	Notes	12 months to 31 December 2020 $	6 months to 31 December 2019 $
Sales revenue	22	523,492,413	236,059,160
Cost of sales		(321,565,521)	(136,207,419)
Depreciation and amortisation expense		(36,786,945)	(16,419,372)
Gross profit		165,139,947	83,432,369
Directors' fees and consultants' expenses		(4,068,152)	(2,893,410)
Share of profit of equity accounted investees		-	1,239,032
Other expenses	4	(3,403,452)	(1,023,527)
Results from operating activities		157,668,343	80,754,464
Financial income	5	2,166,484	13,035,913
Financial expense	5	(5,268,152)	(2,336,467)
Net financial (expense)/income		(3,101,668)	10,699,446
Profit before income tax		154,566,675	91,453,910
Income tax expense	8	(867,835)	(173,476)
Profit for the year/period		153,698,840	91,280,434
Other comprehensive income			
Items that may be classified subsequently to profit or loss		(2,487)	(22,393)
Total comprehensive profit for the year/period		153,696,353	91,258,041
Profit attributable to:			
Owners of the Company		110,610,841	56,504,374
Non-controlling interest		43,087,999	34,776,060
Profit for the year/period		153,698,840	91,280,434
Total comprehensive profit attributable to:			
Owners of the Company		110,608,851	56,486,460
Non-controlling interest		43,087,502	34,771,581
Total comprehensive profit for the year/period		153,696,353	91,258,041
Earnings per share			
Basic and diluted profit per share (cents) for the year/period	9	5.68	3.46

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

USD	Notes	31 December 2020 $	31 December 2019 $
Current assets			
Cash and cash equivalents	18	351,445,322	49,820,013
Trade and other receivables	6	117,758,937	97,208,882
Inventory	10	61,285,049	56,238,558
Other current assets	7	8,150,977	1,293,301
Total current assets		538,640,285	204,560,754
Non-current assets			
Other non-current assets	7	9,868,209	9,014,394
Property, plant and equipment	11	600,763,595	628,516,578
Deposit	16	30,000,000	-
Goodwill	15	55,404,895	55,404,895
Total non-current assets		696,036,699	692,935,867
Total assets		1,234,676,984	897,496,621
Current liabilities			
Trade and other payables	12	40,259,761	52,489,262
Current tax payable		3,751,344	652,704
Provision		841,243	662,427
Borrowings	13	12,857,143	4,333,333
Total current liabilities		57,709,491	58,137,726
Non-current liabilities			
Provision – rehabilitation		1,929,408	149,919
Deferred income tax liability	8	55,404,895	55,404,895
Other non-current liability		1,261,425	1,018,309
Borrowings	13	32,142,857	60,666,667
Total non-current liabilities		90,738,585	117,239,790
Total liabilities		148,448,076	175,377,516
Net assets		1,086,228,908	722,119,105
Equity			
Share capital	14	732,929,135	315,501,048
Reserves		19,204,534	19,206,524
Retained profits		187,927,099	92,757,906
Total equity attributable to equity holders of the Company		940,060,768	427,465,478
Non-controlling interest		146,168,140	294,653,627
Total equity		1,086,228,908	722,119,105

The above consolidated statement of financial position should be read in conjunction with accompanying notes.

NICKEL MINES LIMITED
and its controlled entities

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

USD	Notes	Share capital $	Retained profits $	Reserves $	Total $	Non-controlling interest $	Total equity $
Balance at 1 July 2019		275,938,304	36,253,532	(639,437)	311,552,399	143,214,479	454,766,878
Total comprehensive income for the period							
Profit for the period		-	56,504,374	-	56,504,374	34,776,060	91,280,434
Remeasurement of defined benefit obligation		-	-	(17,914)	(17,914)	(4,479)	(22,393)
Total comprehensive income for the period		-	56,504,374	(17,914)	56,486,460	34,771,581	91,258,041
Transactions with owners, recorded directly in equity							
Issue of shares	14	40,000,000	-	-	40,000,000	-	40,000,000
Costs of issue		(437,256)	-	-	(437,256)	-	(437,256)
Non-controlling interest arising on acquisition		-	-	-	-	136,531,442	136,531,442
Transaction with non-controlling interest without a change of control		-	-	19,863,875	19,863,875	(19,863,875)	-
Balance at 31 December 2019		315,501,048	92,757,906	19,206,524	427,465,478	294,653,627	722,119,105
Balance at 1 January 2020		315,501,048	92,757,906	19,206,524	427,465,478	294,653,627	722,119,105
Total comprehensive income for the year							
Profit for the year		-	110,610,841	-	110,610,841	43,087,999	153,698,840
Remeasurement of defined benefit obligation		-	-	(1,990)	(1,990)	(497)	(2,487)
Total comprehensive income for the year		-	110,610,841	(1,990)	110,608,851	43,087,502	153,696,353
Transactions with owners, recorded directly in equity							
Issue of shares	14	430,033,781	-	-	430,033,781	-	430,033,781
Costs of issue	14	(12,605,694)	-	-	(12,605,694)	-	(12,605,694)
Dividends	14	-	(15,441,648)	-	(15,441,648)	-	(15,441,648)
Transaction with non-controlling interest without a change of control	15	-	-	-	-	(147,018,262)	(147,018,262)
Distributions to non-controlling interest		-	-	-	-	(44,554,727)	(44,554,727)
Balance at 31 December 2020		732,929,135	187,927,099	19,204,534	940,060,768	146,168,140	1,086,228,908

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

NICKEL MINES LIMITED
and its controlled entities

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

USD	Notes	12 months to 31 December 2020 $	6 months to 31 December 2019 $
Cash flows from operating activities			
Cash receipts from customers		517,640,552	212,696,681
Cash payments to employees and suppliers		(358,863,954)	(169,899,088)
Interest received		301,618	89,507
Taxes and fees paid		(9,123,479)	(4,677,776)
Net cash from operating activities	18	149,954,737	38,209,324
Cash flows from investing activities			
Payments for property, plant and equipment		(7,387,864)	(29,617,317)
Payments for deposit	16	(30,000,000)	-
Payments for investments in controlled entities	15	(147,018,262)	-
Payments for acquisition of controlled entity	15	-	(1,400,000)
Cash on acquisition of controlled entity	15	-	7,244,743
Net cash used in investing activities		(184,406,126)	(23,772,574)
Cash flows from financing activities			
Proceeds from issue of shares	14	430,033,781	-
Costs of issue	14	(12,359,577)	(444,893)
Dividend distributions	14	(15,441,648)	-
Contribution by/(distributions to) non-controlling interest		(43,330,951)	16,986,235
Repayment of borrowings and interest changes	13	(25,268,152)	(29,886,953)
Net cash from/(used in) financing activities		333,633,453	(13,345,611)
Net increase in cash and cash equivalents		299,182,064	1,091,139
Effect of exchange rate adjustments on cash held		2,443,245	(274,103)
Cash and cash equivalents at the beginning of the year/period		49,820,013	49,002,977
Cash and cash equivalents at the end of the year/period		351,445,322	49,820,013

Non-cash financing and investing activities:

The acquisition of a controlled entity disclosed in Note 15 included a non-cash transaction of $120,000,000 which was funded through the issue of $40,000,000 in shares and $80,000,000 in debt.

	Notes	2020 $	2019 $
Non-cash investing activities			
Payments for acquisition of controlled entity	15	-	(120,000,000)
Total non-cash investing activities		-	(120,000,000)
Non-cash financing activities			
Proceeds from issue of shares	14	-	40,000,000
Proceeds from borrowings	13	-	80,000,000
Total non-cash financing activities		-	120,000,000

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTE 1 - REPORTING ENTITY

Nickel Mines Limited (the 'Company') is a company domiciled in Australia. The consolidated financial report for the year ended 31 December 2020 comprises the Company and its subsidiaries (together referred to as the 'Group'). The Group is a for-profit entity and is involved in nickel ore mining and nickel pig iron production operations.

NOTE 2 - BASIS OF PREPARATION

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. The consolidated financial report of the Group complies with International Financial Reporting Standards ('IFRS') and interpretations adopted by the International Accounting Standards Board ('IASB').

The financial report was authorised for issue by the Directors on 24 February 2021.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value.

Functional and presentation currency

These consolidated financial statements are presented in United States dollars, which is the Company's functional currency.

Change of financial year end

The financial year of the Company was changed from 30 June to 31 December in 2019 to align the year end date of the Company with that of its subsidiary companies in both Indonesia and Singapore to improve the efficiency of the Company's financial reporting and planning cycles. Accordingly, the financial period reported in these financial statements covers the twelve month period from 1 January 2020 to 31 December 2020. Comparative figures for these financial statements cover the six month period from 1 July 2019 to 31 December 2019. The results for the current period are therefore not directly comparable with the results for the prior period.

Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 8 – Income tax expense and the recoverability of deferred tax assets.
- Note 15 – Impairment of goodwill.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling interest

The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree. Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions.

Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Where a controlled entity issues shares to minority interests which does not result in loss of control by the Group, any gain or loss arising on the Group's interest in the controlled entity is recognised directly in equity.

Investments in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

Nickel ore and nickel pig iron sales revenue

Nickel ore and nickel pig iron sales revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over goods or a service to a customer.

Invoices for nickel ore sales are generated once a month upon receipt of assay results and are usually payable within 10 working days. Pro-forma invoices for exports of nickel pig iron are generated based on the loading inspection report and a final invoice is issued based on the nickel content delivered, following receipt of third party assay results. They are usually payable within 60 days. No discounts are provided for nickel ore and nickel pig iron products, but adjustments are made to the final sale price for items including final nickel grade, moisture content and nickel content.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Con't)

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to United States dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to United States dollars at foreign exchange rates ruling at the dates the fair value was determined.

The Group transacts in the following foreign currencies: Australian dollars (A$ or AUD), Indonesian Rupee (IDR) and Singapore Dollars (SGD).

Financial statements of foreign operations

The assets and liabilities of foreign entities are translated to United States dollars at the foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated to United States dollars at rates using a monthly average rate for the month in which the transaction occurred. Foreign exchange differences arising on retranslation are recognised directly in the foreign currency translation reserve ('FCTR'), a separate component of equity.

Foreign exchange gains and losses arising from a monetary item receivable or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in the FCTR.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to United States dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to United States dollars using a monthly average rate for the month in which the transaction occurred. When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss as part of the profit or loss on disposal.

At 31 December 2020, the functional currency of all components in the Group is United States dollars. The FCTR represents the foreign exchange differences which arose on retranslation in prior years on subsidiaries which have not yet been disposed.

Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation and amortisation

Mining properties' amortisation rate is applied on a straight-line basis over the remaining term of the mining licence. The amortisation is included in the costs of conversion of inventories.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Con't)

Property, plant and equipment (Con't)

Depreciation (Con't)

Depreciation is charged to the income statement using a reducing balance method from the date of acquisition using the following rates:

- Furniture and fittings and plant and machinery are depreciated at 25%.
- Buildings and infrastructure are depreciated at 5%.
- Mine infrastructure assets are depreciated at 5%.
- Office equipment is depreciated at rates of between 25% and 40%.
- Plant and machinery are depreciated at rates if between 6.25% and 12.5%.
- Motor vehicles are depreciated at 25%.

Impairment

Financial assets

The Group recognises expected credit losses ('ECLs'), where material, on financial assets measured at amortised cost.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12 month ECLs:

- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are measured at an amount equal to lifetime ECLs. At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at fair value through profit or loss are credit impaired.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Non-financial assets

The carrying amounts of the Group's assets, other than deferred tax assets and inventories, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Goodwill, being an indefinite life intangible asset, is subject to annual impairment testing, in which the goodwill is allocated to a cash generating unit ('CGU') for impairment testing and the value-in-use is compared to the carrying value of goodwill.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

Calculation of recoverable amount

The recoverable amount of assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Con't)

Impairment (Con't)

Reversals of impairment

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Any impairment charges taken up against goodwill balances are not reversed.

Share capital

Transaction costs

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

Finance income and finance costs

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- dividend income;
- the foreign currency gain or loss on financial assets and financial liabilities; and
- the gain on the remeasurement to fair value of any pre-existing interest in an acquiree in a business combination.

Interest income or interest expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and interest expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs which are directly attributable to the Group's exploration and evaluation and development activities are capitalised in relation to qualifying assets.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Con't)

Income tax
Income tax on the income statement for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for:

- The initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Goods and services tax and Value Added Tax
Revenues, expenses and assets are recognised net of the amount of goods and services tax ('GST') or value added tax ('VAT'), except where the amount of GST or VAT incurred is not recoverable from the taxation authority. In these circumstances, the GST or VAT is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST or VAT included. The net amount of GST or VAT recoverable from, or payable to taxation authorities is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST or VAT components of cash flows arising from investing and financing activities which are recoverable from, or payable to taxation authorities are classified as operating cash flows.

Employee benefits
Wages, salaries, annual leave, sick leave and non-monetary benefits
Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Con't)

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on average costs over the relevant period of production, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

Site restoration

In accordance with the Group's environmental policy and applicable legal requirements, a provision for site restoration in respect of disturbed land, and the related expense, is recognised when the land is disturbed.

Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes by refencing the acquisition cost of assets and liabilities on the date of acquisition and if available the findings of Independent Expert's Reports who prepared a valuation on a recent comparable transaction basis. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Exploration, evaluation and development expenditure

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised at cost or fair value, as exploration and evaluation assets on an area of interest basis. Costs incurred before the Group has obtained the legal rights to explore an area are recognised in the statement of comprehensive income.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or other wise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability and facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from exploration and evaluation expenditure to mining property and development assets within property, plant and equipment.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Con't)

Leases accounting policy

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group applies a single measurement recognition and approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group's exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Financial instruments

Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Con't)
Financial instruments (Con't)

On initial recognition, a financial asset is classified as measured at:

- amortised cost;
- fair value through other comprehensive income ('FVOCI') – equity investment; or
- fair value through profit or loss ('FVTPL').

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as fair value through profit or loss if:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value through other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Subsequent measurement and gains and losses

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Equity instruments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss.
Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Changes in significant accounting policies

All new standards and interpretations effective for periods after 1 January 2019 have been adopted by the Group in the preparation of these financial statements and have not had any material effect on the financial statements presented.

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are able to be early adopted for annual periods beginning after 1 January 2020 and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the financial statements of the Group.

	12 months to 31 December 2020 $	6 months to 31 December 2019 $
NOTE 4 - OTHER EXPENSES		
Audit fees – KPMG audit of financial reports	336,757	232,490
Travel	70,265	191,119
Legal fees	64,158	167,804
Withholding tax expense	2,795,999	-
Other	136,273	432,114
	3,403,452	1,023,527
NOTE 5 - FINANCIAL INCOME AND FINANCE EXPENSE		
Interest income	518,573	228,603
Interest expense	(5,268,152)	(2,336,467)
Net change in fair value of investment in associate	-	7,400,232
Foreign exchange gain	1,647,911	5,407,078
	(3,101,668)	10,699,446

	31 December 2020 $	31 December 2019 $
NOTE 6 - TRADE AND OTHER RECEIVABLES		
Sales taxes receivable	23,352,812	12,539,843
Trade receivables	94,406,125	84,669,039
	117,758,937	97,208,882
NOTE 7 - OTHER ASSETS		
Current		
Prepayments	8,150,977	1,293,301
Non-current		
Prepayments	8,466,970	8,629,570
Other	1,401,239	384,824
	9,868,209	9,014,394

	12 months to 31 December 2020 $	6 months to 31 December 2019 $
NOTE 8 - INCOME TAX EXPENSE		
Profit before tax – continuing operations	154,566,675	91,453,910
Prima facie income tax expense/(benefit) at the Australian tax rate of 30% (31 December 2019: 30%)	46,370,003	27,436,173
Increase in income tax expense/(benefit) due to:		
- Effect of tax rates in foreign jurisdictions	(50,130,131)	(28,714,598)
- Non-deductible/non-assessable income	6,249,619	2,002,293
- Effect of deferred tax assets for tax losses not brought to account	(211,341)	123,125
- Effect of net deferred tax assets not brought to account	(1,621,656)	(570,391)
- Effect of foreign currency conversion	211,341	(103,127)
Income tax expense – current and deferred	867,835	173,476
Deferred tax liabilities have been recognised in respect of the following items:		
Net deductible temporary differences – property, plant and equipment	55,404,895	55,404,895
	55,404,895	55,404,895
Deferred tax assets have not been recognised in respect of the following items:		
Net deductible temporary differences	4,802,482	1,826,485
Tax losses	1,065,326	872,118
	5,867,808	2,698,603

The deductible temporary differences and tax losses do not expire under the current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise the benefits of the deferred tax asset. The Company does not have any franking credits.

	12 months to 31 December 2020 $	6 months to 31 December 2019 $
NOTE 9 - PROFIT PER SHARE		
Basic and diluted profit per share have been calculated using:		
Net profit for the year attributable to equity holders of the Company	110,610,841	56,504,374
	Nº of shares	**Nº of Shares**
Weighted average number of ordinary shares (basic and diluted)		
Issued ordinary shares at the beginning of the year	1,665,468,329	1,525,495,624
- Effect of shares issued on 14 August 2019	-	105,740,250
- Effect of shares issued on 29 May 2020	211,367,737	-
- Effect of shares issued on 16 June 2020	56,522,197	-
- Effect of shares issued on 14 December 2020	13,569,602	-
- Effect of shares issued on 24 December 2020	1,812,806	-
Weighted average number of shares at the end of the year	1,948,740,671	1,631,235,874

	31 December 2020 $	31 December 2019 $
NOTE 10 - INVENTORY		
Inventory – nickel ore stockpiles	661,338	237,071
Inventory – nickel pig iron production raw materials	54,079,991	43,306,276
Inventory – nickel pig iron	6,543,720	12,695,211
	61,285,049	56,238,558

During the year ended 31 December 2020, the Company's 80% subsidiary PT Hengjaya Mineralindo supplied nickel ore to the Company's subsidiaries PT Hengjaya Nickel Industry and PT Ranger Nickel Industry under monthly contracts to supply 100,000 wmt per month between each entity for the year ended 31 December 2020.

Nickel pig iron production raw materials includes nickel ore acquired by PT Hengjaya Nickel Industry and PT Ranger Nickel Industry from PT Hengjaya Mineralindo, operator of the Hengjaya mine. This continues to be valued at the PT Hengjaya Mineralindo cost of production.

Inventories are measured at the lower of cost and net realisable value.

	31 December 2020 $	31 December 2019 $
NOTE 11 - PROPERTY, PLANT AND EQUIPMENT		
Furniture and fittings		
Furniture and fittings – cost	313,144	173,726
Accumulated depreciation	(99,830)	(58,398)
Net book value	213,314	115,328
Mine infrastructure assets		
Mine infrastructure assets – cost	7,306,786	5,900,493
Accumulated depreciation	(1,356,267)	(1,187,941)
Net book value	5,950,519	4,712,552
Buildings and land		
Buildings – cost	65,843,834	63,285,275
Accumulated depreciation	(5,449,163)	(2,200,715)
Net book value	60,394,671	61,084,560
Mining properties		
Mining properties – cost	31,324,712	27,991,023
Accumulated amortisation	(4,045,761)	(2,540,425)
Net book value	27,278,951	25,450,598
Office equipment		
Office equipment – cost	1,145,295	749,743
Accumulated depreciation	(518,962)	(316,015)
Net book value	626,333	433,728
Plant and machinery		
Plant and machinery – cost	557,548,908	556,552,301
Accumulated depreciation	(51,620,499)	(20,097,968)
Net book value	505,928,409	536,454,333
Motor vehicles		
Motor vehicles – cost	663,136	459,293
Accumulated depreciation	(291,738)	(193,814)
Net book value	371,398	265,479
Total property, plant and equipment	600,763,595	628,516,578

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Con't)

Impairment

After consideration of both internal and external factors, the Directors believe that no indicators of impairment existed at 31 December 2020 and have therefore not completed an impairment assessment over the carrying value of the Group's property, plant and equipment assets at 31 December 2020.

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below.

	12 months to 31 December 2020 $	6 months to 31 December 2019 $
Furniture and fittings		
Carrying amount at beginning of year	115,328	23,784
Additions	139,418	103,815
Depreciation	(41,432)	(12,271)
Net book value	213,314	115,328
Mine infrastructure assets		
Carrying amount at beginning of year	4,712,552	2,359,157
Additions	1,406,293	2,374,449
Depreciation	(168,326)	(21,054)
Net book value	5,950,519	4,712,552
Buildings and land		
Carrying amount at beginning of year	61,084,560	30,055,046
Additions	2,558,560	32,627,666
Depreciation	(3,248,449)	(1,598,152)
Net book value	60,394,671	61,084,560
Mining properties		
Carrying amount at beginning of year	25,450,598	26,264,813
Additions	3,333,690	154,052
Amortisation	(1,505,337)	(968,267)
Net book value	27,278,951	25,450,598
Office equipment		
Carrying amount at beginning of year	433,728	349,763
Additions	395,551	130,496
Depreciation	(202,946)	(46,531)
Net book value	626,333	433,728
Plant and machinery		
Carrying amount at beginning of year	536,454,333	280,713,488
Additions	996,606	270,525,421
Depreciation	(31,522,530)	(14,784,576)
Net book value	505,928,409	536,454,333

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Con't)

	12 months to 31 December 2020 $	6 months to 31 December 2019 $
Motor vehicles		
Carrying amount at beginning of year	265,479	324,443
Additions	203,843	110,455
Depreciation	(97,924)	(169,419)
Net book value	371,398	265,479
Total property, plant and equipment	600,763,595	628,516,578

NOTE 12 - TRADE AND OTHER PAYABLES

	31 December 2020 $	31 December 2019 $
Current		
Creditors	33,633,284	50,156,272
Accruals	3,161,092	2,150,921
Other	3,465,385	182,069
	40,259,761	52,489,262

NOTE 13 - BORROWINGS

	31 December 2020 $	31 December 2019 $
Current		
Ranger debt facility	12,857,143	4,333,333
Non-current		
Ranger debt facility	32,142,857	60,666,667

Ranger debt facility

In August 2019, as part of the financing package to increase the Company's interest in the Ranger Nickel project from 17% to 60% the Company secured a senior debt facility agreement with a Shanghai Decent associated company. Key terms of the Ranger debt facility agreement are outlined on the following page:

NOTE 13 - BORROWINGS (Con't)

Key terms:

- Facility amount of $80,000,000.
- Interest rate of 6% plus the greater of (i) 3-month US$ LIBOR or (ii) 2.5% per annum.
- Interest is payable on the last day of each interest period of one month.
- Principal to be repaid in quarterly instalments by repaying on the last business day of November, February, May and August (beginning on 30 November 2020) an amount equal to 1/15th of the amount borrowed under the debt facility.
- Nickel Mines granted security over its equity interests in Ranger Investment Private Limited, the Singaporean entity which holds a 100% indirect interest in the Ranger Nickel project, and its equity interest in Hengjaya Holdings Private Limited, the Singaporean entity which holds a 100% indirect interest in the Hengjaya Nickel project. Due to acquisition of additional interest in controlled entities, on 30 June 2020 the Company's interest in the Hengjaya Nickel and Ranger Nickel projects increased to 80% in each. Refer to Note 15 for further details.

Prior to 31 December 2020, the Company made prepayments against the Ranger debt facility totalling $35,000,000 since inception of the loan, which includes $29,666,667 of voluntary early prepayments and includes $20,000,000 paid in the year ended 30 December 2020. Prepayments are applied on a pro rata basis against all repayment dates following the prepayment. Subsequent to year end the Company made repayments totalling US$45,000,000 against the Ranger Debt Facility, extinguishing the Debt Facility.

NOTE 14 - ISSUED CAPITAL

	Number of shares	$
Ordinary shares on issue at 30 June 2019 - fully paid	1,525,495,624	275,938,304
Issue of shares - cash	139,972,705	40,000,000
Costs of issue	-	(437,256)
Ordinary shares on issue at 31 December 2019 - fully paid	1,665,468,329	315,501,048
Issue of shares - cash	849,560,722	430,033,781
Costs of issue	-	(12,605,694)
Ordinary shares on issue at 31 December 2020 - fully paid	2,515,029,051	732,929,135

Year ended 31 December 2020

In December 2020, through an Accelerated Non-Renounceable Entitlement Offer, the Group issued 386,929,409 shares for cash totalling A$363,713,644 (equivalent to $274,927,849). There were no amounts unpaid on the shares issued and share issue costs amounted to $5,646,064.

In May and June 2020, through an Accelerated Non-Renounceable Entitlement Offer, the Group issued 462,631,313 shares for cash totalling A$231,315,657 (equivalent to $155,105,932). There were no amounts unpaid on the shares issued and share issue costs amounted to $6,959,630.

NOTE 14 - ISSUED CAPITAL (Con't)

6 months to 31 December 2019

In August 2019, the Group issued 139,972,705 shares for cash totalling A$57,388,809 (equivalent to $40,000,000). There were no amounts unpaid on the shares issued and share issue costs amounted to $437,256.

Options

There were no options granted, exercised or lapsed unexercised during the year ended 31 December 2020 or the period ended 31 December 2019.

Dividends

The company paid maiden interim unfranked dividend of A$0.01 per share during the year ended 31 December 2020 amounting to $15,441,648. There was no dividend paid or declared during the period ended 31 December 2019. Subsequent to year end the Company declared a final dividend of A$0.02 per share, being a distribution of $38,987,980.

Ordinary shares

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. The holders of ordinary shares are entitled to receive dividends as declared from time to time.

NOTE 15 - CONTROLLED ENTITIES

Acquisition of controlled entities

In June 2020 Nickel Mines notified Shanghai Decent of its intention to exercise its option to acquire a further 20% of the issued and paid-up share capital of Hengjaya Holdings Private Limited and Ranger Investment Private Limited, being the respective Singaporean domiciled holding companies that wholly own PT Hengjaya Nickel Industry and PT Ranger Nickel Industry, the Indonesian PMA companies that in turn own 100% of the Hengjaya Nickel and Ranger Nickel Projects. The acquisitions were completed on 30 June 2020, with the Company paying Shanghai Decent and its nominees US$120M for the additional 20% interest in the two Projects, plus a settlement of $23,268,607 for the 20% of the undistributed retained earnings attributable to Shanghai Decent remaining in both PT Hengjaya Nickel Industry and PT Ranger Nickel Industry to the end of April 2020. A final settlement of the undistributed retained earnings at 30 June 2020 of $3,749,655 was made in September 2020 following the release of the reviewed half year financial statements.

Particulars in relation to controlled entities:

	Ordinary shares – Group interest 31 December 2020 %	**Ordinary shares – Group interest 31 December 2019 %**
Parent entity		
Nickel Mines Limited		
Controlled entities		
PT Hengjaya Mineralindo (incorporated in Indonesia)	80	80
Hengjaya Holdings Private Limited (incorporated in Singapore)	80	60
Hengjaya Nickel Private Limited (incorporated in Singapore)	80	60
PT Hengjaya Nickel Industry (incorporated in Indonesia)	80	60
Ranger Investment Private Limited (incorporated in Singapore)	80	60
Ranger Nickel Private Limited (incorporated in Singapore)	80	60
PT Ranger Nickel Industry (incorporated in Indonesia)	80	60

NOTE 15 - CONTROLLED ENTITIES (Con't)

Non-controlling interests

The following table summarises the information relating to the Group's subsidiaries that have a material non-controlling interest, before any intra-group eliminations.

	Hengjaya Holdings Private Limited and its controlled entities		PT Hengjaya Mineralindo		Ranger Investment Private Limited and its controlled entities	
	31 December 2020 $	31 December 2019 $	31 December 2020 $	31 December 2019 $	31 December 2020 $	31 December 2019 $
Non-controlling interest percentage	20%	40%	20%	20%	20%	40%
Current assets	106,417,123	99,544,279	16,066,904	5,887,486	105,522,401	76,216,530
Non-current assets	319,827,057	336,509,990	39,200,203	31,198,951	306,193,652	322,589,337
Current liabilities	(24,271,607)	(19,833,708)	(9,657,655)	(7,547,875)	(25,007,858)	(26,352,730)
Non-current liabilities	(29,227,624)	(29,219,349)	(38,992,219)	(23,560,781)	(26,188,637)	(26,185,546)
Net assets	372,744,949	387,001,212	6,617,234	5,977,781	360,519,558	346,267,591
Carrying amount of non-controlling interest (2)	74,730,150	155,131,585	1,323,446	1,015,006	70,114,545	138,507,036
Revenue	260,273,425	132,292,676	25,139,919 1)	12,829,854 (1)	263,218,988	103,766,484
Profit	72,768,662	48,294,053	1,544,688	1,368,492	77,137,207	38,661,314
Other comprehensive income	-	-	(2,487)	-	-	-
Total comprehensive income	72,768,662	48,294,053	1,542,201	1,368,492	77,137,207	38,661,314
Profit/(loss) allocated to non-controlling interest (2)	20,996,983	19,317,621	309,435	(6,087)	21,781,581	15,464,526
Other comprehensive income allocated to non-controlling interest	-	-	(497)	-	-	-

(1) Includes nickel ore sales from the Company's controlled entity PT Hengjaya Mineralindo to the Company's controlled entities PT Hengjaya Nickel Industry and PT Ranger Nickel Industry.
(2) After intra-group eliminations.

NOTE 15 - CONTROLLED ENTITIES (Con't)

	12 months to 31 December 2020	6 months to 31 December 2019
Goodwill	**$**	**$**
Opening balance	55,404,895	29,219,349
Goodwill arising on acquisition of Ranger Investment Private Limited	-	26,185,546
	55,404,895	55,404,895

During the year the goodwill balance was allocated to a cash generating unit ('CGU') for impairment testing. The Directors consider there to be no impairment on the basis that the recoverable value, determined based on value-in-use, is higher than the carrying value of goodwill. The underlying cash flows of each CGU (RKEF plant) have outperformed the original valuation prepared for the CGU's on their acquisition.

The key assumptions used in the original cash flow forecasts are set out below:

RKEF Project	Carrying amount of goodwill	NPI production (tpa)	NPI Grade (%)	Nickel Production (tpa)	Nickel Price (p/t)	Cash costs ($/t)	Discount Rate (%)	Model Period (years)
Hengjaya Nickel	$29,219,349	150,000	11.0	16,500	$13,370	$8,142	10	37
Ranger Nickel	$26,185,545	150,000	11.0	16,500	$13,370	$8,174	10	37

NOTE 16 - DEPOSIT

In October 2020, the Company signed a Memorandum of Understanding ('MoU') and subsequently a Definitive Agreement with Shanghai Decent to acquire a 70% interest in Angel Capital Private Limited, the Singaporean domiciled holding company that wholly owns PT Angel Nickel Industry, an Indonesian PMA company that owns 100% of the Angel Nickel project, a development project within the Indonesia Weda Bay Industrial Park on Halmahera Island in Indonesia's North Maluku province. Subsequent to year end, it was agreed by both parties that the Company's equity participation in the Angel Nickel project would increase to 80%.

Under the amended terms of the Definitive Agreement the Company will acquire an 80% interest in Angel Nickel in accordance with the following staged payments:

- Stage 1 - $210M by 31 March 2021 to secure an initial 30% interest. In February 2021, the Company completed the Stage 1 acquisition of a 30% interest in Angel Nickel.
- Stage 2 - $350M by 31 December 2021 to secure a further 50% interest. If the Stage 2 acquisition is completed by 30 June 2021, the purchase price will be discounted to $344M.

On signing the MoU, the Company paid a $10M 'good faith deposit' to Shanghai Decent and upon execution of the Definitive Agreement made a further $20M 'down payment' to Shanghai Decent. In February 2021, the Company completed the Stage 1 acquisition of a 30% interest in Angel Nickel by payment of $180M which, together with the $30M deposit which had been paid from existing cash reserves, completed the first acquisition consideration payment of $210M.

NOTE 17 - RELATED PARTIES

Key management personnel of the Group are the following:

Robert Neale	Chairman (Non-Executive)	Norman Seckold	Deputy Chairman
Justin Werner	Managing Director	Peter Nightingale	Director and Chief Financial Officer
James Crombie	Director (Non-Executive)	Weifeng Huang	Director (Non-Executive)
Mark Lochtenberg	Director (Non-Executive)	Dasa Sutantio	Director (Non-Executive)
Yuanyuan Xu	Director (Non-Executive)		

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 31 December 2020. The total remuneration paid to key management personnel of the Group during the year is as follows:

Key Management Personnel compensation

	12 months to 31 December 2020 $	6 months to 31 December 2019 $
Short term employee benefits	937,929	448,785

Key Management Personnel transactions

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or joint control over the financial or operating policies of those entities. A number of these entities transacted with the Group during the year. The aggregate value of transactions and outstanding balances (excluding the compensation noted above) relating to key management personnel and entities over which they have control or joint control were as follows:

Norman Seckold and Peter Nightingale hold an interest in an entity, MIS Corporate Pty Limited ('MIS'), which provided full administrative services, including administrative, accounting, company secretarial and investor relations staff both within Australia and Indonesia, rental accommodation, services and supplies, to the Group. On 1 January 2019 MIS agreed to provide these services for a fee of A$35,000 per month. This fee will be reviewed quarterly by the Company and MIS. Fees charged by MIS during the year amounted to A$600,625 (6 months to 31 December 2019: A$290,250) which included the agreed monthly fee and the reimbursement of consultant expenses incurred by MIS on behalf of the Group. At 31 December 2020 A$16,250 (31 December 2019: A$15,000) remained outstanding.

Apart from the details disclosed in this note, no Director or other related party has entered into a material contract with the Group during the year and there were no material contracts involving Director's interests subsisting at year end.

	12 months to 31 December 2020 $	6 months to 31 December 2019 $
NOTE 18 - STATEMENT OF CASH FLOWS		

(a) Reconciliation of cash and cash equivalents

Cash and cash equivalents as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2020 $	2019 $
Bank balances	351,445,322	49,820,013

(b) Reconciliation of net loss from ordinary activities after tax to net cash used in operating activities

	2020 $	2019 $
Profit from ordinary activities after tax	153,698,840	91,280,434
Non-cash items		
Depreciation and amortisation	36,786,945	16,419,372
Foreign exchange gain	(1,647,911)	(5,407,078)
Interest expense	5,268,152	2,336,467
Net change in fair value of investment in associate	-	(7,400,232)
Changes in assets and liabilities		
Trade receivables and other assets	(27,407,730)	(53,212,581)
Inventory	(5,046,491)	(47,321,083)
Provisions	1,958,305	116,150
Trade and other payables	(13,655,373)	41,397,875
Net cash from operating activities	149,954,737	38,209,324

(c) Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liabilities Loans and borrowings $	Equity Share capital $	Total $
Opening balance at 1 January 2020	65,000,000	315,501,048	380,501,048
Changes from financing activities			
Proceeds from issue of shares	-	430,033,781	430,030,354
Costs of issue	-	(12,605,694)	(12,602,267)
Repayment of borrowings	(20,000,000)	-	(20,000,000)
Repayment of interest	(5,268,152)	-	(5,268,152)
Total changes from financing cash flows	(25,268,152)	417,428,087	392,159,935
Other changes			
Finance expenses	5,268,152	-	5,268,152
Total other changes	5,268,152	-	
Closing balance at 31 December 2020	45,000,000	732,929,135	777,929,135

NOTE 19 - FINANCIAL INSTRUMENTS DISCLOSURE

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. These policies are reviewed regularly to reflect changes in market conditions and the Group's activities.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, currency risk and interest rate risk. The summaries below present information about the Group's exposure to each of these risks, their objectives, policies and processes for measuring and managing risk, the management of capital and financial instruments.

Credit risk

Credit risk arises mainly from the risk of counterparties defaulting on the terms of their agreements. The carrying amounts of the following assets represent the Group's maximum exposure to credit risk in relation to financial assets:

	Note	31 December 2020 $	31 December 2019 $
Cash and cash equivalents	18	351,445,322	49,820,013
Trade and other receivables	6	117,758,937	97,208,882
		469,204,259	147,028,895

Cash and cash equivalents

The Group mitigates credit risk on cash and cash equivalents by dealing with regulated banks in Australia, China, Indonesia and Singapore.

Trade and other receivables

Credit risk of trade and other receivables is low as it consists predominantly of nickel ore and nickel pig iron sales. Nickel ore sales are currently all either to the Company's 80% owned PT Hengjaya Nickel Industry or the Company's 80% owned PT Ranger Nickel Industry or and nickel pig iron trade receivables in 2020 were all from sales to one customer, Shanghai Decent and amounts recoverable from Australian and Indonesian Taxation Authorities. None of the Group's material trade and other receivables are past due.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

NOTE 19 - FINANCIAL INSTRUMENTS DISCLOSURE (Con't)

Liquidity risk (Con't)

The following are the contractual maturities of financial liabilities, including estimated interest payments:

Consolidated	Carrying amount $	Contractual cash flows $	Less than one year $	Between one and five years $	More than five years $
31 December 2020					
Trade and other payables (including tax)	40,257,761	40,257,761	40,257,761	-	-
Borrowings	45,000,000	51,763,571	16,049,196	35,714,375	-
	85,257,761	92,021,332	56,306,957	35,714,375	-
31 December 2019					
Trade and other payables (including tax)	53,141,966	53,141,966	53,141,966	-	-
Borrowings	65,000,000	73,410,278	14,252,033	59,158,245	-
	118,141,966	126,552,244	67,393,999	59,158,245	-

Ultimate responsibility for liquidity management rests with the Board of Directors. The Group manages liquidity risk by maintaining adequate funding where possible and monitoring of future rolling cash flow forecasts of its operations, which reflect management's expectations of expected settlement of financial assets and liabilities.

Currency risk

The functional currency in 2020 was assessed as being United States dollars for all group entities. The Group is exposed to foreign currency risks due to the fact that the domestic ore sales of its subsidiaries PT Hengjaya Mineralindo, PT Hengjaya Nickel Industry and Ranger Nickel Industry are in Indonesian Rupiah (although the underlying sale price is denominated in US dollars), liabilities of the Group are denominated in both Indonesian Rupiah and Australian dollars and the issues of shares during the year were denominated in Australian dollars.

The Group's gross financial position exposure to foreign currency risk at 31 December is as follows:

	31 December 2020		31 December 2019	
	Foreign currency	**USD**	**Foreign currency**	**USD**
IDR				
Cash at bank	IDR 37,420,778,576	$2,663,401	IDR 46,974,621,253	$3,383,729
Accounts receivable	IDR 18,000,000	$1,281	IDR 89,013,638,068	$6,411,931
Other current assets	IDR 8,233,155,900	$585,278	-	-
Provisions	IDR 38,927,632,500	$2,770,651	IDR 11,277,393,345	$812,346
Taxes payable	IDR 36,141,595,813	$2,572,356	IDR 8,366,066,505	$602,634
Trade and other payables	IDR 484,596,425,369	$34,562,023	IDR 607,578,601,916	$43,765,792
AUD				
Cash at bank	A$117,727,957	$90,579,890	A$25,390,739	$17,829,377
Receivables	A$ 199,924	$153,822	A$ 32,131	$22,562
Trade and other payables	A$ 128,028	$98,505	A$ 362,602	$254,619
SGD				
Cash at bank	SGD 17,321	$13,107	-	-

NOTE 19 - FINANCIAL INSTRUMENTS DISCLOSURE (Con't)

Currency risk (Con't)

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
USD	**12 months to 31 December 2020**	**6 months to 31 December 2019**	**31 December 2020**	**31 December 2019**
IDR	14,513	14,090	14,050	13,883
AUD	1.4474	1.4610	1.2997	1.4242
SGD	1.3791	1.3691	1.3209	1.3450

The following sensitivity analysis is based on the exchange rate risk exposures at balance date. At balance date, if the exchange rate between the United States dollar and the Indonesian Rupiah, the Australian dollar or the Singaporean dollar had moved, as illustrated in the table below, with all other variables held constant, the post-tax loss and equity would have been affected as follows:

Judgement of reasonable possible movements:

	Post tax loss (Higher)/Lower 31 December 2020 $	**Total equity (Higher)/Lower 31 December 2020 $**	**Post tax loss (Higher)/Lower 31 December 2019 $**	**Total equity (Higher)/Lower 31 December 2019 $**
+ 10% higher USD to IDR exchange rate	(3,551,803)	(3,551,803)	(3,538,511)	(3,538,511)
- 5% lower USD to IDR exchange rate	1,775,901	1,775,901	1,769,256	1,769,256
+ 10% higher USD to AUD exchange rate	9,063,521	9,063,521	1,759,732	1,759,732
- 5% lower USD to AUD exchange rate	(4,531,760)	(4,531,760)	(879,866)	(879,866)
+ 10% higher USD to SGD exchange rate	1,311	1,311	-	-
- 5% lower USD to SGD exchange rate	(655)	(655)	-	-

Interest rate risk

The Group's exposure to market interest rate relates to cash assets.

At balance date, the Group had the following mix of financial assets and liabilities exposed to variable interest rate risk:

		31 December 2020 $	**31 December 2019 $**
Financial assets			
Cash and cash equivalents	18	351,445,322	49,820,013
Financial liabilities			
Borrowings	13	45,000,000	65,000,000

Sensitivity analysis

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit for the period by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for the comparative period.

	12 months to 31 December 2020 $	**6 months to 30 December 2019 $**
Profit for the year	1,456,327	84,557

NOTE 19 - FINANCIAL INSTRUMENTS DISCLOSURE (Con't)

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board ensures, where possible, costs are not incurred in excess of available funds and will seek to raise additional funding through issues of shares for the continuation of the Group's operation. There were no changes in the Group's approach to capital management during the year.

The Group is not subject to externally imposed capital requirements.

NOTE 20 - PARENT ENTITY DISCLOSURES

As at, and throughout the financial year ended 31 December 2020, the parent entity of the Group was Nickel Mines Limited.

	Parent Entity 12 months to 31 December 2020 $	Parent Entity 6 months to 31 December 2019 $
Result of the parent entity		
Net profit/(loss)	(5,918,126)	4,355,503
Other comprehensive income	-	-
Total comprehensive profit/(loss)	(5,918,126)	4,355,503

	31 December 2020 $	31 December 2019 $
Financial position of the parent entity at year end		
Current assets	321,513,844	24,143,940
Non-current assets	457,091,382	378,549,158
Total assets	778,605,226	402,693,098
Current liabilities	13,099,767	4,732,142
Non-current liabilities	32,142,857	60,666,667
Total liabilities	45,242,624	65,398,809
Net Assets	733,362,602	337,294,289
Equity		
Share capital	732,929,135	315,501,048
Retained profits	433,467*	21,793,241
Total Equity	733,362,602	337,294,289

* During 2020 the Company made a maiden interim dividend payment totaling $15,441,648 which is included within retained profits.

At balance date, the Company has no capital commitments or contingencies (31 December 2019: $nil).

NOTE 21 - SEGMENT INFORMATION

Segment information is presented in respect of the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise interest bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period in that geographic region.

Operating segments

For the year ended 31 December 2020, the Group had two segments, being nickel ore mining in Indonesia and the RKEF projects in Indonesia and Singapore.

	Nickel ore mining	**RKEF Projects**	**Unallocated**	**Total**
	$	**$**	**$**	**$**
12 months to 31 December 2020				
External revenues	-[(1)]	(523,492,413)	-	(523,492,413)
Reportable segment profit/(loss) before tax	1,216,424	173,045,571	(19,695,320)	154,566,675
Interest income	90,510	378,840	49,223	518,573
Interest expense	-	55,664	5,212,488	5,268,152
Depreciation and amortisation	1,434,100	34,358,790	994,054	36,786,945
Reportable segment assets	33,097,749	880,065,390	321,513,845	1,234,676,984
Reportable segment liabilities	12,837,122	90,368,329	45,242,624	148,448,075
6 months to 31 December 2019				
External revenues	-[(1)]	236,059,160	-	236,059,160
Reportable segment profit/(loss) before tax	1,042,957	96,385,556	(5,974,603)	91,453,910
Interest income	9,882	(8,098)	104,338	106,122
Interest expense	-	127,648	2,208,819	2,336,467
Depreciation and amortisation	496,175	15,922,402	795	16,419,372
Reportable segment assets	35,735,798	837,616,883	24,143,940	897,496,621
Reportable segment liabilities	8,716,103	101,262,603	65,398,810	175,377,516

(1) From 1 April 2019, sales of nickel ore are internal to the Group and so are eliminated on consolidation.

NOTE 21 - SEGMENT INFORMATION (Con't)

	12 months to 31 December 2020 $	6 months to 31 December 2019 $
Reconciliations of reportable segment revenues and profit or loss		
Profit or loss		
Total profit for reportable segments	174,261,995	97,428,513
Unallocated amounts:		
Net other corporate expenses	(19,695,320)	(5,974,603)
Consolidated profit before tax	154,566,675	91,453,910

	31 December 2020	31 December 2019
Reconciliations of reportable assets and liabilities		
Assets		
Total assets for reportable segments	913,163,139	873,352,681
Unallocated corporate assets	321,513,845	24,143,940
Consolidated total assets	1,234,676,984	897,496,621
Liabilities		
Total liabilities for reportable segments	(103,205,451)	(109,978,706)
Unallocated corporate liabilities	(45,242,624)	(65,398,810)
Consolidated total liabilities	(148,448,075)	(175,377,516)

Geography of reportable segment assets

	Indonesia $	Singapore $	Total $
31 December 2020			
Reportable segment assets	902,697,958	10,465,181	913,163,139
31 December 2019			
Reportable segment assets	873,150,905	201,776	873,352,681

Revenue

All sales during the year were to customers located in either Indonesia or China.

Major customers

All sales of nickel pig iron during the year ended 31 December 2020 were exported sales to Shanghai Decent in China.

All sales of nickel ore during the year ended 31 December 2020 were to the Company's 80% owned subsidiaries PT Hengjaya Nickel Industry and PT Ranger Nickel Industry, under a series of offtake agreements to supply 100,000 wmt per month between each entity.

NOTE 22 - REVENUE

Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by major production and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments.

	Nickel pig iron		Nickel ore	
	12 months to 31 December 2020 $	6 months to 31 December 2019 $	12 months to 31 December 2020* $	6 months to 31 December 2019* $
Major products	523,492,413	236,059,160	25,139,919	12,829,854
Timing of revenue recognition				
Products transferred at a point in time	523,492,413	236,059,160	25,139,919	12,829,854
Revenue from contracts with customers	523,492,413	236,059,160	25,139,919	12,829,854
External revenue as reported in Note 21	523,492,413	236,059,160	25,139,919	12,829,854

* From 1 April 2019 sales of nickel ore are internal to the Group and so are eliminated on consolidation.

The extent to which an entity's revenue is disaggregated for the purposes of this disclosure depends on the facts and circumstances of the entity's contracts with customers.

NOTE 23 - AUDITOR REMUNERATION

During the year ended 31 December 2020, KPMG, the Company's auditor, has not performed any other services in addition to their statutory audit duties.

Details of the amounts paid to the auditor of the Group, KPMG, and its related practices for audit and non-audit services provided during the year and prior period are set out below:

	12 months to 31 December 2020 $	6 months to 31 December 2019 $
Auditors of the Company		
Audit and review of financial reports – KPMG Australia	195,880	170,453
Audit and review of financial reports – KPMG Indonesia	140,877	62,037
	336,757	232,490

NOTE 24 – SUBSEQUENT EVENTS

- In January 2021, Company secured the right to acquire an additional 10% interest in Angel Nickel. In February 2021, the Company completed the initial acquisition of a 30% interest in Angel Nickel, following payment of $180M, completing the first acquisition consideration of $210M.
- At a General Meeting of shareholders held on 19 January 2021, 100% approval for the acquisition of 70% of Angel Nickel was given by shareholders.
- In January 2021, the Company made further voluntary early repayments of the Ranger senior debt facility, fully repaying the outstanding facility amount at 31 December 2020 of $45M.
- In January 2021, the Company declared a A$0.02 final dividend for the year ended 31 December 2020. The dividend was paid on 11 February 2021, totalling A$50.3M (equivalent to approximately $39.0M).

Other than the matters outlined above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

NOTE 25 – COMMITMENTS AND CONTINGENCIES

There are no contingent liabilities existing at 31 December 2020 (31 December 2019: $nil)

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Nickel Mines Limited ('the Company'):

   (a) the consolidated financial statements and notes set out on pages 24 to 56 and the Remuneration report on pages 19 to 22 in the Directors' report, are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the year ended on that date; and

      (ii) complying with Australian Accounting Standards, (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

   (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.

   (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the chief executive officer and chief financial officer for the financial year ended 31 December 2020.

Signed at Sydney this 24th day of February 2021
in accordance with a resolution of the Board of Directors:

Robert Neale
Chairman

Norman Seckold
Deputy Chairman

Independent Auditor's Report

To the shareholders of Nickel Mines Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Nickel Mines Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group***'s financial position as at 31 December 2020 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 31 December 2020
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The ***Key Audit Matters*** we identified were:

- Consolidation of subsidiaries; and
- Acquisition of non-controlling interests.

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Consolidation of subsidiaries	
Refer to Note 15 Controlled Entities	
The key audit matter	**How the matter was addressed in our audit**
Nickel Mines Limited consolidates its investments in subsidiaries as outlined in Note 15 to the financial statements. In doing so, they are required to make a number of adjustments to the underlying financial information to ensure alignment to Australian Accounting Standards and the Group's accounting policies. This is a key audit matter because certain adjustments are material and technical in nature.	Our procedures included: • Interacting with Group management and the relevant component audit team, we developed an understanding of local accounting policies of the subsidiaries and the nature and extent of any accounting standard or accounting policy adjustments required to align with those of the Group's. We sample tested that the adjustments made by the Group were consistent with this understanding; and • Upon receipt of the audited balance sheets and income statemenst of PT Hengjaya Mineralindo, PT Hengjaya Nickel Industry and PT Ranger Nickel Industry, all incorporated in Indonesia, which are the material subsidiaries in the Group's operations, reperforming management's calculations of adjustments impacting Nickel Mines Limited's consolidated statement of comprehensive income and consolidated statement of financial position, and reperforming management's calculation of adjustments impacting the Group and non-controlling interests share of net profits and comparing to those calculated by the Group.

Acquisition of non-controlling interests ($147m)	
Refer to Note 15 Controlled Entities	
The key audit matter	**How the matter was addressed in our audit**
The Group's investment in Ranger Investment Private Limited (Ranger Investment) and Hengjaya Holdings Private Limited (Hengjaya Investment) each increased from 60% to 80% during the financial year. The Group previously had control over each investment and therefore represented acquisition of non-controlling interests. This was as key audit matter due to the size of the transaction as the consideration paid to	Our procedures included: • Reading the acquisition agreements to understand the key terms and conditions of the agreements and the obligations of each party to the agreements; • Testing the acquisition consideration to acquire the non-controlling interest to the underlying accounting records of the respective entities;

increase the 20% interest in each investment totalled $147m.	• Testing the acquisition payments made to bank statements; • Verifying the accuracy of the calculation of the change in non-controlling interests, and considering whether the treatment adopted in those calculations complied with the requirements of the accounting standards; • Evaluating the Group's disclosures in the Financial Report against the requirements of accounting standards.

Other Information

Other Information is financial and non-financial information in Nickel Mines Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Renumeration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001;*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

KPMG

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Nickel Mines Limited for year ended 31 December 2020, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 19 to 22 of the Directors' report for the year ended 31 December 2020.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Stephen Board
Partner

Brisbane
24th February 2021

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Nickel Mines Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Nickel Mines Limited for the half-year ended 30 June 2020 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Stephen Board
Partner

Brisbane
31 August 2020

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 30 JUNE 2020

US$	Notes	6 months to 30 June 2020 $	6 months to 31 December 2019 $
Sales revenue		227,842,571	236,059,160
Cost of sales		(153,090,152)	(136,207,419)
Depreciation and amortisation expense		(18,308,167)	(16,419,372)
Gross profit		56,444,252	83,432,369
Directors' fees and consultants' expenses		(2,103,389)	(2,893,410)
Share of profit of equity accounted investees		-	1,239,032
Other expenses	4	(2,768,841)	(1,023,527)
Results from operating activities		51,572,022	80,754,464
Financial income	5	260,589	13,035,913
Financial expense	5	(6,301,030)	(2,336,467)
Net financial income/(expense)		(6,040,441)	10,699,446
Profit before income tax		45,531,581	91,453,910
Income tax expense		-	(173,476)
Profit for the period		45,531,581	91,280,434
Other comprehensive income		-	(22,393)
Total comprehensive profit for the period		45,531,581	91,258,041
Profit attributable to:			
Owners of the Company		24,383,770	56,504,374
Non-controlling interest		21,147,811	34,776,060
Profit for the period		45,531,581	91,280,434
Total comprehensive profit attributable to:			
Owners of the Company		24,383,770	56,486,460
Non-controlling interest		21,147,811	34,771,581
Total comprehensive profit for the period		45,531,581	91,258,041
Earnings per share			
Basic and diluted profit per share (cents)	7	1.40	3.46

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Notes	30 June 2020	31 December 2019
US$		**$**	**$**
Current assets			
Cash and cash equivalents		91,255,001	49,820,013
Trade and other receivables	6	51,905,269	97,208,882
Inventory	8	68,070,814	56,238,558
Prepayments		7,331,779	1,293,301
Total current assets		218,562,863	204,560,754
Non-current assets			
Other non-current asset		8,764,067	9,014,394
Property, plant and equipment	9	613,772,143	628,516,578
Goodwill		55,404,895	55,404,895
Total non-current assets		677,941,105	692,935,867
Total assets		896,503,968	897,496,621
Current liabilities			
Trade and other payables	10	33,412,131	52,489,262
Current tax payable		2,645,692	652,704
Provision – employee's benefit obligation		506,936	662,427
Borrowing	12	11,000,000	4,333,333
Deferred consideration payable	11	3,896,453	-
Total current liabilities		51,461,212	58,137,726
Non-current liabilities			
Provision – rehabilitation		146,958	149,919
Deferred income tax liability		55,404,895	55,404,895
Other non-current liability		966,483	1,018,309
Borrowings	12	44,000,000	60,666,667
Total non-current liabilities		100,518,336	117,239,790
Total liabilities		151,979,548	175,377,516
Net assets		744,524,420	722,119,105
Equity			
Share capital	13	463,647,350	315,501,048
Reserves		17,274,036	19,206,524
Retained profits		117,141,676	92,757,906
Total equity attributable to equity holders of the Company		598,063,062	427,465,478
Non-controlling interest		146,461,358	294,653,627
Total equity		744,524,420	722,119,105

The above consolidated statement of financial position should be read in conjunction with accompanying notes.

NICKEL MINES LIMITED
and its controlled entities

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 30 JUNE 2020

US$	Notes	Share capital $	Retained profits $	Reserves $	Total $	Non-controlling interest $	Total equity $
Balance at 1 July 2019		275,938,304	36,253,532	(639,437)	311,552,399	143,214,479	454,766,878
Total comprehensive income for the period							
Profit for the period		-	56,504,374	-	56,504,374	34,776,060	91,280,434
Remeasurement of defined benefit obligation		-	-	(17,914)	(17,914)	(4,479)	(22,393)
Total comprehensive income for the period		-	56,504,374	(17,914)	56,486,460	34,771,581	91,258,041
Transactions with owners, recorded directly in equity							
Issue of shares	13	40,000,000	-	-	40,000,000	-	40,000,000
Costs of issue	13	(437,256)	-	-	(437,256)	-	(437,256)
Non-controlling interest arising on acquisition		-	-	-	-	136,531,442	136,531,442
Transaction with non-controlling interest without a change of control		-	-	19,863,875	19,863,875	(19,863,875)	-
Balance at 31 December 2019		315,501,048	92,757,906	19,206,524	427,465,478	294,653,627	722,119,105
Balance at 1 January 2020		315,501,048	92,757,906	19,206,524	427,465,478	294,653,627	722,119,105
Total comprehensive income for the period							
Profit for the period		-	24,383,770	-	24,383,770	21,147,811	45,531,581
Total comprehensive income for the period		-	24,383,770	-	24,383,770	21,147,811	45,531,581
Transactions with owners, recorded directly in equity							
Issue of shares	13	155,105,932	-	-	155,105,932	-	155,105,932
Costs of issue	13	(6,959,630)	-	-	(6,959,630)	-	(6,959,630)
Transaction with non-controlling interest without a change of control	11	-	-	(1,932,488)	(1,932,488)	(145,340,080)	(147,272,568)
Distributions to non-controlling interest		-	-	-	-	(24,000,000)	(24,000,000)
Balance at 30 June 2020		463,647,350	117,141,676	17,274,036	598,063,062	146,461,358	744,524,420

The above consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

NICKEL MINES LIMITED
and its controlled entities

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 30 JUNE 2020

US$	Notes	6 months to 30 June 2020 $	6 months to 31 December 2019 $
Cash flows from operating activities			
Cash receipts from customers		275,298,808	212,696,681
Cash payments in the course of operations		(191,849,231)	(169,899,088)
Interest received		107,485	89,507
Taxes and fees paid		(4,853,069)	(4,677,776)
Net cash from operating activities		78,703,993	38,209,324
Cash flows from investing activities			
Payments for property, plant and equipment		(5,105,092)	(29,617,317)
Payments for investments in controlled entities	11	(143,268,607)	-
Payments for acquisition of controlled entity		-	(1,400,000)
Cash on acquisition of controlled entity		-	7,244,743
Net cash used in investing activities		(148,373,699)	(23,772,574)
Cash flows from financing activities			
Proceeds from issue of shares	13	155,105,932	-
Costs of issue	13	(6,055,696)	(444,893)
Contribution by/(distributions to) non-controlling interest		(24,000,000)	16,986,235
Repayment of borrowings and interest changes	12	(12,592,500)	(29,886,953)
Net cash from/(used in) financing activities		112,457,736	(13,345,611)
Net increase in cash and cash equivalents		42,788,030	1,091,139
Effect of exchange rate adjustments on cash held		(1,353,042)	(274,103)
Cash and cash equivalents at the beginning of the period		49,820,013	49,002,977
Cash and cash equivalents at the end of the period		91,255,001	49,820,013

Non-cash financing and investing activities:

The acquisition of a controlled entity in August 2019 included a non-cash transaction of $120,000,000 which was funded through the issue of $40,000,000 in shares and $80,000,000 in debt.

Non-cash investing activities			
Payments for acquisition of controlled entity		-	(120,000,000)
Total non-cash investing activities		-	(120,000,000)
Non-cash financing activities			
Proceeds from issue of shares	13	-	40,000,000
Proceeds from borrowings	12	-	80,000,000
Total non-cash financing activities		-	120,000,000

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2020

NOTE 1 - REPORTING ENTITY

Nickel Mines Limited (the 'Company') is a company domiciled in Australia. The condensed consolidated interim financial report for the half year ended 30 June 2020 comprises the Company and its subsidiaries (together referred to as the 'Group'). The Group is a for-profit entity and is involved in nickel mining and production operations.

The consolidated annual financial report of the Group as at and for the six month period ended 31 December 2019 is available upon request from the Company's registered office at Level 2, 66 Hunter Street, Sydney, NSW, 2000 or at www.nickelmines.com.au.

NOTE 2 - BASIS OF PREPARATION

Statement of compliance
The condensed consolidated interim financial statements are general purpose financial statements prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134 *'Interim Financial Reporting'*.

The condensed consolidated interim financial statements do not include full disclosures of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the financial report for the 6 month period ended 31 December 2019 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules.

The financial report was authorised for issue by the Directors on 31 August 2020.

Basis of measurement
The financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value.

Functional and presentation currency
These financial statements are presented in United States dollars, which is the Company's functional currency.

Use of estimates and judgements
The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in these condensed consolidated interim financial statements are materially the same as those applied by the Group in its consolidated financial statements as at and for the period ended 31 December 2019.

	6 months to 30 June 2020 $	6 months to 31 December 2019 $
NOTE 4 - OTHER EXPENSES		
Audit fees – KPMG audit and review of financial reports	139,163	232,490
Travel	62,254	191,119
Legal fees	47,646	167,804
Other	2,519,778	432,114
	2,768,841	1,023,527
NOTE 5 - FINANCIAL INCOME AND FINANCE EXPENSE		
Interest income	260,589	228,603
Interest expense	(2,622,435)	(2,336,467)
Net change in fair value of financial assets at fair value	-	7,400,232
Foreign exchange gain/(loss)	(3,678,595)	5,407,078
	(6,040,441)	10,699,446

NOTE 6 - TRADE AND OTHER RECEIVABLES	30 June 2020 $	31 December 2019 $
Sales taxes receivable	17,433,530	12,517,281
GST/VAT receivable	34,479	22,562
Trade receivables	34,437,260	84,669,039
	51,905,269	97,208,882

NOTE 7 – PROFIT PER SHARE	6 months to 30 June 2020 $	6 months to 31 December 2019 $
Basic and diluted profit per share have been calculated using:		
Net profit for the period attributable to equity holders of the Company	24,383,770	56,504,374
	Nº of shares	**Nº of shares**
Weighted average number of ordinary shares (basic and diluted)		
- Issued ordinary shares at the beginning of the year	1,665,468,329	1,525,495,624
- Effect of shares issued on 14 August 2019	-	105,740,250
- Effect of shares issued on 29 May 2020	62,971,585	-
- Effect of shares issued on 16 June 2020	8,036,956	-
Weighted average number of shares at the end of the period	1,736,476,870	1,631,235,874

	30 June 2020 $	31 December 2019 $
NOTE 8 – INVENTORY		
Current		
Inventory – nickel ore stockpiles at Hengjaya Mine	228,869	237,071
Inventory – nickel pig iron production raw materials	52,709,449	43,306,276
Inventory – nickel pig iron	15,132,496	12,695,211
	68,070,814	56,238,558

During the six month period ended 30 June 2020, the Company's 80% subsidiary PT Hengjaya Mineralindo supplied nickel ore to the Company's subsidiaries PT Hengjaya Nickel Industry and PT Ranger Nickel Industry under contracts to supply 100,000 wmt to each entity for the period January to June 2020.

Nickel pig iron production raw materials includes nickel ore acquired by PT Hengjaya Nickel Industry and PT Ranger Nickel Industry from PT Hengjaya Mineralindo, operator of the Hengjaya Mine. This continues to be valued at the PT Hengjaya Mineralindo cost of production.

Inventories are measured at the lower of cost and net realisable value.

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT	30 June 2020 $	31 December 2019 $
Furniture and Fittings	106,958	115,328
Mine infrastructure assets	7,221,394	4,712,552
Buildings	59,474,527	61,084,560
Mining properties	25,141,048	25,450,598
Office equipment	489,778	433,728
Plant and machinery	521,079,607	536,454,333
Motor Vehicles	258,831	265,479
	613,772,143	628,516,578

During the period the Group acquired $3,563,734 of property, plant and equipment and recognised depreciation and amortisation totalling $18,308,167.

NOTE 10 - TRADE AND OTHER PAYABLES

	30 June 2020 $	31 December 2019 $
Current		
Creditors	28,368,173	50,156,272
Accruals	2,475,447	2,150,921
Other	2,568,511	182,069
	33,412,131	52,489,262

NOTE 11 – ACQUISTION OF ADDITIONAL INTERESTS IN CONTROLLED ENTITIES

In June 2020 Nickel Mines notified Shanghai Decent of its intention to exercise its option to acquire a further 20% of the issued and paid-up share capital of Hengjaya Holdings Private Limited and Ranger Investment Private Limited, being the respective Singaporean domiciled holding companies that wholly own PT Hengjaya Nickel Industry and PT Ranger Nickel Industry, the Indonesian PMA companies that in turn own 100% of the Hengjaya Nickel and Ranger Nickel Projects. The acquisitions were completed on 30 June 2020, with the Company paying Shanghai Decent and its nominees US$120 million for the additional 20% interest in the two Projects, plus a settlement of $23,268,607 for the 20% of the undistributed retained earnings attributable to Shanghai Decent remaining in both PT Hengjaya Nickel Industry and PT Ranger Nickel Industry to the end of April 2020. A final settlement of the undistributed retained earnings at 30 June 2020 of $3,896,453 0will be made following the release of these half year financial statements.

	30 June 2020 $	31 December 2019 $
NOTE 12 - BORROWINGS		
Current		
Ranger debt facility	11,000,000	4,333,333
Non-current		
Ranger debt facility	44,000,000	60,666,667

Ranger debt facility

In August 2019, as part of the financing package to increase the Company's interest in the Ranger Nickel project from 17% to 60% the Company secured a senior debt facility agreement with a Shanghai Decent associated company. Key terms of the Ranger debt facility agreement are as follows:

- Facility amount of $80,000,000.
- Interest rate of 6% plus the greater of (i) 3-month US$ LIBOR or (ii) 2.5% per annum.
- Interest is payable on the last day of each interest period of one month.
- Principal to be repaid in quarterly instalments by repaying on the last business day of November, February, May and August (beginning on 30 November 2020) an amount equal to 1/15th of the amount borrowed under the debt facility.
- Nickel Mines granted security over its equity interests in Ranger Investment Private Limited, the Singaporean entity which holds a 100% indirect interest in the Ranger Nickel project, and its equity interest in Hengjaya Holdings Private Limited, the Singaporean entity which holds a 100% indirect interest in the Hengjaya Nickel project. As detailed in Note 11, on 30 June 2020 the Company's interest in the Hengjaya Nickel and Ranger Nickel projects increased to 80% in each.

Prior to 30 June 2020, the Company has made voluntary prepayments against the Ranger debt facility totalling $25,000,000, which includes $10,000,000 paid in the six months period to 30 June 2020. Prepayments are applied on a pro rata basis against all repayment dates following the prepayment. On 28 August 2020 the Company made a further voluntary debt repayment of $10,000,000, reducing the outstanding facility balance to $45,000,000.

		As at 30 June 2020 $		As at 31 December 2019 $
NOTE 13 - ISSUED CAPITAL				
Issued and paid up capital				
2,128,099,642 ordinary shares fully paid (31 December 2019 – 1,665,468,329)		2,128,099,642		1,665,468,329

	Number of shares	**$**	**Number of shares**	**$**
Ordinary shares				
Fully paid ordinary shares carry one vote per share and carry the right to dividends.				
Balance at the beginning of the period	1,665,468,329	315,501,048	1,525,495,624	275,938,304
Issue of shares	462,631,313	155,105,932	139,972,705	40,000,000
Costs of issue	-	(6,959,630)	-	(437,256)
Balance at the end of the period	2,128,099,642	463,647,350	1,665,468,329	315,501,048

Period ended 30 June 2020

In May and June 2020, through an Accelerated Non-Renounceable Entitlement Offer, the Group issued 462,631,313 shares for cash totalling A$231,315,657 (equivalent to $155,105,932). There were no amounts unpaid on the shares issued and share issue costs amounted to $6,959,630.

Period ended 31 December 2019

In August 2019, the Group issued 139,972,705 shares for cash totalling A$57,388,809 (equivalent to $40,000,000). There were no amounts unpaid on the shares issued and share issue costs amounted to $437,256.

Options

There were no options granted, exercised or lapsed unexercised during the half year ended 30 June 2020 or the period ended 31 December 2019.

Dividends

There were no dividends paid or declared during the half year ended 30 June 2020 or the period ended 31 December 2019.

Ordinary shares

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. The holders of ordinary shares are entitled to receive dividends as declared from time to time.

NOTE 14 - RELATED PARTIES

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or joint control over the financial or operating policies of those entities. A number of these entities transacted with the Group during the year. The aggregate value of transactions and outstanding balances (excluding the compensation noted above) relating to key management personnel and entities over which they have control or joint control were as follows:

Norman Seckold and Peter Nightingale hold an interest in an entity, MIS Corporate Pty Limited ('MIS'), which provided full administrative services, including administrative, accounting, company secretarial and investor relations staff both within Australia and Indonesia, rental accommodation, services and supplies, to the Group. On 1 January 2019 MIS agreed to provide these services for a fee of A$35,000 per month. This fee will be reviewed quarterly by the Company and MIS. Fees charged by MIS during the period amounted to A$298,125 (6 months to 31 December 2019: A$290,250) which included the agreed monthly fee and the reimbursement of consultant expenses incurred by MIS on behalf of the Group. At 30 June 2020 A$50,625 (31 December 2019: A$15,000) remained outstanding and was included in the creditor's balance.

Apart from the details disclosed in this note, no Director or other related party has entered into a material contract with the Group during the year and there were no material contracts involving Director's interests subsisting at year end.

NOTE 15 -SEGMENT INFORMATION

Segment information is presented in respect of the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income earning assets and revenue, interest bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period in that geographic region.

Reportable segments

For the period ended 30 June 2020, the Group had two segments, being nickel ore mining in Indonesia and the RKEF projects in Indonesia.

	Indonesia - Mine Development	Indonesia – RKEF Projects	Unallocated	Total
	$	$	$	$
6 months ended 30 June 2020				
External revenues	-[(1)]	227,842,571	-	227,842,571
Reportable segment profit/(loss) before tax	(3,922,308)	64,119,472	(14,665,583)	45,531,581
Interest income	8,563	219,649	32,377	260,589
Interest expense	-	29,935	2,592,500	2,622,435
Depreciation and amortisation	1,127,622	17,179,800[(2)]	745	18,308,167
Reportable segment assets	39,694,888	813,264,436	43,544,644	896,503,968
Reportable segment liabilities	8,031,715	83,858,314	60,089,519	151,979,548

(1) All sales of nickel ore are internal to the Group and so are eliminated on consolidation.
(2) Includes $9,288,790 of amortisation on the fair value uplift of property, plant and equipment resulting from the acquisition of the Hengjaya Nickel and Ranger Nickel RKEF projects.

NOTE 15 -SEGMENT INFORMATION (con't)

	Indonesia - Mine Development $	Indonesia – RKEF Projects $	Unallocated $	Total $
6 months ended 31 December 2019				
External revenues	-[1]	236,059,160	-	236,059,160
Reportable segment profit/(loss) before tax	1,042,957	96,385,556	(5,974,603)	91,453,910
Interest income	9,882	(8,098)	104,338	106,122
Interest expense	-	127,648	2,208,819	2,336,467
Depreciation and amortisation	496,175	15,922,402[2]	795	16,419,372
Reportable segment assets	35,733,798	837,616,884	24,143,940	897,496,621
Reportable segment liabilities	8,716,103	101,262,603	65,398,810	175,377,516

[1] All sales of nickel ore are internal to the Group and so are eliminated on consolidation.

[2] Includes $8,188,321 of amortisation on the fair value uplift of property, plant and equipment resulting from the acquisition of the Hengjaya Nickel and Ranger Nickel RKEF projects.

Reconciliations of reportable segment revenues and profit or loss	30 June 2020 $	31 December 2019 $
Profit or loss		
Total profit for reportable segments	60,197,164	97,428,513
Net other corporate expenses	(14,665,583)	(5,974,603)
Consolidated profit before tax	45,531,581	91,453,910
Reconciliations of reportable assets and liabilities		
Assets		
Total assets for reportable segments	852,959,324	873,352,681
Unallocated corporate assets	43,544,644	24,143,940
Consolidated total assets	896,503,968	897,496,621
Liabilities		
Total liabilities for reportable segments	(91,890,029)	(109,978,706)
Unallocated corporate liabilities	(60,089,519)	(65,398,810)
Consolidated total liabilities	(151,979,548)	(175,377,516)

Revenue

All sales during the half year and the comparative period were to Shanghai Decent Investment (Group) Co., Ltd, based in China and are recognised at a set point in time.

NOTE 16 – SUBSEQUENT EVENTS

- On 27 August 2020 the Company announced an upgraded Resource Report for the Hengjaya Mine, as detailed in the Mineral Resource Statement set out in this report on page 10.
- On 28 August 2020 the Company made a further voluntary repayment of $10 million against the Ranger debt facility, reducing the balance of the facility to $45 million.

Other than the matters detailed above, there has not arisen in the interval between the end of the half year and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

NICKEL MINES LIMITED
and its controlled entities

DIRECTOR'S DECLARATION

In accordance with a resolution of the Directors of Nickel Mines Limited, I state that in the opinion of the Directors:

(a) the financial statements and notes set out on pages 13 to 24 are in accordance with the *Corporations Act 2001* including:

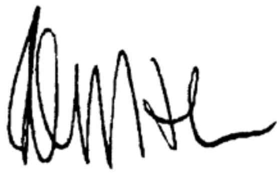
(i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the half-year ended on that date; and

(ii) complying with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed at Sydney this 31st day of August 2020
in accordance with a resolution of the Board of Directors:

Robert Neale
Non-Executive Chairman



Peter Nightingale
Chief Financial Officer

Independent Auditor's Review Report

To the shareholders of Nickel Mines Limited

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying ***Interim Financial Report*** of Nickel Mines Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of Nickel Mines Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 30 June 2020 and of its performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Interim Financial Report*** comprises:

- Condensed consolidated interim statement of financial position as at 30 June 2020;
- Condensed consolidated interim statement of profit or loss and other comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows for the half-year ended on that date;
- Notes 1 to 16 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

The ***Group*** comprises Nickel Mines Limited (the Company) and the entities it controlled at the half year's end or from time to time during the half-year period.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Group are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*; and
- such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 30 June 2020 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Nickel Mines Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an Interim Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG

KPMG

Stephen Board
Partner

Brisbane
31 August 2020

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Nickel Mines Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Nickel Mines Limited for the six month period ended 31 December 2019 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Stephen Board
Partner

Brisbane
28 February 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2019

USD	Notes	6 months to 31 December 2019 $	12 months to 30 June 2019 $
Sales revenue	21	236,059,160	64,937,347
Cost of sales		(136,207,419)	(40,905,545)
Depreciation and amortisation expense		(16,419,372)	(9,277,390)
Gross profit		83,432,369	14,754,412
Directors' fees and consultants' expenses		(2,893,410)	(2,641,601)
Share of profit of equity accounted investees	15	1,239,032	2,623,212
Other expenses	4	(1,023,527)	(1,122,798)
Results from operating activities		80,754,464	13,613,225
Financial income	5	13,035,913	58,315,916
Financial expense	5	(2,336,467)	(35,925)
Net financial income		10,699,446	58,279,991
Profit before income tax		91,453,910	71,893,216
Income tax expense	8	(173,476)	(66,788)
Profit for the period/year		91,280,434	71,826,428
Other comprehensive income			
Items that may be classified subsequently to profit or loss		(22,393)	-
Total comprehensive profit for the period/year		91,258,041	71,826,428
Profit attributable to:			
Owners of the Company		56,504,374	65,525,988
Non-controlling interest		34,776,060	6,300,440
Profit for the period/year		91,280,434	71,826,428
Total comprehensive profit attributable to:			
Owners of the Company		56,486,460	65,525,988
Non-controlling interest		34,771,581	6,300,440
Total comprehensive profit for the period/year		91,258,041	71,826,428
Earnings per share			
Basic and diluted profit per share (cents) for the period/year	9	3.46	4.95

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

USD	Notes	31 December 2019 $	30 June 2019 $
Current assets			
Cash and cash equivalents	18	49,820,013	49,002,977
Trade and other receivables	6	97,208,882	46,935,830
Inventory	10	56,238,558	8,917,474
Other current assets	7	1,293,301	3,348,216
Total current assets		204,560,754	108,204,497
Non-current assets			
Other non-current asset	7	9,014,394	4,459,072
Investment in equity accounted investees	15	-	49,960,736
Property, plant and equipment	11	628,516,578	340,090,494
Goodwill	16	55,404,895	29,219,349
Total non-current assets		692,935,867	423,729,651
Total assets		897,496,621	531,934,148
Current liabilities			
Trade and other payables	12	52,489,262	42,249,023
Current tax payable		652,704	303,729
Provision – employee's benefit obligation		662,427	497,886
Borrowings	13	4,333,333	4,180,333
Total current liabilities		58,137,726	47,230,971
Non-current liabilities			
Provision – rehabilitation		149,919	198,309
Deferred income tax liability	8	55,404,895	29,391,174
Other non-current liability		1,018,309	346,816
Borrowings	13	60,666,667	-
Total non-current liabilities		117,239,790	29,936,299
Total liabilities		175,377,516	77,167,270
Net assets		722,119,105	454,766,878
Equity			
Share capital	14	315,501,048	275,938,304
Reserves		19,206,524	(639,437)
Retained profits		92,757,906	36,253,532
Total equity attributable to equity holders of the Company		427,465,478	311,552,399
Non-controlling interest		294,653,627	143,214,479
Total equity		722,119,105	454,766,878

The above consolidated statement of financial position should be read in conjunction with accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2019

USD	Notes	Share capital $	Retained profits/ (accumulated losses) $	Reserves $	Total $	Non-controlling interest $	Total equity $
Balance at 1 July 2018		103,105,128	(29,272,456)	(595,498)	73,237,174	1,907,540	75,144,714
Total comprehensive income for the year							
Profit for the year		-	65,525,988	-	65,525,988	6,300,440	71,826,428
Total comprehensive income for the year		-	65,525,988	-	65,525,988	6,300,440	71,826,428
Transactions with owners, recorded directly in equity							
Issue of shares	14	185,710,639	-	-	185,710,639	-	185,710,639
Costs of issue		(12,877,463)	-	-	(12,877,463)	-	(12,877,463)
Non-controlling interest arising on acquisition		-	-	(43,939)	(43,939)	135,006,499	134,962,560
Balance at 30 June 2019		275,938,304	36,253,532	(639,437)	311,552,399	143,214,479	454,766,878
Balance at 1 July 2019		275,938,304	36,253,532	(639,437)	311,552,399	143,214,479	454,766,878
Total comprehensive income for the period							
Profit for the period		-	56,504,374	-	56,504,374	34,776,060	91,280,434
Remeasurement of defined benefit obligation		-	-	(17,914)	(17,914)	(4,479)	(22,393)
Total comprehensive income for the period		-	56,504,374	(17,914)	56,486,460	34,771,581	91,258,041
Transactions with owners, recorded directly in equity							
Issue of shares	14	40,000,000	-	-	40,000,000	-	40,000,000
Costs of issue	14	(437,256)	-	-	(437,256)	-	(437,256)
Non-controlling interest arising on acquisition		-	-	-	-	136,531,442	136,531,442
Transaction with non-controlling interest without a change of control		-	-	19,863,875	19,863,875	(19,863,875)	-
Balance at 31 December 2019		315,501,048	92,757,906	19,206,524	427,465,478	294,653,627	722,119,105

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2019

USD	Notes	6 months to 31 December 2019 $	12 months to 30 June 2019 $
Cash flows from operating activities			
Cash receipts from customers		212,696,681	33,443,269
Cash payments to employees and suppliers		(169,899,088)	(28,382,928)
Interest received		89,507	228,042
Taxes and fees paid		(4,677,776)	(1,154,626)
Net cash from operating activities	18	38,209,324	4,133,757
Cash flows from investing activities			
Payments for investments in equity accounted investees	15	-	(120,000,000)
Payments for property, plant and equipment		(29,617,317)	(19,501,434)
Payments for acquisition of controlled entity	16	(1,400,000)	-
Cash on acquisition of controlled entity	16	7,244,743	9,576,857
Loans to equity accounted investees		-	(10,700,000)
Net cash used in investing activities		(23,772,574)	(140,624,577)
Cash flows from financing activities			
Proceeds from issue of shares	14	-	183,633,648
Costs of issue		(444,893)	(10,800,472)
Contribution by non-controlling interest		16,986,235	15,000,000
Repayment of borrowings and interest changes	13	(29,886,953)	(2,000,000)
Net cash from/(used in) financing activities		(13,345,611)	185,833,176
Net increase in cash and cash equivalents		1,091,139	49,342,357
Effect of exchange rate adjustments on cash held		(274,103)	(1,145,953)
Cash and cash equivalents at the beginning of the period/year		49,002,977	806,574
Cash and cash equivalents at the end of the period/year		49,820,013	49,002,977

Non-cash financing and investing activities

The acquisition of a controlled entity disclosed in Note 16 included a non-cash transaction of $120,000,000 which was funded through the issue of $40,000,000 in shares and $80,000,000 in debt.

Non-cash investing activities			
Payments for acquisition of controlled entity	16	(120,000,000)	-
Total non-cash investing activities		(120,000,000)	-
Non-cash financing activities			
Proceeds from issue of shares	14	40,000,000	-
Proceeds from borrowings	13	80,000,000	-
Total non-cash financing activities		120,000,000	-

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTE 1 - REPORTING ENTITY

Nickel Mines Limited (the ‘Company’) is a company domiciled in Australia. The consolidated financial report for the six month period ended 31 December 2019 comprises the Company and its subsidiaries (together referred to as the ‘Group’). The Group is a for-profit entity and is involved in nickel ore mining and nickel pig iron production operations.

NOTE 2 - BASIS OF PREPARATION

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (‘AASBs’) adopted by the Australian Accounting Standards Board (‘AASB’) and the Corporations Act 2001. The consolidated financial report of the Group complies with International Financial Reporting Standards (‘IFRS’) and interpretations adopted by the International Accounting Standards Board (‘IASB’).

The financial report was authorised for issue by the Directors on 28 February 2020.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value.

Functional and presentation currency

These consolidated financial statements are presented in United States dollars, which is the Company’s functional currency.

Change of financial year end

The financial year of the Company has changed from 30 June to 31 December to align the year end date of the Company with that of its subsidiary companies in both Indonesia and Singapore to improve the efficiency of the Company’s financial reporting and planning cycles. Accordingly, the financial period reported in these financial statements covers the six month period from 1 July 2019 to 31 December 2019. Comparative figures for these financial statements cover the twelve month period from 1 July 2018 to 30 June 2019. The results for the current period are therefore not directly comparable with the results for the prior period.

Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 8 – Income tax expense.
- Note 16 – Controlled entities.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling interest

The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree. Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions.

Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Where a controlled entity issues shares to minority interests which does not result in loss of control by the Group, any gain or loss arising on the Group's interest in the controlled entity is recognised directly in equity.

Investments in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

Nickel ore and nickel pig iron sales revenue

Nickel ore and nickel pig iron sales revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over goods or a service to a customer.

Invoices for nickel ore sales are generated twice a month upon receipt of assay results and are usually payable within 10 working days. Invoices for nickel pig iron sales are generated on a monthly basis and are based on the underlying nickel content delivered. They are usually payable within 60 days. No discounts are provided for nickel ore and nickel pig iron products, but adjustments are made to the final sale price for items including final nickel grade, moisture content and nickel content.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to United States dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to United States dollars at foreign exchange rates ruling at the dates the fair value was determined.

The Group transacts in the following foreign currencies: Australian dollars (A$ or AUD) and Indonesian Rupee (IDR).

Financial statements of foreign operations

The assets and liabilities of foreign entities are translated to United States dollars at the foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated to United States dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in the foreign currency translation reserve ('FCTR'), a separate component of equity.

Foreign exchange gains and losses arising from a monetary item receivable or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in the FCTR.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to United States dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to United States dollars at exchange rates at the dates of the transactions. When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss as part of the profit or loss on disposal.

At 31 December 2019, the functional currency of all components in the Group is United States dollars. The FCTR represents the foreign exchange differences which arose on retranslation in prior years on subsidiaries which have not yet been disposed.

Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation and amortisation

Mining properties' amortisation rate is applied on a straight-line basis over the remaining term of the mining licence. The amortisation is included in the costs of conversion of inventories.

Depreciation is charged to the income statement using a reducing balance method from the date of acquisition using the following rates:

- Furniture and fittings and plant and machinery are depreciated at 25%.
- Buildings and infrastructure are depreciated at 5%.
- Mine infrastructure assets are depreciated at 5%.
- Office equipment is depreciated at rates of between 25% and 40%.
- Plant and machinery are depreciated at rates if between 12.5% and 25%.
- Motor vehicles are depreciated at 25%.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment

Financial assets

The Group recognises expected credit losses ('ECLs'), where material, on financial assets measured at amortised cost.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12 month ECLs:

- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are measured at an amount equal to lifetime ECLs. At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at fair value through profit or loss are credit impaired.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Non-financial assets

The carrying amounts of the Group's assets, other than deferred tax assets and inventories, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

Calculation of recoverable amount

The recoverable amount of assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Share capital

Transaction costs

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Finance income and finance costs

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- dividend income;
- the foreign currency gain or loss on financial assets and financial liabilities; and
- the gain on the remeasurement to fair value of any pre-existing interest in an acquiree in a business combination.

Interest income or interest expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and interest expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs which are directly attributable to the Group's exploration and evaluation and development activities are capitalised in relation to qualifying assets.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Income tax

Income tax on the income statement for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for:

- The initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax ('GST'), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

Employee benefits

Wages, salaries, annual leave, sick leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on average costs over the relevant period of production, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

Site restoration

In accordance with the Group's environmental policy and applicable legal requirements, a provision for site restoration in respect of disturbed land, and the related expense, is recognised when the land is disturbed.

Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Exploration, evaluation and development expenditure

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised at cost or fair value, as exploration and evaluation assets on an area of interest basis. Costs incurred before the Group has obtained the legal rights to explore an area are recognised in the statement of comprehensive income.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or other wise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability and facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from exploration and evaluation expenditure to mining property and development assets within property, plant and equipment.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments

Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

On initial recognition, a financial asset is classified as measured at:

- amortised cost;
- fair value through other comprehensive income ('FVOCI') – equity investment; or
- fair value through profit or loss ('FVTPL').

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as fair value through profit or loss if:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value through other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Subsequent measurement and gains and losses – Policy applicable from 1 July 2018

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Equity instruments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss.
Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Changes in significant accounting policies

AASB 16 Leases

AASB 16 replaces existing leases guidance, including AASB 117 Leases. The standard is effective for annual periods beginning on or after 1 January 2019.

AASB 16 introduced a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Group completed an assessment of the impact of applying AASB 16 on the financial statements and no material leases were identified.

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2019 and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the financial statements of the Group.

NOTE 4 - OTHER EXPENSES

	6 months to 31 December 2019 $	12 months to 30 June 2019 $
Audit fees – KPMG audit of financial reports	232,490	246,234
IPO related fees – KPMG	-	11,536
Travel	191,119	252,467
Legal fees	167,804	523,706
Other	432,114	88,855
	1,023,527	1,122,798

NOTE 5 - FINANCIAL INCOME AND FINANCE EXPENSE

	6 months to 31 December 2019 $	12 months to 30 June 2019 $
Interest income	228,603	249,933
Interest expense	(2,336,467)	(35,925)
Net change in fair value of investment in associate	7,400,232 (1)	57,337,499 (1)
Foreign exchange gain	5,407,078	728,484
	10,699,446	58,279,991

(1) See Note 15 for further details.

	31 December 2019 $	30 June 2019 $

NOTE 6 - TRADE AND OTHER RECEIVABLES

	31 December 2019 $	30 June 2019 $
Sales taxes receivable	12,539,843	3,328,026
Trade receivables	84,669,039	43,607,804
	97,208,882	46,935,830

NOTE 7 - OTHER ASSETS

	31 December 2019 $	30 June 2019 $
Current		
Prepayments	1,293,301	1,647,583
Loan to equity accounted investee	-	1,709,633
	1,293,301	3,348,216

During the six month period to 31 December 2019, PT Ranger Nickel Industry, a subsidiary of Ranger Investment Private Limited, that had been classified as an equity accounted investee prior to the Company increasing its interest to 60%, fully repaid a $1.7 million working capital loan and associated interest charges.

	31 December 2019 $	30 June 2019 $
Non-current		
Prepayments	8,629,570	4,059,223
Other	384,824	399,849
	9,014,394	4,459,072

NOTE 8 - INCOME TAX EXPENSE

	6 months to 31 December 2019 $	12 months to 30 June 2019 $
Profit before tax – continuing operations	91,453,910	71,893,216
Prima facie income tax expense/(benefit) at the Australian tax rate of 30% (30 June 2019: 30%)	27,436,173	21,567,965
Increase in income tax expense/(benefit) due to:		
- Effect of tax rates in foreign jurisdictions	291,099	(38,043)
- Non-deductible/non-assessable income	(27,003,403)	(20,709,711)
- Effect of deferred tax assets for tax losses not brought to account	123,125	64,764
- Effect of net deferred tax assets not brought to account	(570,391)	(889,085)
- Effect of foreign currency conversion	(103,127)	70,898
Income tax expense – current and deferred	173,476	66,788
Deferred tax liabilities have been recognised in respect of the following items:		
Net deductible temporary differences – property, plant and equipment	55,404,895	29,391,174
	55,404,895	29,391,174
Deferred tax assets have not been recognised in respect of the following items:		
Net deductible temporary differences	1,826,485	2,229,539
Tax losses	872,118	719,898
	2,698,603	2,949,437

The deductible temporary differences and tax losses do not expire under the current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise the benefits of the deferred tax asset. The Company does not have any franking credits.

	6 months to 31 December 2019 $	12 months to 30 June 2019 $

NOTE 9 - PROFIT PER SHARE

	6 months to 31 December 2019 $	12 months to 30 June 2019 $
Basic and diluted profit per share have been calculated using:		
Net profit for the year attributable to equity holders of the Company	56,504,374	65,525,988
Weighted average number of ordinary shares (basic and diluted)	**Nº of shares**	**Nº of shares**
Issued ordinary shares at the beginning of the year	1,525,495,624	808,482,230
- Effect of shares issued on 14 August 2018	-	509,462,325
- Effect of shares issued on 13 June 2019	-	6,421,703
- Effect of shares issued on 14 August 2019	105,740,250	-
Weighted average number of shares at the end of the year	1,631,235,874	1,324,366,258

NOTE 10 - INVENTORY

	31 December 2019 $	30 June 2019 $
Inventory – nickel ore stockpiles	237,071	714,190
Inventory – nickel pig iron production raw materials	43,306,276	8,203,284
Inventory – nickel pig iron	12,695,211	-
	56,238,558	8,917,474

During the period ended 31 December 2019, the Company's 80% subsidiary PT Hengjaya Mineralindo continued to supply nickel ore to the Company's 60% owned subsidiary PT Hengjaya Nickel Industry under an offtake agreement to supply 50,000 wmt per month. In December 2019, PT Hengjaya Mineralindo signed contracts with both PT Hengjaya Nickel Industry and the Company's 60% owned subsidiary PT Ranger Nickel Industry to supply 100,000 wmt to each entity for the period January to March 2020.

Nickel pig iron production raw materials includes nickel ore acquired by PT Hengjaya Nickel Industry and PT Ranger Nickel Industry from PT Hengjaya Mineralindo. This continues to be valued at the PT Hengjaya Mineralindo cost of production.

Inventories are measured at the lower of cost and net realisable value.

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

	31 December 2019 $	30 June 2019 $
Furniture and fittings		
Furniture and fittings – cost	173,726	69,911
Accumulated depreciation	(58,398)	(46,127)
Net book value	115,328	23,784
Mine infrastructure assets		
Mine infrastructure assets – cost	5,900,493	3,526,044
Accumulated depreciation	(1,187,941)	(1,166,887)
Net book value	4,712,552	2,359,157
Buildings and land		
Buildings – cost	63,285,275	30,657,609
Accumulated depreciation	(2,200,715)	(602,563)
Net book value	61,084,560	30,055,046
Mining properties		
Mining properties – cost	27,991,023	27,836,972
Accumulated amortisation	(2,540,425)	(1,572,159)
Net book value	25,450,598	26,264,813
Office equipment		
Office equipment – cost	749,743	619,248
Accumulated depreciation	(316,015)	(269,485)
Net book value	433,728	349,763
Plant and machinery		
Plant and machinery – cost	556,552,301	286,026,881
Accumulated depreciation	(20,097,968)	(5,313,393)
Net book value	536,454,333	280,713,488
Motor vehicles		
Motor vehicles – cost	459,293	348,838
Accumulated depreciation	(193,814)	(24,395)
Net book value	265,479	324,443
Total property, plant and equipment	628,516,578	340,090,494

Impairment

After consideration of both internal and external factors, the Directors believe that no indicators of impairment existed at 31 December 2019 and have therefore not completed an impairment assessment over the carrying value of the Group's property, plant and equipment assets at 31 December 2019.

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below.

	6 months to 31 December 2019 $	12 months to 30 June 2019 $
Furniture and fittings		
Carrying amount at beginning of year	23,784	2,716
Additions	103,815	32,370
Depreciation	(12,271)	(11,302)
Net book value	115,328	23,784
Mine infrastructure assets		
Carrying amount at beginning of year	2,359,157	1,698,835
Additions	2,374,449	1,122,014
Depreciation	(21,054)	(461,692)
Net book value	4,712,552	2,359,157
Buildings and land		
Carrying amount at beginning of year	30,055,046	186,059
Additions	32,627,666	30,406,927
Depreciation	(1,598,152)	(537,940)
Net book value	61,084,560	30,055,046
Mining properties		
Carrying amount at beginning of year	26,264,813	24,442,312
Additions	154,052	2,840,804
Amortisation	(968,267)	(1,018,303)
Net book value	25,450,598	26,264,813
Office equipment		
Carrying amount at beginning of year	349,763	119,759
Additions	130,496	330,762
Depreciation	(46,531)	(100,758)
Net book value	433,728	349,763
Plant and machinery		
Carrying amount at beginning of year	280,713,488	32,219
Additions	270,525,421	285,364,932
Depreciation	(14,784,576)	(4,683,663)
Net book value	536,454,333	280,713,488
Motor vehicles		
Carrying amount at beginning of year	324,443	145,734
Additions	110,455	201,471
Depreciation	(169,419)	(22,762)
Net book value	265,479	324,443

	31 December 2019 $	30 June 2019 $

NOTE 12 - TRADE AND OTHER PAYABLES

	31 December 2019 $	30 June 2019 $
Current		
Creditors	50,156,272	39,228,037
Accruals	2,150,921	3,020,986
Other	182,069	-
	52,489,262	42,249,023

NOTE 13 - BORROWINGS

	31 December 2019 $	30 June 2019 $
Current		
Working capital loans	-	4,000,000
Interest on working capital loans	-	180,333
Ranger debt facility	4,333,333	-
	4,333,333	4,180,333
Non-current		
Ranger debt facility	60,666,667	-

Ranger debt facility

In August 2019, as part of the financing package to increase the Company's interest in the Ranger Nickel project from 17% to 60% the Company secured a senior debt facility agreement with a Shanghai Decent associated company. Key terms of the Ranger debt facility agreement are as follows:

- Facility amount of $80,000,000.
- Interest rate of 6% plus the greater of (i) 3-month US$ LIBOR or (ii) 2.5% per annum.
- Interest is payable on the last day of each interest period of one month.
- Principal to be repaid in quarterly instalments by repaying on the last business day of November, February, May and August (beginning on 30 November 2020) an amount equal to 1/15th of the amount borrowed under the debt facility.
- Nickel Mines granted security over its 60% equity interest in Ranger Investment Private Limited the Singaporean entity which holds a 100% indirect interest in the Ranger Nickel project, and its 60% equity interest in Hengjaya Holdings Private Limited, the Singaporean entity which holds a 100% indirect interest in the Hengjaya Nickel project.

Prior to 31 December 2019, the Company has made voluntary prepayments against the Ranger debt facility totalling $15,000,000. Prepayments are applied on a pro rata basis against all repayment dates following the prepayment.

Hengjaya Nickel project working capital loans

During the six month period to 31 December 2019, PT Hengjaya Nickel Industry fully repaid working capital loans and associated interest charges provided by its indirect shareholders, Nickel Mines and Decent Investment International Private Limited ('Decent Investment') an associate of Shanghai Decent. These loans were proportionate to the shareholders interest in the Hengjaya Nickel project, i.e. Nickel Mines provided 60% of the total amount and Decent Investment provided 40%. Interest was charged at a rate of 6% p.a. During the period ended 31 December 2019, Hengjaya Holdings Private Limited repaid $6 million to Nickel Mines, as well as interest totalling $315,500 less withholding tax charges of $31,550, and repaid $4 million to Decent Investment, as well as interest totalling $236,000 less withholding tax charges of $23,600.

NOTE 13 - BORROWINGS (Cont'd)

Ranger Nickel project working capital loans

At the time of the Company's acquisition of an additional 43% interest in the Ranger Nickel project, the shareholders had made working capital contributions totalling $10 million, in proportion to their equity interests, i.e. $1.7 million by Nickel Mines and $8.3 million by Decent Investment and related entities. Following the acquisition, Nickel Mines commenced consolidating Ranger Investment Private Limited and contributed $4.3 million of working capital funding, with Decent Investment withdrawing the equivalent amount. Consequentially, Nickel Mines' working capital loan contributions of $6 million out of loans totalling $10 million was equivalent to its increased ownership interest of 60% of the Ranger Nickel project.

Interest was charged at a rate of 6% p.a. Subsequent to the acquisition of the additional 43% interest in August 2019 and prior to 31 December 2019 Ranger Investment Private Limited repaid $6 million to Nickel Mines, as well as interest totalling $109,667 less withholding tax charges of $10,967 and repaid $4 million to Decent Investment and its related entities, as well as interest totalling $154,767 less withholding tax charges of $15,477.

NOTE 14 - ISSUED CAPITAL

	Number of shares	$
Ordinary shares on issue at 30 June 2018 - fully paid	808,482,230	103,105,128
Issue of shares - cash	708,928,572	183,633,648
Issue of shares - share based payments	8,084,822	2,076,991
Costs of issue	-	(12,877,463)
Ordinary shares on issue at 30 June 2019 - fully paid	1,525,495,624	275,938,304
Issue of shares - cash	139,972,705	40,000,000
Costs of issue	-	(437,256)
Ordinary shares on issue at 31 December 2019 - fully paid	1,665,468,329	315,501,048

Period ended 31 December 2019

In August 2019, the Group issued 139,972,705 shares for cash totalling A$57,388,809 (equivalent to $40,000,000). There were no amounts unpaid on the shares issued and share issue costs amounted to $437,256.

Year ended 30 June 2019

In June 2019, the Group issued 137,500,000 shares for cash totalling A$55,000,000 (equivalent to $38,109,500). There were no amounts unpaid on the shares issued and share issue costs amounted to $1,566,790.

In August 2018, the Group issued 571,428,572 shares for cash totalling A$200,000,000 (equivalent to $145,524,148). There were no amounts unpaid on the shares issued and share issue costs amounted to $11,310,673. An additional 8,084,822 shares were issued as part of the costs of issue.

NOTE 14 - ISSUED CAPITAL (Cont'd)

Options

There were no options granted, exercised or lapsed unexercised during the period ended 31 December 2019 or the year ended 30 June 2019.

Dividends

There were no dividends paid or declared during the period ended 31 December 2019 or the year ended 30 June 2019.

Ordinary shares

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. The holders of ordinary shares are entitled to receive dividends as declared from time to time.

NOTE 15 - INVESTMENT IN EQUITY ACCOUNTED INVESTEE

	6 months to 31 December 2019 $	12 months to 30 June 2019 $
Investment in Hengjaya Holdings Private Limited		
Current		
Opening balance	-	50,000,025
Acquisition of an additional 35% interest	-	70,000,000
Share of profit of equity accounted investee	-	2,662,476
Fair value movement in the carrying value of investment	-	57,337,499
Consideration for business combination	-	(180,000,000)
	-	-
Investment in Ranger Investment Private Limited		
Current		
Opening balance	49,960,736	-
Acquisition of a 17% interest in equity accounted investee	-	50,000,000
Acquisition of an additional 43% interest	121,400,000	
Share of profit/(loss) of equity accounted investee	1,239,032	(39,264)
Fair value movement in the carrying value of investment	7,400,232	-
Consideration for business combination	(180,000,000)	-
	-	49,960,736

At 30 June 2019, the Company held a 17% interest in the issued share capital of Ranger Investment Private Limited, a Singaporean holding company which holds 100% of the shares (directly and indirectly) of PT Ranger Nickel Industry, an Indonesian PMA company which owns and operates the Ranger Nickel project. On 14 August 2019, the Company acquired an additional 43% interest in Ranger Investment Private Limited, taking its total interest to 60% and equity accounting of the investment in Ranger Investment Private Limited was ceased at 14 August 2019.

The Company's equity accounting share of Ranger Nickel project profit from 1 July 2019 to 14 August 2019 was $1,239,032.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

NOTE 16 - CONTROLLED ENTITIES

Acquisition of controlled entities

On 14 August 2019, the Company acquired a further 43% of the issued and paid-up share capital of Ranger Investment Private Limited which indirectly owns 100% of the Ranger Nickel project, for $121.4 million. This took the Company's interest in Ranger Investment Private Limited to 60% and equity accounting of the investment in Ranger Investment Private Limited was ceased at 14 August 2019.

The acquisition and control of Ranger Investment Private Limited had the following effect on the Group's assets and liabilities on acquisition date, determined on a provisional basis:

	Pre-acquisition carrying amounts $	Fair value adjustments $	Recognised values on acquisition $
Fair value of net assets of entity acquired:			
Cash and cash equivalents	7,244,743	-	7,244,743
Other current assets	3,366,663	-	3,366,663
Trade receivables	12,768,544	-	12,768,544
Inventory	21,369,174	-	21,369,174
Property, plant and equipment	117,795,494	176,075,010	293,870,504
Other non-current assets	5,589,087	-	5,589,087
Trade and other payables	(34,078,865)	-	(34,078,865)
Borrowings	(10,129,850)	-	(10,129,850)
Goodwill	-	26,185,546	26,185,546
Deferred income tax liability	-	(26,185,546)	(26,185,546)
Net assets and liabilities	123,924,990	176,075,010	300,000,000

Consideration transferred:	
Fair value of equity accounted investment	180,000,000
Non-controlling interest	120,000,000
	300,000,000
Cash consideration paid	(1,400,000)
Cash acquired	7,244,743
Net cash inflow	5,844,743

The values of assets and liabilities recognised on acquisition are their estimated fair values. The fair value of the assets was determined on acquisition date by reference to a valuation of $300 million, being the underlying valuation when determining the cost of any additional increase in the Company's interest in Ranger Investment Private Limited. Management also considered the findings of an Independent Experts' Report prepared by Lonergan Edwards & Associates Limited who prepared a valuation on a recent comparable transaction basis. This is considered to be a level 3 fair value assessment.

At the date of acquisition, the gross contractual amount of the Ranger Nickel project's trade receivables was $12,768,544. The fair value of the trade receivables as at 14 August 2019 and the amount Ranger Investment Private Limited expects to receive are the same as the contractual amounts. Subsequent to acquisition the trade receivables were collected in full.

NOTE 16 - CONTROLLED ENTITIES (Cont'd)

In September 2018, in accordance with its rights under a Collaboration and Subscription Agreement, the Company acquired a further 35% of the issued and paid-up share capital of Hengjaya Holdings Private Limited which indirectly owns 100% of the Hengjaya Nickel project, for $70 million. This took the Company's interest in Hengjaya Holdings Private Limited to 60%. In March 2019, the terms of the Collaboration and Subscription Agreement were amended whereby it was agreed that Nickel Mines could constitute the Board of Hengjaya Holdings Private Limited at its discretion and it was then deemed that Nickel Mines controlled Hengjaya Holdings Private Limited and equity accounting of the investment in Hengjaya Holdings Private Limited was ceased at 31 March 2019.

The acquisition and control of Hengjaya Holdings Private Limited had the following effect on the Group's assets and liabilities on control acquisition date, determined on a provisional basis:

	Pre-acquisition carrying amounts $	Fair value adjustments $	Recognised values on acquisition $
Fair value of net assets of entity acquired:			
Cash and cash equivalents	9,576,857	-	9,576,857
Other current assets	21,148,737	-	21,148,737
Property, plant and equipment	114,170,669	195,476,576	309,647,245
Other non-current assets	3,537,359	-	3,537,359
Trade and other payables	(28,699,698)	-	(28,699,698)
Borrowings	(15,210,500)	-	(15,210,500)
Goodwill	-	29,219,349	29,219,349
Deferred income tax liability	-	(29,219,349)	(29,219,349)
Net assets and liabilities	104,523,424	195,476,576	300,000,000

Consideration transferred:	
Fair value of equity accounted investment	180,000,000
Non-controlling interest	120,000,000
	300,000,000
Cash consideration paid	-
Cash acquired	9,576,857
Net cash inflow	9,576,857

The values of assets and liabilities recognised on acquisition are their estimated fair values. The fair value of the assets was determined on acquisition date by reference to a valuation of $300 million, being the underlying valuation when determining the cost of any additional increase in the Company's interest in Hengjaya Holdings Private Limited. Management also considered the findings of an Independent Experts' Report prepared by Lonergan Edwards & Associates Limited who prepared a valuation on a recent comparable transaction basis. This is considered to be a level 3 fair value assessment.

At the date of acquisition, the gross contractual amount of the Hengjaya Nickel project's trade receivables was $13,715,613. The fair value of the trade receivables as at 31 March 2019 and the amount Hengjaya Holdings Private Limited expects to receive are the same as the contractual amounts. Subsequent to acquisition the trade receivables were collected in full.

NOTE 16 - CONTROLLED ENTITIES (Cont'd)

Non-controlling interests

The following table summarises the information relating to the Group's subsidiaries that have a material non-controlling interest, before any intra-group eliminations.

	Hengjaya Holdings Private Limited and its controlled entities		PT Hengjaya Mineralindo		Ranger Investment Private Limited and its controlled entities	
	31 December 2019 $	30 June 2019 $	31 December 2019 $	30 June 2019 $	31 December 2019 $	30 June 2019 $
Non-controlling interest percentage	40%	40%	20%	20%	40%	-
Current assets	101,475,279	62,894,012	5,887,486	2,796,988	76,216,530	-
Non-current assets	336,509,990	343,917,180	31,198,951	28,042,814	322,589,337	-
Current liabilities	(21,764,708)	(46,982,173)	(7,547,875)	(6,402,369)	(26,352,730)	-
Non-current liabilities	(29,219,349)	(29,219,349)	(23,560,781)	(19,309,503)	(26,185,546)	-
Net assets	387,828,960	330,609,670	5,977,782	5,127,929	346,267,591	-
Carrying amount of non-controlling interest [3]	155,131,584	141,265,371	1,015,006	1,949,108	138,507,036	-
Revenue	132,292,676	52,717,022 [1]	12,829,854 [2]	14,184,410 [1]	103,766,484	-
Profit	48,294,053	15,647,180	1,368,492	207,940	38,661,314	-
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	48,294,053	15,647,180	1,368,492	207,940	38,661,314	-
Profit/(loss) allocated to non-controlling interest [3]	19,317,621	6,258,872	(6,087)	41,568	15,464,526	-
Other comprehensive income allocated to non-controlling interest	-	-	-	-	-	-

[1] Only includes nickel pig iron sales post 1 April 2019, the date at which Hengjaya Holdings Private Limited and its controlled entities were consolidated in the Group.

[2] Includes nickel ore sales from the Company's controlled entity PT Hengjaya Mineralindo to the Company's controlled entity PT Hengjaya Nickel Industry.

[3] After intra-group eliminations.

NOTE 16 - CONTROLLED ENTITIES (Cont'd)

Particulars in relation to controlled entities:

	Ordinary shares – Group interest 31 December 2019 %	Ordinary shares – Group interest 30 June 2019 %
Parent entity		
Nickel Mines Limited		
Controlled entities		
PT Hengjaya Mineralindo (incorporated in Indonesia)	80	80
Hengjaya Holdings Private Limited (incorporated in Singapore)	60	60
Hengjaya Nickel Private Limited (incorporated in Singapore)	60	60
PT Hengjaya Nickel Industry (incorporated in Indonesia)	60	60
Ranger Investment Private Limited (incorporated in Singapore)	60	17 [1]
Ranger Nickel Private Limited (incorporated in Singapore)	60	17 [1]
PT Ranger Nickel Industry (incorporated in Indonesia)	60	17 [1]

[1] Equity accounted – refer Note 15.

Goodwill	6 months to 31 December 2019 $	12 months to 30 June 2019 $
Opening balance	29,219,349	-
Goodwill arising on acquisition of Hengjaya Holdings Private Limited	-	29,219,349
Goodwill arising on acquisition of Ranger Investment Private Limited	26,185,546	-
	55,404,895	29,219,349

The goodwill balance has arisen on the two business combinations referred to above. The goodwill has been determined on a provisional basis and the measurement period has not yet concluded. Accordingly, the goodwill balance has not yet been finalised and allocated to a cash generating unit for impairment testing. At 31 December 2019, the Directors consider there are no indicators of impairment. The goodwill balances will be finalised and impairment testing completed no later than 31 December 2020.

NOTE 17 - RELATED PARTIES

Key management personnel of the Group include the following:

Robert Neale	Chairman (Non-Executive)	Norman Seckold	Deputy Chairman
Justin Werner	Managing Director	Peter Nightingale	Director and Chief Financial Officer
James Crombie	Director (Non-Executive)	Weifeng Huang	Director (Non-Executive)
Mark Lochtenberg	Director (Non-Executive)	Yuanyuan Xu	Director (Non-Executive)

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel for the period ended 31 December 2019. The total remuneration paid to key management personnel of the Group during the year is as follows:

Key Management Personnel compensation

	6 months to 31 December 2019 $	12 months to 30 June 2019 $
Short term employee benefits	448,785	628,511

Key Management Personnel transactions

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or joint control over the financial or operating policies of those entities. A number of these entities transacted with the Group during the year. The aggregate value of transactions and outstanding balances (excluding the compensation noted above) relating to key management personnel and entities over which they have control or joint control were as follows:

Norman Seckold and Peter Nightingale hold an interest in an entity, MIS Corporate Pty Limited ('MIS'), which provided full administrative services, including administrative, accounting, company secretarial and investor relations staff both within Australia and Indonesia, rental accommodation, services and supplies, to the Group. On 1 January 2019 MIS agreed to provide these services for a fee of A$35,000 per month. This fee will be reviewed quarterly by the Company and MIS. Fees charged by MIS during the period amounted to A$290,250 (12 months to 30 June 2019: A$402,600) which included the agreed monthly fee and the reimbursement of consultant expenses incurred by MIS on behalf of the Group. At 31 December 2019 A$15,000 (30 June 2019: A$9,000) remained outstanding and was included in the creditor's balance.

Apart from the details disclosed in this note, no Director or other related party has entered into a material contract with the Group during the year and there were no material contracts involving Director's interests subsisting at year end.

PT Ranger Nickel Industry

As detailed in Note 7, in May 2019, the Company provided a $1.7 million working capital loan to PT Ranger Nickel Industry, a subsidiary of an associate Ranger Investment Private Limited, during the commissioning phase. An additional $4.3 million working capital loan was provided to PT Ranger Nickel Industry in August 2019. Interest is charged at a rate of 6% p.a. Total interest payable by to Nickel Mines on the working capital loan on 14 August 2019, the date at which Nickel Mines acquired an additional 43% indirect interest in Ranger Investment Private Limited was $12,467 (30 June 2019: $9,633). Following this acquisition, Ranger Investment Private Limited and its controlled entities formed part of the Nickel Mines Group and the working capital loans were fully repaid to the Company prior to 31 December 2019.

NOTE 18 - STATEMENT OF CASH FLOWS

	6 months to 31 December 2019 $	12 months to 30 June 2019 $
(a) Reconciliation of cash and cash equivalents		
Cash and cash equivalents as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:		
Bank balances	49,820,013	49,002,977
(b) Reconciliation of net loss from ordinary activities after tax to net cash used in operating activities		
Profit from ordinary activities after tax	91,280,434	71,826,428
Non-cash items		
Depreciation and amortisation	16,419,372	9,277,390
Foreign exchange gain	(5,407,078)	(728,484)
Interest expense	2,336,467	35,925
Net change in fair value of investment in associate	(7,400,232)	(57,337,499)
Changes in assets and liabilities		
Trade receivables and other assets	(53,212,581)	(30,417,143)
Inventory	(47,321,083)	(3,317,957)
Provisions	116,150	(67,412)
Trade and other payables	41,397,875	14,864,509
Net cash from operating activities	38,209,324	4,133,757

NOTE 18 - STATEMENT OF CASH FLOWS (Cont'd)

(c) Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liabilities Loans and borrowings $	Equity Share capital $	Total $
Opening balance at 1 July 2019	4,180,333	275,938,304	-
Changes from financing activities			
Proceeds from issue of shares	-	40,000,000	40,000,000
Costs of issue	-	(437,256)	(437,256)
Borrowings arising on acquisition	8,300,000	-	8,300,000
Borrowings	80,000,000	-	80,000,000
Repayment of borrowings	(27,300,000)	-	(27,300,000)
Repayment of interest	(2,516,800)	-	(2,516,800)
Total changes from financing cash flows	58,483,200	39,562,744	98,045,944
Other changes			
Finance expenses	2,336,467	-	
Total other changes	2,336,467	-	
Closing balance at 31 December 2019	65,000,000	315,501,048	

NOTE 19 - FINANCIAL INSTRUMENTS DISCLOSURE

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. These policies are reviewed regularly to reflect changes in market conditions and the Group's activities.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, currency risk and interest rate risk. The summaries below present information about the Group's exposure to each of these risks, their objectives, policies and processes for measuring and managing risk, the management of capital and financial instruments.

Credit risk

Credit risk arises mainly from the risk of counterparties defaulting on the terms of their agreements. The carrying amounts of the following assets represent the Group's maximum exposure to credit risk in relation to financial assets:

		31 December 2019 $	30 June 2019 $
Cash and cash equivalents	18	49,820,013	49,002,977
Trade and other receivables	6	97,208,882	46,935,830
Loan to equity accounted investee	7	-	1,709,633
		147,028,895	97,648,440

Cash and cash equivalents

The Group mitigates credit risk on cash and cash equivalents by dealing with regulated banks in Australia, China, Indonesia and Singapore.

Trade and other receivables

Credit risk of trade and other receivables is low as it consists predominantly of nickel ore and nickel pig iron sales. Nickel ore sales are currently all to the Company's 60% owned PT Hengjaya Nickel Industry and nickel pig iron trade receivables are from sales to two customers, PT Indonesia Tsingshan Stainless Steel, a Tsingshan group company operating within the IMIP and export sales to Shanghai Decent and amounts recoverable from the Australian Taxation Authority. None of the Group's material trade and other receivables are past due.

NOTE 19 - FINANCIAL INSTRUMENTS DISCLOSURE (Cont'd)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

Consolidated	Carrying amount $	Contractual cash flows $	Less than one year $	Between one and five years $	More than five years $
31 December 2019					
Trade and other payables (including tax)	53,141,965	53,141,965	53,141,965	-	-
Borrowings	65,000,000	73,410,278	14,252,033	59,158,245	-
	118,141,965	126,552,243	67,393,998	59,158,245	-
30 June 2019					
Trade and other payables	42,552,752	42,552,752	42,552,752	-	-
Borrowings	4,180,333	4,230,000	4,230,000	-	-
Total liabilities	46,733,085	46,782,752	46,782,752	-	-

Ultimate responsibility for liquidity management rests with the Board of Directors. The Group manages liquidity risk by maintaining adequate funding where possible and monitoring of future rolling cash flow forecasts of its operations, which reflect management's expectations of expected settlement of financial assets and liabilities.

Currency risk

The Group functional currency in 2019 was assessed as being United States dollars. The Group is exposed to foreign currency risks due to the fact that the domestic ore sales of its subsidiaries PT Hengjaya Mineralindo, PT Hengjaya Nickel Industry and Ranger Nickel Industry are in Indonesian Rupiah (although the underlying sale price is denominated in US dollars), liabilities of the Group are denominated in both Indonesian Rupiah and Australian dollars and the issues of shares during the year were denominated in Australian dollars.

NOTE 19 - FINANCIAL INSTRUMENTS DISCLOSURE (Cont'd)

The Group's gross financial position exposure to foreign currency risk at 31 December is as follows:

	31 December 2019		30 June 2019	
	Foreign currency	USD	Foreign currency	USD
IDR				
Cash at bank	IDR 46,974,621,253	$3,383,729	IDR 35,870,163,502	$2,539,031
Accounts receivable	IDR 89,013,638,068	$6,411,931	IDR 615,110,927,164	$43,539,970
Other current assets	-	-	IDR 69,337,705,871	$4,907,995
Provisions	IDR 11,277,393,345	$812,346	IDR 9,385,505,761	$696,196
Taxes payable	IDR 8,366,066,505	$602,634	IDR 4,290,938,455	$303,729
Trade and other payables	IDR 607,578,601,916	$43,765,792	IDR 450,738,646,685	$31,905,054
AUD				
Cash at bank	A$25,390,739	$17,829,377	A$34,986,844	$24,571,261
Receivables	A$ 32,131	$22,562	A$180,046	$126,446
Trade and other payables	A$ 362,602	$254,619	A$172,965	$121,473

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
USD	31 December 2019	30 June 2019	31 December 2019	30 June 2019
IDR	14,090	14,469	13,883	14,128
AUD	1.4610	1.3978	1.4242	1.4239

The following sensitivity analysis is based on the exchange rate risk exposures at balance date.

At balance date, if the exchange rate between the United States dollar and the Indonesian Rupiah and the Australian dollar had moved, as illustrated in the table below, with all other variables held constant, the post-tax loss and equity would have been affected as follows:

Judgement of reasonable possible movements:

	Post tax loss (Higher)/Lower 31 December 2019 $	Total equity (Higher)/Lower 31 December 2019 $	Post tax loss (Higher)/Lower 30 June 2019 $	Total equity (Higher)/Lower 30 June 2019 $
+ 10% higher USD to IDR exchange rate	(3,538,511)	(3,538,511)	2,353,381	2,353,381
- 5% lower USD to IDR exchange rate	1,769,256	1,769,256	(1,176,691)	(1,176,691)
+ 10% higher USD to AUD exchange rate	1,759,732	1,759,732	4,183,263	4,183,263
- 5% lower USD to AUD exchange rate	(879,866)	(879,866)	(2,091,632)	(2,091,632)

NOTE 19 - FINANCIAL INSTRUMENTS DISCLOSURE (Cont'd)

Interest rate risk

The Group's exposure to market interest rate relates to cash assets.

At balance date, the Group had the following mix of financial assets and liabilities exposed to variable interest rate risk:

		31 December 2019 $	30 June 2019 $
Financial assets			
Cash and cash equivalents	18	49,820,013	49,002,977
Financial liabilities			
Borrowings	13	65,000,000	-

Sensitivity analysis

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) loss for the period by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for the comparative period.

	6 months to 31 December 2019 $	12 months to 30 June 2019 $
Profit for the year	(84,557)	(249,048)

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board ensures, where possible, costs are not incurred in excess of available funds and will seek to raise additional funding through issues of shares for the continuation of the Group's operation. There were no changes in the Group's approach to capital management during the year.

The Group is not subject to externally imposed capital requirements.

NOTE 20 - PARENT ENTITY DISCLOSURES

As at, and throughout the financial period ended 31 December 2019, the parent entity of the Group was Nickel Mines Limited.

	Parent Entity 6 months to 31 December 2019 $	Parent Entity 12 months to 30 June 2019 $
Result of the parent entity		
Net profit	4,355,503	55,971,407
Other comprehensive income	-	-
Total comprehensive profit	4,355,503	55,971,407

	31 December 2019 $	30 June 2019 $
Financial position of the parent entity at year end		
Current assets	24,143,940	48,932,604
Non-current assets	378,549,158	244,708,976
Total assets	402,693,098	293,641,580
Current liabilities	4,732,142	265,538
Non-current liabilities	60,666,667	-
Total liabilities	65,398,809	266,538
Net Assets	337,294,289	293,376,042
Equity		
Share capital	315,501,048	275,938,304
Retained profits	21,793,241	17,437,738
Total Equity	337,294,289	293,376,042

At balance date, the Company has no capital commitments or contingencies (30 June 2019: $nil).

NOTE 21 - SEGMENT INFORMATION

Segment information is presented in respect of the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise interest bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period in that geographic region.

Operating segments

For the period ended 31 December 2019, the Group had two segments, being nickel ore mining in Indonesia and the RKEF projects in Indonesia.

	Indonesia - Nickel ore mining	Indonesia – RKEF Projects	Unallocated	Total
	$	$	$	$
6 months to 31 December 2019				
External revenues	- [1]	236,059,160	-	236,059,160
Reportable segment profit/(loss) before tax	1,042,957	96,385,556	(5,974,603)	91,453,910
Interest income	9,882	(8,098)	104,338	106,122
Interest expense	-	127,648	2,208,819	2,336,467
Depreciation and amortisation	496,175	15,922,402	795	16,419,372
Reportable segment assets	35,733,798	837,616,884	24,143,940	897,496,621
Reportable segment liabilities	(8,716,103)	(101,262,603)	(65,398,810)	(175,377,516)
12 months to 30 June 2019				
External revenues	12,220,325 [1]	52,717,022 [2]	-	64,937,347
Reportable segment profit/(loss) before tax	274,629	78,120,349	(6,501,762)	71,893,216
Interest income	25,804	12,262	211,867	249,933
Interest expense	-	35,925	-	35,925
Depreciation and amortisation	1,814,896	7,461,181	1,313	9,277,390
Reportable segment assets	24,519,982	458,481,562	48,932,604	531,934,148
Reportable segment liabilities	(7,119,318)	(69,782,414)	(265,538)	(77,167,270)

(1) From 1 April 2019, sales of nickel ore are internal to the Group and so are eliminated on consolidation.

(2) The Group's external revenue is generated under nickel pig iron supply agreements with Tsingshan group companies. Only includes sales revenue of nickel pig iron from 1 April 2019 as prior to this date PT Hengjaya Nickel Industry was accounted for as an equity accounted investee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

NOTE 21 - SEGMENT INFORMATION (Cont'd)

	31 December 2019 $	30 June 2019 $
Reconciliations of reportable segment revenues and profit or loss		
Profit or loss		
Total profit for reportable segments	97,428,513	78,394,978
Unallocated amounts:		
Net other corporate income/(expenses)	(5,974,603)	(6,501,762)
Consolidated profit before tax	91,453,910	71,893,216
Reconciliations of reportable assets and liabilities		
Assets		
Total assets for reportable segments	873,352,681	483,001,545
Unallocated corporate assets	24,143,940	48,932,604
Consolidated total assets	897,496,621	531,934,148
Liabilities		
Total liabilities for reportable segments	(109,978,706)	(76,901,732)
Unallocated corporate liabilities	(65,398,810)	(265,538)
Consolidated total liabilities	(175,377,516)	(77,167,270)

Geography of reportable segment assets

	Indonesia $	Singapore $	Total $
31 December 2019			
Reportable segment assets	873,150,906	201,776	873,352,682
30 June 2019			
Reportable segment assets	482,991,778	9,767	483,001,545

Revenue

All sales during the year were to customers located in Indonesia.

Major customers

All sales of nickel pig iron during the six month period to 31 December 2019 were either exported sales to Shanghai Decent or to PT Indonesia Tsingshan Stainless Steel, an Indonesian Tsingshan group company, operating with the Indonesian Morowali Industrial Park.

All sales of nickel ore during the six month period to 31 December 2019 were to the Company's 60% owned subsidiary PT Hengjaya Nickel Industry, under an offtake agreement to supply 50,000 wmt per month.

NOTE 22 - REVENUE

Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by major production and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments.

	Nickel pig iron		Nickel ore	
	6 months to 31 December 2019 $	12 months to 30 June 2019 $	6 months to 31 December 2019 $	12 months to 30 June 2019 $
Major products	236,059,160	52,717,022	12,829,854 [(1)]	12,220,325 [(1)]
Timing of revenue recognition				
Products transferred at a point in time	236,059,160	52,717,022	12,829,854	12,220,325
Revenue from contracts with customers	236,059,160	52,717,022	12,829,854	12,220,325
External revenue as reported in Note 21	236,059,160	52,717,022	12,829,854	12,220,325

[(1)] From 1 April 2019 sales of nickel ore are internal to the Group and so are eliminated on consolidation.

The extent to which an entity's revenue is disaggregated for the purposes of this disclosure depends on the facts and circumstances of the entity's contracts with customers.

NOTE 23 - AUDITOR REMUNERATION

During the period ended 31 December 2019 KPMG, the Company's auditor, has not performed any other services in addition to their statutory audit duties.

Details of the amounts paid to the auditor of the Group, KPMG, and its related practices for audit and non-audit services provided during the period and prior year are set out below:

	31 December 2019 $	30 June 2019 $
Auditors of the Company		
Audit and review of financial reports – KPMG Australia	170,453	123,393
Audit and review of financial reports – KPMG Indonesia	62,037	122,840
Services other than statutory audit		
Investigating Accountant's services in relation to IPO	-	11,536
	232,490	257,769

NOTE 24 - SUBSEQUENT EVENTS

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

NOTE 25 - COMMITMENTS AND CONTINGENCIES

There are no contingent liabilities existing at 31 December 2019 (30 June 2019: $nil).

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Nickel Mines Limited ('the Company'):

   (a) the consolidated financial statements and notes set out on pages 17 to 51 and the Remuneration report on pages 12 to 15 in the Directors' report, are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the period ended on that date; and

      (ii) complying with Australian Accounting Standards, (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

   (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.

   (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial period ended 31 December 2019.

Signed at Sydney this 28th day of February 2020

in accordance with a resolution of the Board of Directors:

Robert Neale
Chairman

Norman Seckold
Deputy Chairman

Independent Auditor's Report

To the shareholders of Nickel Mines Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Nickel Mines Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group***'s financial position as at 31 December 2019 and of its financial performance for the six month period ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 31 December 2019;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the six month period then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the period-end or from time to time during the six month period.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

KPMG

Key Audit Matters

The ***Key Audit Matters*** we identified was the consolidation of Ranger Investment Private Limited.

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">Consolidation of Ranger Investment Private Limited ($300m)</th></tr>
<tr><td colspan="2">Refer to Note 16 Controlled Entities</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The Group's investment in Ranger Investment Private Limited (Ranger Investment) increased from 17% to 60% during the financial period. This investment was previously equity accounted, and was consolidated effective 15 August 2019.

This was as key audit matter due to the following:

• Size of the transaction: The fair value of the net assets of Ranger Investment was assessed at $300m at the date of acquisition; and

• Complexity: The terms and conditions of the acquisition agreements were complex and had pervasive impacts on the financial report.

We focused on significant judgements made by the Group in relation to:

- the date of gaining control of Ranger Investment;

- the fair value of the consideration transferred, including non-controlling interests; and

- the provisional fair values assigned to the identifiable assets and liabilities acquired.

These conditions required significant audit effort and greater involvement by senior team</td><td>Our procedures included:

• Reading the acquisition agreements to understand the key terms and conditions of the agreements and the obligations of each party to the agreements;

• Working with our valuation specialists, we assessed and challenged the key assumptions used in the purchase price allocation to identify assets and liabilities acquired, including a consideration of the existence of intangible assets in the form of rights specified in the acquisition agreements;

• Working with our valuation specialists, we assessed and challenged the Group's fair value assessments, including:

○ The fair value of the consideration transferred by assessing the value of $300m assigned by the Group by reference to an option held to acquire the remaining 40% of Ranger Investment as well as an independent experts report obtained as part of the acquisition of the additional 43%. This included assessing the competence, experience and skills of the independent expert; and

○ The provisional fair values assigned to identifiable assets and liabilities, including identifiable intangible assets;

• Testing of the acquisition date balance sheet</td></tr>
</table>

KPMG

members and KPMG valuation specialists.	of Ranger Investment to the underlying accounting records of that company and assessing the compliance of those accounting records with accounting standards, • Testing of the post-acquisition financial performance and position of Ranger Investment, compliance with the accounting policies of the Group and the accuracy of the consolidation of Ranger Investment in the Financial Report in accordance with the requirements of accounting standards; • Evaluating the Group's disclosures in the Financial Report against the requirements of accounting standards.

Other Information

Other Information is financial and non-financial information in Nickel Mines Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001;*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

KPMG

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Nickel Mines Limited for the six month period ended 31 December 2019, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 15 to 18 of the Directors' report for the six month period ended 31 December 2019.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Stephen Board
Partner

Brisbane
28 February 2020

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Nickel Mines Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Nickel Mines Limited for the financial year ended 30 June 2019 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Stephen Board
Partner

Brisbane
30 September 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2019

USD	Notes	2019 $	2018 $
Sales revenue	21	64,937,347	13,551,415
Cost of sales		(43,346,515)	(10,438,886)
Gross profit		21,590,832	3,112,529
Administration expenses:			
Directors' fees and consultants' expenses		(2,641,601)	(1,987,189)
Depreciation and amortisation expense		(6,836,420)	(319,113)
Agency fee charges		-	(1,800,000)
Share of profit of equity accounted investees	15	2,623,212	-
Other expenses	4	(1,122,798)	(626,213)
Results from operating activities		13,613,225	(1,619,986)
Financial income	5	58,315,916	675,890
Financial expense	5	(35,925)	(1,326,476)
Finance income/(expense)		58,279,991	(650,586)
Profit/(loss) before income tax		71,893,216	(2,270,572)
Income tax expense	8	(66,788)	(656,261)
Profit/(loss) for the year		71,826,428	(2,926,833)
Other comprehensive income			
Items that may be classified subsequently to profit or loss		-	-
Total comprehensive profit/(loss) for the year		71,826,428	(2,926,833)
Profit/(loss) attributable to:			
Owners of the Company		65,525,988	(3,311,526)
Non-controlling interest		6,300,440	384,693
Profit/(loss) for the year		71,826,428	(2,926,833)
Total comprehensive profit/(loss) attributable to:			
Owners of the Company		65,525,988	(3,311,526)
Non-controlling interest		6,300,440	384,693
Total comprehensive profit/(loss) for the year		71,826,428	(2,926,833)
Earnings per share			
Basic and diluted profit/(loss) per share (cents)	9	4.95	(0.72)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

USD	Notes	2019 $	2018 $
Current assets			
Cash and cash equivalents	18	49,002,977	806,574
Trade and other receivables	6	43,666,416	387,412
Inventory	10	8,917,474	588,843
Other current assets	7	6,617,630	768,643
Total current assets		108,204,497	2,551,472
Non-current assets			
Other non-current asset	7	4,459,072	242,045
Investment in equity accounted investees	15	49,960,736	50,000,025
Property, plant and equipment	11	340,090,494	26,627,634
Goodwill	16	29,219,349	-
Total non-current assets		423,729,651	76,869,704
Total assets		531,934,148	79,421,176
Current liabilities			
Trade and other payables	12	42,249,023	2,855,385
Current tax payable		303,729	657,471
Provision – employee's benefit obligation		497,886	478,549
Borrowings	13	4,180,333	-
Total current liabilities		47,230,971	3,991,405
Non-current liabilities			
Provision – rehabilitation		198,309	285,057
Deferred income tax liability	8	29,391,174	-
Other non-current liability		346,816	-
Total non-current liabilities		29,936,299	285,057
Total liabilities		77,167,270	4,276,462
Net assets		454,766,878	75,144,714
Equity			
Share capital	14	275,938,304	103,105,128
Reserves		(639,437)	(595,498)
Retained profits/(Accumulated losses)		36,253,532	(29,272,456)
Total equity attributable to equity holders of the Company		311,552,399	73,237,174
Non-controlling interest		143,214,479	1,907,540
Total equity		454,766,878	75,144,714

The above consolidated statement of financial position should be read in conjunction with accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2019

USD	Notes	Share capital $	Retained Profits/(Accumulated losses) $	Reserves $	Total $	Non-controlling interest $	Total equity $
Balance at 1 July 2017		26,188,005	(25,960,930)	(595,498)	(368,423)	1,522,847	1,154,424
Total comprehensive income for the year							
Loss for the year		-	(3,311,526)	-	(3,311,526)	384,693	(2,926,833)
Total comprehensive loss for the year		-	(3,311,526)	-	(3,311,526)	384,693	(2,926,833)
Transactions with owners, recorded directly in equity							
Issue of shares	14	79,587,329	-	-	79,587,329	-	79,587,329
Costs of issue		(2,670,206)	-	-	(2,670,206)	-	(2,670,206)
Balance at 30 June 2018		103,105,128	(29,272,456)	(595,498)	73,237,174	1,907,540	75,144,714
Balance at 1 July 2018		103,105,128	(29,272,456)	(595,498)	73,237,174	1,907,540	75,144,714
Total comprehensive income for the year							
Profit for the year		-	65,525,988	-	65,525,988	6,300,440	71,826,428
Total comprehensive profit for the year		-	65,525,988	-	65,525,988	6,300,440	71,826,428
Transactions with owners, recorded directly in equity							
Issue of shares	14	185,710,639	-	-	185,710,639	-	185,710,639
Costs of issue	14	(12,877,463)	-	-	(12,877,463)	-	(12,877,463)
Non-controlling interest arising on acquisition		-	-	(43,939)	(43,939)	135,006,499	134,962,560
Balance at 30 June 2019		275,938,304	36,253,532	(639,437)	311,552,399	143,214,479	454,766,878

The above consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

USD	Notes	2019 $	2018 $
Cash flows from operating activities			
Cash receipts from customers		33,443,269	13,468,402
Cash payments to employees and suppliers		(28,382,928)	(21,513,018)
Interest received		228,042	55,677
Taxes and fees paid		(1,154,626)	-
Research and development repayment		-	(259,102)
Net cash from/(used in) operating activities	18	4,133,757	(8,248,041)
Cash flows from investing activities			
Payments for investments in equity accounted investees	15	(120,000,000)	(50,000,025)
Payments for property, plant and equipment		(19,501,434)	(670,670)
Cash on acquisition of controlled entity	16	9,576,857	-
Loans to equity accounted investees		(10,700,000)	-
Net cash used in investing activities		(140,624,577)	(50,670,695)
Cash flows from financing activities			
Proceeds from issue of shares	14	183,633,648	73,908,362
Costs of issue		(10,800,472)	(1,770,206)
Contribution by non-controlling interest		15,000,000	-
Repayment of borrowings		(2,000,000)	(13,182,546)
Net cash from financing activities	18	185,833,176	58,955,610
Net increase in cash and cash equivalents		49,342,357	36,874
Effect of exchange rate adjustments on cash held		(1,145,953)	490,925
Cash and cash equivalents at the beginning of the year		806,574	278,775
Cash and cash equivalents at the end of the year		49,002,977	806,574

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTE 1 - REPORTING ENTITY

Nickel Mines Limited (the 'Company') is a company domiciled in Australia. The consolidated financial report for the year ended 30 June 2019 comprises the Company and its subsidiaries (together referred to as the 'Group'). The Group is a for-profit entity and is involved in nickel ore mining and nickel pig iron production operations.

NOTE 2 - BASIS OF PREPARATION

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. The consolidated financial report of the Group complies with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board ('IASB').

The financial report was authorised for issue by the Directors on 30 September 2019.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value.

Functional and presentation currency

These consolidated financial statements are presented in United States dollars, which is the Company's functional currency.

Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 8 – Income tax expense.
- Note 15 – Investment in equity accounted associates.
- Note 16 – Controlled entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling interest

The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree. Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions.

Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Where a controlled entity issues shares to minority interests which does not result in loss of control by the Group, any gain or loss arising on the Group's interest in the controlled entity is recognised directly in equity.

Investments in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and a joint venture.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

Nickel ore and nickel pig iron sales revenue

Nickel ore and nickel pig iron sales revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over goods or a service to a customer.

Invoices for nickel ore sales are generated twice a month upon receipt of assay results and are usually payable within 10 working days. Invoices for nickel pig iron sales are generated on a monthly basis and are based on the underlying nickel content delivered. They are usually payable within 60 days. No discounts are provided for nickel ore and nickel pig iron products, but adjustments are made to the final sale price for items including final nickel grade, moisture content and nickel content.

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to United States dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to United States dollars at foreign exchange rates ruling at the dates the fair value was determined.

The Group transacts in the following foreign currencies: Australian dollars (A$ or AUD) and Indonesian Rupee (IDR).

Financial statements of foreign operations

The assets and liabilities of foreign entities are translated to United States dollars at the foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated to United States dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in the foreign currency translation reserve ('FCTR'), a separate component of equity.

Foreign exchange gains and losses arising from a monetary item receivable or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in the FCTR.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to United States dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to United States dollars at exchange rates at the dates of the transactions. When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss as part of the profit or loss on disposal.

At 30 June 2019 the functional currency of all components in the Group is United States dollars. The FCTR represents the foreign exchange differences which arose on retranslation in prior years on subsidiaries which have not yet been disposed.

Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see below Impairment accounting policy).

Depreciation and amortisation

Mining properties amortisation rate is applied on a straight-line basis over the remaining term of the mining licence. The amortisation is included in the costs of conversion of inventories.

Depreciation is charged to the income statement using a reducing balance method from the date of acquisition using the following rates:

- Furniture and fittings and plant and machinery are depreciated at 25%.
- Land and buildings and infrastructure are depreciated at 5%.
- Mine infrastructure assets are depreciated at 5%.
- Office equipment is depreciated at rates of between 25% and 40%.
- Plant and machinery are depreciated at rates if between 12.5% and 25%.

Impairment

Financial assets

Policy applicable from 1 July 2018

The Group recognises expected credit losses ('ECLs'), where material, on:

- Financial assets measured at amortised cost;

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12 month ECLs:

- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at fair value through Profit or Loss are credit impaired.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Policy applicable before 1 July 2018

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Non-financial assets

The carrying amounts of the Group's assets, other than deferred tax assets and inventories, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

Calculation of recoverable amount

The recoverable amount of assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Share capital

Transaction costs

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

Finance income and finance costs

The Group’s finance income and finance costs include:

- interest income;
- interest expense;
- dividend income;
- the foreign currency gain or loss on financial assets and financial liabilities; and
- the gain on the remeasurement to fair value of any pre-existing interest in an acquiree in a business combination.

Interest income or expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date on which the Group’s right to receive payment is established.

The ‘effective interest rate’ is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs which are directly attributable to the Group’s exploration and evaluation and development activities are capitalised in relation to qualifying assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

Income tax

Income tax on the income statement for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for: The initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

Employee benefits

Wages, salaries, annual leave, sick leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on average costs over the relevant period of production, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

Site restoration

In accordance with the Group's environmental policy and applicable legal requirements, a provision for site restoration in respect of disturbed land, and the related expense, is recognised when the land is disturbed.

Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Liabilities classified at fair value through profit or loss

The fair value of those convertible notes that are measured at fair value through profit or loss have been measured with reference to the terms of the Convertible Loan Facility Agreement using a valuation technique that considers inputs that include risk adjusted discount factor, probability of achieving IPO and US treasury bond rate.

Exploration, evaluation and development expenditure

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised at cost or fair value, as exploration and evaluation assets on an area of interest basis. Costs incurred before the Group has obtained the legal rights to explore an area are recognised in the statement of comprehensive income.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or other wise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability and facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from exploration and evaluation expenditure to mining property and development assets within property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

Financial instruments

Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Classification and subsequent measurement – Policy applicable from 1 July 2018

On initial recognition, a financial asset is classified as measured at:

- amortised cost;
- fair value through other comprehensive income (FVOCI) – equity investment; or
- fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as fair value through profit or loss if:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value through other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Subsequent measurement and gains and losses – Policy applicable from 1 July 2018

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Equity instruments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss.
Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Prior to 1 July 2018, the Group classified its financial assets into the following categories:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as non-current. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which take into account any dividend income, are recognised in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. They are included in current assets, except for those with maturities greater than 12 months after the reporting period, which are classified as non-current assets. Loans and receivables comprise cash and cash equivalents and trade and other receivables.

Available-for-sale financial assets

The Group's investments in equity securities are classified as available-for-sale financial assets. Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the cumulative gain or loss is reclassified to profit or loss.

Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Liabilities classified at fair value through profit or loss

When a convertible note is identified to contain an embedded derivative that meets the definition of a liability, the whole contract is measured and accounted for at fair value through profit or loss, unless the derivative is able to be measured reliably, in which case it is separated from the host contract and accounted for separately at fair value through profit or loss.

Any gains or losses arising on the instrument upon fair valuing at inception are not immediately recognised as a gain or loss in profit or loss, but are instead deferred and recognised as a gain or loss in profit or loss on a systematic basis over the life of the instrument. Any subsequent movement in the fair value of financial instruments that are carried at fair value through profit or loss are recognised directly in profit or loss within finance expenses.

Transaction costs of financial liabilities that are carried at fair value through profit or loss are expensed in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

Changes in significant accounting policies

The Group has initially applied AASB 15 (see A below) and AASB 9 (see B below) from 1 July 2018. A number of other new standards are also effective from 1 July 2018 but they do not have a material effect on the Group's financial statements.

Due to the transition methods chosen by the Group in applying these standards, comparative information through these financial statements has not been restated to reflect the requirements of the new standards. The effect of initially applying these standards has not had a material impact on the financial report.

A. AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces AASB 118 *Revenue* and related interpretations. Under AASB 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Group has adopted AASB 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of the initial application (1 July 2018). Accordingly, the information presented for 2018 has not been restated and has been presented as previously reported, under AASB 118. Additionally, the disclosure requirements in AASB 15 have not generally been applied to comparative information.

AASB 15 did not have a significant impact on the Group's accounting policies with respect to nickel ore and nickel pig iron sales.

For additional information about the Group's accounting policies relating to revenue recognition, refer to the Financial Instruments Accounting Policy note.

B. AASB 9 Financial Instruments

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces AASB 139 Financial Instruments: Recognition and Measurement.

i. Classification and measurement of financial assets and financial liabilities

AASB 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. AASB 9 eliminates the previous AASB 139 categories of held to maturity, loans and receivables and available for sale. Under AASB 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

AASB 9 largely retains the existing requirements in AASB 139 for the classification and measurement of financial liabilities. The adoption of AASB 9 has not had a significant effect on the Group's accounting policies related to financial liabilities.

For an explanation of how the Group classifies and measures financial instruments and accounts for related gains and losses under AASB 9, refer to the Financial Instruments Accounting Policy note.

i. Impairment of financial assets

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised costs, contract assets and debt instruments at FVOCI, but not to investments in equity instruments. Under AASB 9, credit losses are recognised earlier than under AASB 139.

For assets in the scope of the AASB 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of AASB 9's impairment requirements at 1 July 2018 has not resulted in additional allowance for impairment.

New standards and interpretations not yet adopted

New standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2019, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

AASB 16 Leases

AASB 16 replaces existing leases guidance, including AASB 17 Leases. The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply AASB 15 at or before the date of initial application of AASB 16.

AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Group has not yet competed a detailed assessment of the potential impact of applying AASB 16 on the financial statements.

	2019 $	2018 $

NOTE 4 - OTHER EXPENSES

	2019 $	2018 $
Audit fees – KPMG audit of financial reports	246,234	88,767
IPO related fees – KPMG	11,536	43,429
Travel	252,467	91,790
Legal fees	523,706	378,687
Tax charges	88,855	23,540
	1,122,798	626,213

NOTE 5 - FINANCIAL INCOME AND FINANCE EXPENSE

	2019 $	2018 $
Interest income	249,933	55,677
Interest expense	(35,925)	(315,813)
Loss on extinguishing liabilities	-	(602,881)
Net change in fair value of financial liabilities at fair value	-	(407,782)
Net change in fair value of investment in associate	57,337,499 [1]	-
Foreign exchange gain	728,484	620,213
	58,279,991	(650,586)

[1] See note 15 for further details.

NOTE 6 - TRADE AND OTHER RECEIVABLES

	2019 $	2018 $
GST/VAT receivable	58,612	11,291
Trade receivables	43,607,804	367,662
Other	-	8,459
	43,666,416	387,412

	2019 $	2018 $

NOTE 7 - OTHER ASSETS

	2019 $	2018 $
Current		
Prepayments - IPO Costs	-	483,451
Prepayments - other	1,623,187	268,221
Security deposit	-	8,002
Loan to equity accounted investee	1,709,633	-
Other	3,284,810	8,969
	6,617,630	768,643

In May 2019, the Company provided a $1.7 million working capital loan to an associate, Ranger Nickel during the commissioning phase. Interest is charged at a rate of 6% p.a. and the balance is expected to be repaid within 12 months.

	2019 $	2018 $
Non-current		
Prepayments	4,059,223	-
Other	399,849	242,045
	4,459,072	242,045

NOTE 8 - INCOME TAX EXPENSE

	2019 $	2018 $
Profit/(loss) before tax – continuing operations	71,893,216	(2,270,572)
Prima facie income tax expense/(benefit) at the Australian tax rate of 30% (2018: 30%)	21,567,965	(681,172)
Increase in income tax expense/(benefit) due to:		
- Effect of tax rates in foreign jurisdictions	(38,043)	(136,976)
- Non-deductible expenses/(non-assessable income)	(20,709,711)	1,632,739
- Effect of deferred tax assets for tax losses not brought to account	64,764	(42,686)
- Effect of net deferred tax assets not brought to account	(889,085)	(32,882)
- Effect of foreign currency conversion	70,898	(82,762)
Income tax expense/(benefit) – current and deferred	66,788	656,261

Deferred tax assets/(liabilities) have been recognised in respect of the following items:

	2019 $	2018 $
DTL net deductible temporary differences	29,391,174	-
Net	29,391,174	-

Deferred tax assets have not been recognised in respect of the following items:

	2019 $	2018 $
Deductible temporary differences (net)	2,229,539	(26,609)
Tax losses	719,898	760,707
Net	2,949,437	734,098

The deductible temporary differences and tax losses do not expire under the current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise the benefits of the deferred tax asset. The Company does not have any franking credits.

NOTE 9 - PROFIT/(LOSS) PER SHARE

	2019 $	2018 $
Basic and diluted profit/(loss) per share have been calculated using:		
Net profit/(loss) for the year attributable to equity holders of the Company	65,525,988	(3,311,526)
Weighted average number of ordinary shares (basic and diluted)	**Nº of shares**	**Nº of shares**
Issued ordinary shares at the beginning of the year	808,482,230	317,330,516
- Effect of shares issued on 22 December 2017	-	43,011,718
- Effect of shares issued on 28 December 2017	-	15,294,233
- Effect of shares issued on 11 January 2018	-	13,624,425
- Effect of shares issued on 30 January 2018	-	4,148,352
- Effect of shares issued on 31 January 2018	-	6,796,291
- Effect of shares issued on 26 March 2018	-	1,648,352
- Effect of shares issued on 18 April 2018	-	31,180,898
- Effect of shares issued on 26 April 2018	-	28,768,277
- Effect of shares issued on 14 August 2018	509,462,325	-
- Effect of shares issued on 13 June 2019	6,421,703	-
Weighted average number of shares at the end of the year	1,324,366,258	461,803,062

NOTE 10 - INVENTORY

	2019 $	2018 $
Inventory – ore stockpiles	714,190	588,843
Inventory – NPI production raw materials	8,203,284	-
	8,917,474	588,843

During the year, the Group provided nickel ore to PT Indonesia Tsingshan Stainless Steel (‘ITSS’), an Indonesian Tsingshan group company, under an offtake agreement signed in October 2017 with ITSS guaranteeing to take supply of 50,000 wmt per month until 31 December 2018, with a cut-off grade of 1.60% nickel. In January 2019, the Group commenced supplying ore to the Company’s 60% owned subsidiary PT Hengjaya Nickel Industry (‘Hengjaya Nickel’), under an offtake agreement to supply 50,000 wmt per month in anticipation of the commencement of NPI production at Hengjaya Nickel.

Inventories are measured at the lower of cost and net realisable value. The cost of goods for the year ended 30 June 2019 totalling $43,346,515 (2018: $10,438,886) included employee expenses of $1,427,741 (2018: $1,132,787).

	2019 $	2018 $
NOTE 11 - PROPERTY, PLANT AND EQUIPMENT		
Furniture and fittings		
Furniture and fittings – cost	69,911	37,541
Accumulated depreciation	(46,127)	(34,826)
Net book value	23,784	2,715
Mine infrastructure assets		
Mine infrastructure assets – cost	3,526,044	2,404,029
Accumulated depreciation	(1,166,887)	(705,194)
Net book value	2,359,157	1,698,835
Buildings		
Buildings – cost	30,657,609	250,682
Accumulated depreciation	(602,563)	(64,623)
Net book value	30,055,046	186,059
Mining properties		
Mining properties – cost	27,836,972	24,996,168
Accumulated amortisation	(1,572,159)	(553,855)
Net book value	26,264,813	24,442,313
Office equipment		
Office equipment – cost	619,248	288,485
Accumulated depreciation	(269,485)	(168,726)
Net book value	349,763	119,759
Plant and machinery		
Plant and machinery – cost	286,026,881	661,949
Accumulated depreciation	(5,313,393)	(629,730)
Net book value	280,713,488	32,219
Motor vehicles		
Motor vehicles – cost	348,838	147,367
Accumulated depreciation	(24,395)	(1,633)
Net book value	324,443	145,734
Total property, plant and equipment	340,090,494	26,627,634

Impairment

After consideration of both internal and external factors, the Directors believe that no indicators of impairment existed at 30 June 2019 and have therefore not completed an impairment assessment over the carrying value of the Group's property, plant and equipment assets at 30 June 2019.

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below.

	2019 $	2018 $
Furniture and fittings		
Carrying amount at beginning of year	2,716	2,480
Additions	32,370	1,184
Depreciation	(11,302)	(948)
Net book value	23,784	2,716
Mine infrastructure assets		
Carrying amount at beginning of year	1,698,835	1,803,321
Additions	1,122,014	129
Depreciation	(461,692)	(104,615)
Net book value	2,359,157	1,698,835
Buildings		
Carrying amount at beginning of year	186,059	189,961
Additions	30,406,927	6,950
Depreciation	(537,940)	(10,852)
Net book value	30,055,046	186,059
Mining properties		
Carrying amount at beginning of year	24,442,312	24,113,579
Additions	2,840,804	471,221
Amortisation	(1,018,303)	(142,488)
Net book value	26,264,813	24,442,312
Office equipment		
Carrying amount at beginning of year	119,759	125,052
Additions	330,762	34,905
Depreciation	(100,758)	(40,198)
Net book value	349,763	119,759
Plant and machinery		
Carrying amount at beginning of year	32,219	41,682
Additions	285,364,932	8,916
Depreciation	(4,683,663)	(18,379)
Net book value	280,713,488	32,219
Motor vehicles		
Carrying amount at beginning of year	145,734	-
Additions	201,471	147,367
Depreciation	(22,762)	(1,633)
Net book value	324,443	145,734

Change in accounting estimate

During 2019, management reassessed the expected pattern of consumption of the mining properties and mine infrastructure assets held in relation to the PT Hengjaya Mineralindo mine. Previously the assets were being amortised on a units of production basis over the life of the economically recoverable reserves. However, as a result of the Company receiving final approval to access a new mine area the expected recoverable reserves have increased significantly and the reserves are estimated to exceed the term of the mining licence currently held. Management do not believe it is appropriate to amortise the current assets over a period in excess of the term of the mining licence. Accordingly, management have completed a reassessment of the expected useful life of mining assets and have determined it appropriate to amortise the remaining carrying balance over the current mining licence term to 2031 on a straight line basis.

These changes have been applied with effect from 1 July 2018 and have resulted in an increase in amortisation expense for the year ended 30 June 2019 of $865,185, included within 'Cost of sales'.

The effect on future periods has not been disclosed because management believe estimating the impact is impracticable as it would require estimates on future mining production.

	2019 $	2018 $

NOTE 12 - TRADE AND OTHER PAYABLES

Current		
Creditors	39,228,037	2,533,155
Accruals	3,020,986	322,230
	42,249,023	2,855,385

NOTE 13 - BORROWINGS

Current		
Working capital loan	4,000,000	-
Interest on working capital loan	180,333	-
	4,180,333	-

During the year, the indirect shareholders of Hengjaya Nickel, Nickel Mines and Decent Investment International Private Limited ('Decent Investment') an associate of Shanghai Decent, provided working capital loans to Hengjaya Nickel totalling $15 million to fund operations through the ramp-up commissioning phase of operations. These loans were proportionate to the shareholders interest in Hengjaya Nickel. i.e. Nickel Mines provided 60% of the total amount, $9 million and Decent Investment provided 40%, $6 million. Interest is charged at a rate of 6% p.a. In May 2019, $3 million was repaid to Nickel Mines and $2 million to Decent Investment. Total interest payable by Hengjaya Nickel on the working capital loans was $413,833, with $233,500 payable to the Company eliminating on consolidation and $180,333 payable to Decent Investment. There is no fixed repayment date but it is anticipated the loans will be repaid within the next twelve months.

NOTE 14 - ISSUED CAPITAL

	Number of shares	$
Ordinary shares on issue at 30 June 2017 - fully paid	317,330,516	26,188,005
Issue of shares - cash	455,793,411	73,908,362
Issue of shares - share based payments	35,358,303	5,678,967
Costs of issue	-	(2,670,206)
Ordinary shares on issue at 30 June 2018 - fully paid	808,482,230	103,105,128
Issue of shares - cash	708,928,572	183,633,648
Issue of shares - non-cash	8,084,822	2,076,991
Costs of issue	-	(12,877,463)
Ordinary shares on issue at 30 June 2019 - fully paid	1,525,495,624	275,938,304

2019

In June 2019 the Group issued 137,500,000 shares for cash totalling A$55,000,000 (equivalent to $38,109,500). There were no amounts unpaid on the shares issued and share issue costs amounted to $1,566,790.

In August 2018 the Group issued 571,428,572 shares for cash totalling A$200,000,000 (equivalent to $147,601,139). There were no amounts unpaid on the shares issued and share issue costs amounted to $11,310,673. 8,084,822 additional shares were issued as part of the costs of issue.

2018

During the year ended 30 June 2018 the Group issued 455,793,411 shares for cash totalling $73,908,362. There were no amounts unpaid on the shares issued and share issue costs amounted to $2,670,206. In addition to the cash issues the Group had the following share based payment arrangements:

Settlement of liabilities

During the year ended 30 June 2018, 29,408,347 shares were issued as full settlement of liabilities owing totalling $4,726,974. This included the following:

- Repayment of an unrelated party loan and related liabilities: $1,600,000 settled through the issue of 10,000,000 $0.16 shares.
- Repayment of related party loans: $1,396,788 settled through the issue of 8,594,681 shares. This includes 6,898,239 shares issued at $A0.213 per share and 1,696,442 shares issued at $0.16 per share (see note 17).
- Payment of creditors: $1,730,187 of creditor balances were settled through the issues of 10,813,666 shares issued at $0.16 per share.

Director and employee payments

During the year ended 30 June 2018, as noted in note 17, the Directors received a one-off payment in recognition of their efforts in respect of the pre-IPO capital raise in December 2017. The approved payment totalled A$976,000 (excluding GST). The payment of A$1,057,600 (including GST) was converted to $851,368 using the rate of 80.5c and settled through the issue of shares on 31 January 2018 at the pre-IPO capital raising price of $0.16 per share.

Bonus payments totalling $100,625 were granted to employees of the Group in recognition of their efforts in respect of the pre-IPO capital raise in December 2017. The payments were settled through the issue of 628,906 shares at an issue price of $0.16 per share.

Options

There were no options granted, exercised or lapsed unexercised during the year ended 30 June 2019 or year ended 30 June 2018.

Dividends

There were no dividends paid or declared during the year ended 30 June 2019 or year ended 30 June 2018.

Ordinary shares

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. The holders of ordinary shares are entitled to receive dividends as declared from time to time.

NOTE 15 - INVESTMENT IN EQUITY ACCOUNTED INVESTEE

Investment in Hengjaya Holdings Private Limited

	2019 $	2018 $
Current		
Opening balance	50,000,025	-
Acquisition of a 25% interest in equity accounted investee	-	50,000,025
Acquisition of an additional 35% interest	70,000,000	-
Share of profit of equity accounted investee	2,662,476	-
Fair value movement in the carrying value of investment	57,337,499	
Consideration for business combination	(180,000,000)	-
	-	50,000,025

In September 2018, following successful completion of the Company's IPO capital raising, the Company acquired an additional 35% of the issued share capital of Hengjaya Holdings Private Limited ('Hengjaya Holdings'), a Singaporean holding company which holds 100% of the shares (directly and indirectly) of Hengjaya Nickel, an Indonesian PMA company which owns and operates the RKEF project. This acquisition increased the Company's interest in Hengjaya Holdings to 60%. As a result of the terms of an agreement between shareholders of Hengjaya Nickel, the Company continued to equity account this investment until the terms of the agreement were amended whereby it was agreed that Nickel Mines could constitute the Board of Hengjaya Holdings at its discretion once it held a 60% interest in Hengjaya Holdings. It was then deemed that Nickel Mines controlled Hengjaya Holdings and equity accounting of the investment in Hengjaya Holdings was ceased at 31 March 2019.

The Company's equity accounting share of Hengjaya Holdings profit from 1 July 2018 to 31 March 2019 was $2,662,476.

Investment in Ranger Holdings Private Limited

	2019 $	2018 $
Current		
Opening balance	-	-
Acquisition of a 17% interest in equity accounted investee	50,000,000	-
Share of loss of equity accounted investee	(39,264)	-
	49,960,736	-

In November 2018, the Company converted a non-binding Memorandum of Understanding with Shanghai Decent to acquire an interest in the issued share capital of Ranger Holdings Private Limited ('Ranger Holdings'), a Singaporean holding company which holds 100% of the shares (directly and indirectly) of PT Ranger Nickel Industry ('Ranger Nickel'), an Indonesian PMA company owns and operates the RKEF project, into a binding agreement. Following the execution of the binding agreement the Company acquired a 17% interest in Ranger Holdings for $50,000,000.

The following table summarises the financial information of the Group's 17% ownership interest of Ranger Holdings.

	2019 $	2018 $
Current assets	12,097,107	-
Non-current assets	120,238,493	-
Current liabilities	(34,667,439)	-
Net assets (100%)	97,668,161	-
Group's share of net assets (17%)	16,603,587	-
Fair value adjustment at acquisition	33,357,149	-
Carrying amount of interest in Ranger Holdings	49,960,736	-
Loss from continuing operations (100%)	230,963	-
Total comprehensive income (100%)	230,963	-
Group's share to total comprehensive income (17%)	39,264	-

In April 2019, the Company announced the intention to move from 17% to 60% via a funding package comprising a mixture of debt and equity. Subsequent to year end and shareholder approval, the Company has increased its interest in Ranger Holdings from 17% to 60% for $121.4 million with consideration being funded by the drawdown of an $80 million senior debt facility provided by a Shanghai Decent associated company, the issue of 139,972,705 shares in the Company for $40 million and a cash payment of $1.4 million. The acquisition was based on an underlying valuation of $300 million for the Ranger Nickel project, discounted to $280 million upon the early exercise of the option to move to the 60% interest.

At 30 June 2019 the investment in Ranger Holdings is accounted for as an equity accounted investment as the Company believes it has significant influence over Ranger Holdings and Ranger Nickel. The Company's share of the loss for the period is $39,264.

NOTE 16 - CONTROLLED ENTITIES

Acquisition of controlled entities

In August 2018, in accordance with its rights under a Collaboration and Subscription Agreement, the Company acquired a further 35% of the issued and paid-up share capital of Hengjaya Holdings Private Limited ('Hengjaya Holdings'), an intermediary company which owns 100% of the Hengjaya Nickel project, for $70 million. This took the Company's interest in Hengjaya Holdings to 60%. As detailed in note 15, the terms of the agreement were amended whereby it was agreed that Nickel Mines could constitute the Board of Hengjaya Holdings at its discretion once it held a 60% interest in Hengjaya Holdings. It was then deemed that Nickel Mines controlled Hengjaya Holdings and equity accounting of the investment in Hengjaya Holdings was ceased at 31 March 2019.

The acquisition and control of Hengjaya Holdings had the following effect on the Group's assets and liabilities on acquisition date, determined on a provisional basis:

	Pre-acquisition carrying amounts $	Fair value adjustments $	Recognised values on acquisition $
Fair value of net assets of entity acquired:			
Cash and cash equivalents	9,576,857	-	9,576,857
Other current assets	21,148,737	-	21,148,737
Property, plant and equipment	114,170,669	195,476,576	309,647,245
Other non-current assets	3,537,359	-	3,537,359
Trade and other payables	(28,699,698)	-	(28,699,698)
Borrowings	(15,210,500)	-	(15,210,500)
Goodwill	-	29,219,349	29,219,349
Deferred income tax liability	-	(29,219,349)	(29,219,349)
Net assets and liabilities	104,523,424	195,476,576	300,000,000

Consideration transferred:	
Fair value of equity accounted investment	180,000,000
Non-controlling interest	120,000,000
	300,000,000
Cash/consideration paid	-
Cash acquired	9,576,857
Net cash inflow	9,576,857

The values of assets and liabilities recognised on acquisition are their estimated fair values. The fair value of the assets was determined on acquisition date by reference to a valuation of $300 million, being the underlying valuation when determining the cost of any additional increase in the Company's interest in Hengjaya Holdings. Management also considered the findings of an Independent Experts Report prepared by Lonergan Edwards & Associates Limited who prepared a valuation on a recent comparable transaction basis. This is considered to be a level 3 fair value assessment.

At the date of acquisition, the gross contractual amount of the Hengjaya Nickel project's trade receivables was $13,715,613. The fair value of the trade receivables as at 31 March 2019 and the amount Hengjaya Holdings expects to receive are the same as the contractual amounts. Subsequent to acquisition the trade receivables were collected in full.

Non-controlling interests

The following table summarises the information relating to the Group's subsidiaries that have a material non-controlling interest, before any intra-group eliminations.

	PT Hengjaya Mineralindo		Hengjaya Holdings and its controlled entities	
	2019	2018	2019	2018
	$	$	$	$
Non-controlling interest percentage	20%	20%	40%	-
Current assets	2,796,988	1,953,623	62,894,012	-
Non-current assets	28,042,814	25,061,559	343,917,180	-
Current liabilities	(6,402,369)	(3,496,488)	(46,982,173)	-
Non-current liabilities	(19,309,503)	(18,598,676)	(29,219,349)	-
Net assets	5,127,929	4,920,018	330,609,670	-
Carrying amount of non-controlling interest	1,949,108	1,907,540	141,265,371	-
Revenue	14,184,410 [(1)]	13,551,416	52,717,022 [(2)]	-
Profit	207,940	1,987,862	15,647,180	-
Other comprehensive income	-	-	-	-
Total comprehensive income	207,840	1,987,862	15,647,180	-
Profit allocated to non-controlling interest	41,568	384,693	6,258,872	
Other comprehensive income allocated to non-controlling interest	-	-	-	-

(1) Includes nickel ore sales post 1 April 2019 to the Company's controlled entity PT Hengjaya Nickel Industry.

(2) Only includes nickel pig iron sales post 1 April 2019, the date at which Hengjaya Holdings and its controlled entities were consolidated in the Group.

Particulars in relation to controlled entities:

	Ordinary shares – Group interest 2019 %	Ordinary shares – Group interest 2019 %
Parent entity		
Nickel Mines Limited		
Controlled entities		
PT Hengjaya Mineralindo (incorporated in Indonesia)	80	80
Hengjaya Holdings Private Limited (incorporated in Singapore)	60	25 [(1)]
Hengjaya Nickel Private Limited (incorporated in Singapore)	60	25 [(1)]
PT Hengjaya Nickel Industry (incorporated in Indonesia)	60	25 [(1)]

(1) Equity accounted in 2018 – refer note 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

NOTE 17 - RELATED PARTIES

Key management personnel of the Group include the following:

Robert Neale	Chairman (Non-Executive)	Norman Seckold	Deputy Chairman
Justin Werner	Managing Director	Peter Nightingale	Director and Chief Financial Officer
James Crombie	Director (Non-Executive)	Weifeng Huang	Director (Non-Executive)
Mark Lochtenberg	Director (Non-Executive)	Yuanyuan Xu	Director (Non-Executive)

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the group's key management personnel for the year ended 30 June 2019. The total remuneration paid to key management personnel of the Group during the year is as follows:

Key Management Personnel compensation

	2019 $	2018 $
Short term employee benefits	628,511	213,131
Share based payments	-	761,476
	628,511	974,607

Key Management Personnel transactions

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or joint control over the financial or operating policies of those entities. A number of these entities transacted with the Group during the year. The aggregate value of transactions and outstanding balances (excluding the compensation noted above) relating to key management personnel and entities over which they have control or joint control were as follows:

		Expense		Balance outstanding	
		2019 $	2018 $	2019 $	2018 $
Other related parties	**Transaction**				
MIS Corporate Pty Limited	Loan and interest	-	11,199	-	-
MIS Corporate Pty Limited	Administration services	288,020	219,431	6,321	37,950
		288,020	230,630	6,321	37,950

Norman Seckold and Peter Nightingale hold an interest in an entity, MIS Corporate Pty Limited ('MIS'), which provided full administrative services, including administrative, accounting, company secretarial and investor relations staff both within Australia and Indonesia, rental accommodation, services and supplies, to the Group. On 1 July 2018 MIS agreed to provide these services for a fee of A$15,000 per month. On 1 January 2019 MIS agreed to provide these services for a fee of A$35,000 per month. This fee will be reviewed quarterly by the Company and MIS. Fees charged by MIS during the year amounted to A$402,600 (2018: A$279,452) which included the agreed monthly fee and the reimbursement of consultant expenses incurred by MIS on behalf of the Group. At 30 June 2019 A$9,000 (30 June 2018: A$51,346) remained outstanding and was included in the creditor's balance.

Apart from the details disclosed in this note, no Director or other related party has entered into a material contract with the Group during the year and there were no material contracts involving director's interests subsisting at year end.

PT Hengjaya Nickel Industry

Prior to the Company's consolidation of Hengjaya Nickel on 1 April 2019, Hengjaya Nickel was classified as a related party. During the period from 1 January 2019 to 31 March 2019, the Group supplied ore to Hengjaya Nickel for a total sale amount of $13,715,613.

As detailed in note 13 during the year Nickel Mines and Decent Investment provided a working capital loans to Hengjaya Nickel of $9 million to fund operations through the ramp-up commissioning phase of operations. Interest is charged at a rate of 6% p.a. This loans was made when Hengjaya Nickel was a related party, prior to the Company's consolidation of Hengjaya Nickel on 1 April 2019. In May 2019, $3 million was repaid to Nickel Mines. Total interest payable by Hengjaya Nickel to Nickel Mines on the working capital loan was $233,500 to 30 June 2019, with this amount now eliminating on consolidation.

PT Ranger Nickel Industry

As detailed in note 7, in May 2019, the Company provided a $1.7 million working capital loan to an associate, Ranger Nickel during the commissioning phase. Interest is charged at a rate of 6% p.a. Total interest payable by Ranger Nickel to Nickel Mines on the working capital loan was $9,633 to 30 June 2019.

NOTE 18 - STATEMENT OF CASH FLOWS

	2019 $	2018 $
(a) Reconciliation of cash and cash equivalents		
Cash and cash equivalents at the end of the year as shown in the Statements of Cash Flows is reconciled to the related items in the Balance Sheets as follows:		
Bank balances	49,002,977	806,574
(b) Reconciliation of net loss from ordinary activities after tax to net cash used in operating activities		
Profit/(loss) from ordinary activities after tax	71,826,428	(2,926,833)
Non-cash items		
Depreciation and amortisation	6,836,420	64,425
Foreign exchange gain	(728,484)	(620,213)
Interest expense and loss on extinguished liabilities	35,925	642,213
Net change in fair value of financial liabilities	-	407,782
Net change in fair value of investment in associate	(57,337,499)	-
Changes in assets and liabilities		
Trade receivables and other assets	(30,417,143)	(731,737)
Inventory	(3,317,957)	370,608
Provisions	(67,412)	197,546
Trade and other payables	17,305,479	(5,651,832)
Net cash from/(used in) operating activities	4,133,757	(8,248,041)

(c) Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liabilities Loans and borrowings $	Equity Share capital $	Non-Controlling interest $	Total $
Opening balance at 1 July 2018	-	103,105,128		
Changes from financing activities				
Proceeds from issue of shares	-	183,633,648	-	183,633,648
Costs of issue	-	(10,800,472)	-	(10,800,472)
Borrowings	6,000,000 [(1)]	-	-	-
Repayment of borrowings	(2,000,000)	-	-	(2,000,000)
Contribution from non-controlling interest	-	-	15,000,000	15,000,000
Total changes from financing cash flows	4,000,000	172,833,176	15,000,000	185,833,176
Other changes				
Finance expenses	180,333	-		
Total other changes	180,333	-		
Closing balance at 30 June 2019	4,180,333	275,938,304		

[(1)] Represents a working capital loan from Shanghai Decent to Hengjaya Nickel prior to the Company's consolidation of Hengjaya Nickel from 1 April 2019 and as such does not appear in cash flow reporting.

NOTE 19 - FINANCIAL INSTRUMENTS DISCLOSURE

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. These policies are reviewed regularly to reflect changes in market conditions and the Group's activities.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, currency risk and interest rate risk. The summaries below presents information about the Group's exposure to each of these risks, their objectives, policies and processes for measuring and managing risk, the management of capital and financial instruments.

Credit risk

Credit risk arises mainly from the risk of counterparties defaulting on the terms of their agreements. The carrying amounts of the following assets represent the Group's maximum exposure to credit risk in relation to financial assets:

		2019 $	2018 $
Cash and cash equivalents	18	49,002,977	806,574
Trade and other receivables	6	43,666,416	387,412
Loan to equity accounted investee	7	1,709,633	-
		94,379,026	1,193,986

Cash and cash equivalents

The Group mitigates credit risk on cash and cash equivalents by dealing with regulated banks in Australia and Indonesia.

Trade and other receivables

Credit risk of trade and other receivables is low as it consists predominantly of nickel ore and NPI sales. Nickel ore sales are currently all to the Company's 60% owned PT Hengjaya Nickel Industry and NPI trade receivables are from sales to one customer, PT Indonesia Tsingshan Stainless Steel, a Tsingshan group company operating within the IMIP and amounts recoverable from the Australian Taxation Authority. None of the Group's material trade and other receivables are past due.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

Consolidated	Carrying amount $	Contractual cash flows $	Less than one year $	Between one and five years $	More than five years $
30 June 2019					
Trade and other payables (including tax)	42,552,752	42,552,752	42,552,752	-	-
Borrowings	4,180,333	4,230,000	4,230,000		
	46,733,085	46,782,752	46,782,752	-	-
30 June 2018					
Trade and other payables	3,512,856	3,512,856	3,512,856	-	-
Total liabilities	3,512,856	3,512,856	3,512,856	-	-

Ultimate responsibility for liquidity management rests with the Board of Directors. The Group manages liquidity risk by maintaining adequate funding where possible and monitoring of future rolling cash flow forecasts of its operations, which reflect management's expectations of expected settlement of financial assets and liabilities.

Currency risk

The Group functional currency in 2019 was assessed as being United States dollars. The Group is exposed to foreign currency risks due to the fact that the domestic ore sales of its subsidiaries PT Hengjaya Mineralindo and PT Hengjaya Nickel Industry are in Indonesian Rupiah (although the underlying sale price is denominated in US dollars), liabilities of the Group are denominated in both Indonesian Rupiah and Australian dollars and the issues of shares during the year were denominated in Australian dollars.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

The Group's gross financial position exposure to foreign currency risk at 30 June is as follows:

	2019		2018	
	Foreign currency	USD	Foreign currency	USD
IDR				
Cash at bank	IDR 35,870,163,502	$2,539,031	IDR 10,220,318,341	$709,547
Accounts receivable	IDR 615,110,927,164	$43,539,970	IDR 5,295,797,056	$367,662
Other current assets	IDR 69,337,705,871	$4,907,995	IDR 4,082,905,254	$283,456
Provisions	IDR 9,385,505,761	$696,196	IDR 10,999,001,109	$763,60)
Taxes payable	IDR 4,290,938,455	$303,729	IDR 6,095,274,009	$423,16)
Trade and other payables	IDR 450,738,646,685	$31,905,054	IDR 6,013,820,947	$417,51)
AUD				
Cash at bank	A$34,986,844	$24,571,261	A$24,969	$18,489
Receivables	A$180,046	$126,446	A$15,248	$11,291
Prepayments	-	-	A$652,870	$483,451
Trade and other payables	A$172,965	$121,473	A$545,34)	$403,824

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
USD	2019	2018	2019	2018
IDR	14,469	13,608	14,128	14,404
AUD	1.3978	1.2913	1.4239	1.3504

The following sensitivity analysis is based on the exchange rate risk exposures at balance date.

At 30 June if the exchange rate between the United States dollar and the Indonesian Rupiah and the Australian Dollar had moved, as illustrated in the table below, with all other variables held constant, the post-tax loss and equity would have been affected as follows:

Judgement of reasonable possible movements:

	Post tax loss (Higher)/Lower 2019 $	Total equity (Higher)/Lower 2019 $	Post tax loss (Higher)/Lower 2018 $	Total equity (Higher)/Lower 2018 $
+ 10% higher USD to IDR exchange rate	2,353,381	2,353,381	128,359	128,359
- 5% lower USD to IDR exchange rate	(1,176,691)	(1,176,691)	(64,180)	(64,180)
+ 10% higher USD to AUD exchange rate	4,183,263	4,183,263	19,952	19,952
- 5% lower USD to AUD exchange rate	(2,091,632)	(2,091,632)	(9,976)	(9,976)

Interest rate risk

The Group's exposure to market interest rate relates to cash assets.

At balance date, the Group had the following mix of financial assets and liabilities exposed to variable interest rate risk:

		2019 $	2018 $
Financial assets			
Cash and cash equivalents	18	49,002,977	806,574

Sensitivity analysis

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) loss for the period by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for the comparative period.

	2019 $	2018 $
Profit for the year	(249,048)	(5,427)

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board ensures, where possible, costs are not incurred in excess of available funds and will seek to raise additional funding through issues of shares for the continuation of the Group's operation. There were no changes in the Group's approach to capital management during the year.

The Group is not subject to externally imposed capital requirements.

NOTE 20 - PARENT ENTITY DISCLOSURES

As at, and throughout the financial year ended 30 June 2019 the parent entity of the Group was Nickel Mines Limited.

	Parent Entity 2019 $	Parent Entity 2018 $
Result of the parent entity		
Net profit/(loss)	55,971,407	(4,850,295)
Other comprehensive income	-	-
Total comprehensive profit/(loss)	55,971,407	(4,850,295)
Financial position of the parent entity at year end		
Current assets	48,932,604	597,847
Non-current assets	244,708,976	64,468,529
Total assets	293,641,580	65,066,376
Current liabilities	265,538	494,917
Total liabilities	266,538	494,917
Net Assets	293,376,042	64,571,459
Equity		
Share Capital	275,938,304	103,105,128
Retained profits/(Accumulated losses)	17,437,738	(38,533,669)
Total Equity	293,376,042	64,571,459

At balance sheet date the company has no capital commitments or contingencies (2018: $nil).

NOTE 21 - SEGMENT INFORMATION

Segment information is presented in respect of the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise interest bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period in that geographic region.

Operating segments

For the year ended 30 June 2019, the Group had two segments, being nickel ore mining in Indonesia and the RKEF projects in Indonesia.

	Indonesia Nickel ore mining $	Indonesia RKEF Projects $	Unallocated $	Total $
30 June 2019				
External revenues	12,220,325 [(1)]	52,717,022 [(2)]	-	64,937,347
Reportable segment profit before tax	274,629	78,120,349	(6,501,761)	71,893,216
Interest income	25,804	12,262	211,867	249,933
Interest expense	-	35,925	-	35,925
Depreciation and amortisation	1,814,896	5,020,211	1,313	6,836,420
Reportable segment assets	24,519,982	458,481,562	48,932,604	531,934,148
Reportable segment liabilities	(7,119,318)	(69,782,414)	(265,538)	(77,167,270)
30 June 2018				
External revenues	13,551,416	-	-	13,551,416
Reportable segment profit/(loss) before tax	2,579,722	-	(4,850,294)	(2,270,572)
Interest income	25,103	-	30,574	55,677
Interest expense	21,818	-	293,995	315,813
Depreciation and amortisation	64,401	-	24	64,425
Reportable segment assets	28,823,304	50,000,025	597,847	79,421,176
Reportable segment liabilities	(3,781,545)	-	(494,917)	(4,276,462)

(1) From 1 April 2019 sales of nickel ore are internal to the Group and so are eliminated on consolidation.
(2) The Group's external revenue is generated under nickel pig iron supply agreements with Tsingshan group companies. Only includes sales revenue of nickel pig iron from 1 April 2019 as prior to this date Hengjaya Nickel was accounted for as an equity accounted investee.

	2019 $	2018 $
Reconciliations of reportable segment revenues and profit or loss		
Profit or loss		
Total profit for reportable segments	78,394,978	2,579,722
Unallocated amounts:		
Interest income		
Net other corporate income/(expenses)	50,835,738	(4,850,294)
Consolidated profit/(loss) before tax	71,893,216	(2,270,572)
Reconciliations of reportable assets and liabilities		
Assets		
Total assets for reportable segments	483,001,545	78,823,329
Unallocated corporate assets	48,932,604	597,847
Consolidated total assets	531,934,148	79,421,176
Liabilities		
Total liabilities for reportable segments	(76,901,732)	(494,917)
Unallocated corporate liabilities	(265,538)	(3,781,545)
Consolidated total liabilities	(77,167,270)	(4,276,462)

Geography of reportable segment assets

	Indonesia $	Singapore $	Total $
30 June 2019			
Reportable segment assets	482,991,778	9,767	483,001,545
30 June 2018			
Reportable segment assets	78,823,329	-	78,823,329

Revenue

All sales during the year were to customers located in Indonesia.

Major customers

All sales of nickel pig iron during the year were to PT Indonesia Tsingshan Stainless Steel ('ITSS'), an Indonesian Tsingshan group company, operating with the Indonesian Morowali Industrial Park. Sales of nickel ore from July to December 2018 were also to ITSS.

In January 2019, the Group commenced supplying nickel ore to the Company's 60% owned subsidiary Hengjaya Nickel, under an offtake agreement to supply 50,000 wmt per month.

NOTE 22 - REVENUE

The effect of initially applying AASB 15 on the Group's revenue from contracts with customers is described in note 3. Due to the transition method chosen in applying AASB 15, comparative information has not been restated to reflect the new requirements.

Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by major production and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments.

	Nickel pig iron		Nickel ore	
	2019	2018	2019	2018
	$	$	$	$
Major products	52,717,022	-	12,220,325	13,551,415
Timing of revenue recognition				
Products transferred at a point in time	52,717,022	-	12,220,325	13,551,415
Revenue from contracts with customers	52,717,022	-	12,220,325	13,551,415
External revenue as reported in Note 21	52,717,022	-	12,220,325	13,551,415

The extent to which an entity's revenue is disaggregated for the purposes of this disclosure depends on the facts and circumstances of the entity's contracts with customers.

NOTE 23 - AUDITOR REMUNERATION

During the year ended 30 June 2019 KPMG, the Company's auditor, has performed other services in addition to their statutory audit duties.

Details of the amounts paid to the auditor of the Group, KPMG, and its related practices for audit and non-audit services provided during the year are set out below:

	2019	2018
	$	$
Auditors of the Company		
Audit and review of financial reports – KPMG Australia	123,393	47,196
Audit and review of financial reports – KPMG Indonesia	122,840	41,571
Services other than statutory audit		
Taxation services in relation to IPO	-	7,545
Investigating Accountant's services in relation to IPO	11,536	35,884
	257,769	132,196

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

NOTE 24 - SUBSEQUENT EVENTS

At an Extraordinary Meeting of Shareholders held on 26 July 2019 shareholders approved the Company's move to a 60% interest in Ranger Nickel. Subsequent to year end and shareholder approval, the Company has increased its interest in Ranger Nickel from 17% to 60% for $121.4 million with consideration being funded by the drawdown of an $80 million senior debt facility provided by a Shanghai Decent associated company, the issue of 139,972,705 shares in the Company for $40 million and a cash payment of $1.4 million. The Company completed this acquisition on 15 August 2019 and management consider the disclosure of a pro-forma acquisition balance sheet to be impractical at the date of this report.

In August 2019, subsequent to the drawdown of the $80 million senior debt facility, the Company made a voluntary early repayment of $10 million against the facility.

In September 2019 the Company and Shanghai Decent agreed that Nickel Mines would limit its contractual option to further equity interest in the Hengjaya Nickel project to not more than 80% and that the option period during which Nickel Mines can acquire further equity interest in the Hengjaya Nickel project was extended until 30 November 2020 (previously 31 January 2020).

Other than the matters detailed above, there has not arisen in the interval between the end of the financial year and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

NOTE 25 - COMMITMENTS AND CONTINGENCIES

There are no contingent liabilities existing at 30 June 2019 (2018: $nil).

1. In the opinion of the Directors of Nickel Mines Limited (‘the Company’):

   (a) the consolidated financial statements and notes set out on pages 21 to 56 and the Remuneration report on pages 15 to 18 in the Directors’ report, are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the Group’s financial position as at 30 June 2019 and of its performance for the year ended on that date; and

      (ii) complying with Australian Accounting Standards, (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

   (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.

   (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the chief executive officer and chief financial officer for the financial year ended 30 June 2019.

Signed at Sydney this 30th day of September 2019

in accordance with a resolution of the Board of Directors:

Robert Neale
Chairman

Norman Seckold
Deputy Chairman

Independent Auditor's Report

To the shareholders of Nickel Mines Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Nickel Mines Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2019;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies;
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with *the Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

illed our other ethical responsibilities in accordance with the Code.

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Key Audit Matters

The ***Key Audit Matters*** we identified are:

- Consolidation of Hengjaya Holdings Private Limited
- Accounting for the investment in Ranger Holdings Private Limited

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Consolidation of Hengjaya Holdings Private Limited ($300m)

Refer to Note 16 Controlled Entities

The key audit matter

The Group's investment in Hengjaya Holdings Private Limited (Hengjaya Holdings) increased from 25% to 60% during the financial year. This investment was previously equity accounted, and was consolidated effective 31 March 2019.

This was a key audit matter due to the following:

- Size of the transaction: The fair value of the net assets of Hengjaya Holdings was assessed as $300m at the date of acquisition; and
- Complexity: The acquisition was part of the Collaboration and Subscription Agreement (CSA) with Shanghai Decent Investment (Group) Co., Ltd. (Shanghai Decent) and Shanghai Wanlu Investment Co., Ltd (Wanlu). The terms and conditions of the CSA were complex and the implications had pervasive impacts on the financial report. In addition, the CSA was amended during the period in relation to the requirements governing the composition of the board of directors of Hengjaya Holdings.

We focused on significant judgements made by the Group in relation to:

- the date of gaining control of Hengjaya Holdings;
- the fair value of the consideration

How the matter was addressed in our audit

Our procedures included:

- Reading the CSA and subsequent amendments to understand the key terms and conditions of the agreement and the obligations of each party to the contract. Using this we challenged the Group's assessment of the date of gaining control of Hengjaya Holdings;
- Working with our valuation specialists we assessed and challenged the key assumptions used in the purchase price allocation to identify assets and liabilities acquired, including a consideration of the existence of intangible assets in the form of rights specified in the CSA;
- Working with our valuation specialists we assessed and challenged the Group's fair value assessments, including:
    - The fair value of the consideration transferred by assessing the value of $300m assigned by the Group by reference to an option held to acquire the remaining 40% of Hengjaya Holdings as well as a comparable transaction which was subject to an independent experts report. This included assessing the competence, experience and skills of the independent expert; and
    - The provisional fair values assigned to identifiable assets and liabilities, including identifiable intangible assets.
- Testing of the acquisition date balance sheet of Hengjaya Holdings to the underlying accounting records of that company and assessing the compliance of those accounting records with Australian Accounting Standards.

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transferred, including non-controlling interests; and - the provisional fair values assigned to the identifiable assets and liabilities acquired. These conditions required significant audit effort and greater involvement by senior team members and KPMG valuation specialists.	• Testing of the post-acquisition financial performance and position of Hengjaya Holdings, compliance with the accounting policies of the Group and the accuracy of the consolidation of Hengjaya Holdings in the Financial Report in accordance with the requirements of the accounting standards. • Evaluating the Group's disclosures in the financial report against the requirements of the accounting standards.

Accounting for the investment in Ranger Holdings Private Limited ($49.96m)	
Refer to Note 15 Investment in Equity Accounted Investee	
The key audit matter	**How the matter was addressed in our audit**
The Group's investment in Ranger Holdings Private Limited (Ranger Holdings) was acquired during the financial year ended 30 June 2019. This was a key audit matter due to the following: • Size of the transaction: The Group's 17% interest in Ranger Holdings acquired for $50m represented 9% of total assets of the Group at year end; and • Complexity: The acquisition was part of the Collaboration Agreement (CA) with Shanghai Decent. The terms and conditions of the CA were complex and the implications had pervasive impacts on the financial report. We focused on: - the substance of the transaction, against the requirements of the accounting standards, including assessing the $50m advanced as either a loan receivable or equity accounted associate. The Shareholder Loan Agreement details the terms of the funds advanced; and - further potential accounting implications, in particular unrecorded obligations, of the terms and conditions of the CA and their	Our procedures included: • Reading the CA to understand the key terms and conditions of the agreement and the obligations of each entity party to the contract; • Checking the completeness of the nature of the Group's obligations required by the CA. We assessed the existence of triggering conditions of the obligations to underlying events of the Group and our understanding of the business. We compared these to the criteria for recording liabilities and recognising assets in the accounting standards; • Working with our valuation specialists we challenged the Group's fair value assessment. Of specific note was the financial instruments granted under the CA. We did this by calculating a fair value using comparable market data and comparing it to the value derived by the Group; • Assessing the appropriateness of the Group's accounting treatment of its interest in Ranger Holdings against the criteria in the accounting standards. We read the Shareholder Loan Agreement to understand the terms under which the funds were advanced. We assessed the features of these terms, combined with our understanding of the terms of the CA, against the criteria in the accounting standards for consistency to either loan receivable or equity accounted associate accounting; • Obtaining the accounting records of the equity accounted associate and recalculating the Group's share of the associate's losses for the period. We

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treatment by the Group. These conditions required significant audit effort and greater involvement by senior team members and KPMG valuation specialists.	performed audit procedures on the key underlying accounting records of the associate, including checking a sample of significant transactions recorded to the associate's bank records; • Evaluating the Group's disclosures in the financial report against the requirements of the accounting standards and our understanding of the terms and conditions of the CA and Shareholder Loan Agreement.

Other Information

Other Information is financial and non-financial information in Nickel Mines Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001;*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error;
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

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Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Nickel Mines Limited for the year ended 30 June 2019, complies with *Section 300A of the Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A of the Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 18 to 22 of the Directors' report for the year ended 30 June 2019.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Stephen Board
Partner

Brisbane
30 September 2019

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Nickel Mines Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Nickel Mines Limited for the financial year ended 30 June 2018 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Adam Twemlow

Partner

Brisbane

31 August 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2018

USD	Notes	2018 $	2017 $
Nickel ore sales revenue		13,551,415	8,594,750
Cost of sales		(10,693,574)	(7,683,830)
Gross profit		2,857,841	910,920
Administration expenses:			
Directors' fees and consultants' expenses		(1,987,189)	(554,740)
Depreciation expense		(64,425)	(50,337)
Tax charges		(23,540)	(136,234)
Agency fee charges	12	(1,800,000)	(3,300,000)
Other expenses	4	(602,673)	(245,239)
Results from operating activities		(1,619,986)	(3,375,630)
Financial income	5	675,890	10,683
Financial expense	5	(1,326,476)	(552,895)
Finance costs		(650,586)	(542,212)
Loss before income tax		(2,270,572)	(3,917,842)
Income tax benefit/(expense)	8	(656,261)	179,348
Loss for the year		(2,926,833)	(3,738,494)
Other comprehensive income			
Items that may be classified subsequently to profit or loss		-	-
Total comprehensive loss for the year		(2,926,833)	(3,738,494)
Loss attributable to:			
Owners of the Company		(3,311,526)	(3,831,761)
Non-controlling interest		384,693	93,267
Loss for the year		(2,926,833)	(3,738,494)
Total comprehensive loss attributable to:			
Owners of the Company		(3,311,526)	(3,831,761)
Non-controlling interest		384,693	93,267
Total comprehensive loss for the year		(2,926,833)	(3,738,494)
Earnings per share			
Basic and diluted loss per share (cents)	9	(0.72)	(1.21)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 30 June 2018

USD	Notes	2018 $	2017 $
Current assets			
Cash and cash equivalents	18	806,574	278,775
Trade and other receivables	6	387,412	288,689
Inventory	10	588,843	959,451
Other current assets	7	768,643	136,855
Total current assets		2,551,472	1,663,770
Non-current assets			
Other non-current asset		242,045	-
Investment in equity accounted investee	15	50,000,025	-
Property, plant and equipment	11	26,627,634	26,276,076
Total non-current assets		76,869,704	26,276,076
Total assets		79,421,176	27,939,846
Current liabilities			
Trade and other payables	12	2,855,385	12,315,006
Current tax payable		657,471	372,305
Provision – employee's benefit obligation		478,549	268,996
Borrowings	13	-	5,381,025
Total current liabilities		3,991,405	18,337,332
Non-current liabilities			
Provision – rehabilitation		285,057	297,066
Borrowings	13	-	8,151,024
Total non-current liabilities		285,057	8,448,090
Total liabilities		4,276,462	26,785,422
Net assets		75,144,714	1,154,424
Equity			
Share capital	14	103,105,128	26,188,005
Foreign currency translation reserve		(595,498)	(595,498)
Accumulated losses		(29,272,456)	(25,960,930)
Total equity attributable to equity holders of the Company		73,237,174	(368,423)
Non-controlling interest		1,907,540	1,522,847
Total equity		75,144,714	1,154,424

The above consolidated statement of financial position should be read in conjunction with accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2018

USD	Notes	Share capital $	Accumulated losses $	Foreign currency translation reserve $	Total $	Non-controlling interest $	Total equity $
Balance at 1 July 2016		26,103,169	(22,129,169)	(595,498)	3,378,502	1,429,580	4,808,082
Total comprehensive income for the year							
Loss for the year		-	(3,831,761)	-	(3,831,761)	93,267	(3,738,494)
Total comprehensive loss for the year		-	(3,831,761)	-	(3,831,761)	93,267	(3,738,494)
Transactions with owners, recorded directly in equity							
Issue of shares	14	84,836	-	-	84,836	-	84,836
Balance at 30 June 2017		26,188,005	(25,960,930)	(595,498)	(368,423)	1,522,847	1,154,424
Balance at 1 July 2017		26,188,005	(25,960,930)	(595,498)	(368,423)	1,522,847	1,154,424
Total comprehensive income for the year							
Loss for the year		-	(3,311,526)	-	(3,311,526)	384,693	(2,926,833)
Total comprehensive loss for the year		-	(3,311,526)	-	(3,311,526)	384,693	(2,926,833)
Transactions with owners, recorded directly in equity							
Issue of shares	14	79,587,329	-	-	79,587,329	-	79,587,329
Costs of issue	14	(2,670,206)	-	-	(2,670,206)	-	(2,670,206)
Balance at 30 June 2018		103,105,128	(29,272,456)	(595,498)	73,237,174	1,907,540	75,144,714

The above consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 30 June 2018

USD	Notes	2018 $	2017 $
Cash flows from operating activities			
Cash receipts from customers		13,468,402	9,142,340
Cash payments to employees and suppliers		(21,513,018)	(8,832,278)
Interest received		55,677	10,683
Research and development repayment		(259,102)	(236,066)
Net cash from/(used in) operating activities	18	(8,248,041)	84,679
Cash flows from investing activities			
Payments for investments in equity accounted investees	15	(50,000,025)	-
Payments for property, plant and equipment		(670,670)	(111,191)
Net cash used in investing activities		(50,670,695)	(111,191)
Cash flows from financing activities			
Proceeds from issue of shares	14	73,908,362	84,836
Costs of issue		(1,770,206)	-
Repayment of borrowings		(13,182,546)	-
Net cash from financing activities	18	58,955,610	84,836
Net increase in cash and cash equivalents		36,874	58,324
Effect of exchange rate adjustments on cash held		490,925	2,243
Cash and cash equivalents at the beginning of the year		278,775	218,207
Cash and cash equivalents at the end of the year		806,574	278,775

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTE 1 - REPORTING ENTITY

Nickel Mines Limited (the 'Company') is a company domiciled in Australia. The consolidated financial report for the year ended 30 June 2018 comprises the Company and its subsidiaries (together referred to as the 'Group'). The Group is a for-profit entity and is involved in nickel mining and production operations.

NOTE 2 - BASIS OF PREPARATION

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. The consolidated financial report of the Group complies with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board ('IASB').

The financial report was authorised for issue by the Directors on 31 August 2018.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value.

Functional and presentation currency

These consolidated financial statements are presented in United States dollars, which is the Company's functional currency.

Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. There were no significant areas of uncertainty or critical judgements made by management in applying the accounting policies in the current year.

Going concern

The consolidated financial statements have been prepared on a going concern basis, which contemplates the continuation of normal business operations and the realisation of assets and settlement of liabilities in the normal course of business.

During the year ended 30 June 2018, the Group incurred a net loss before tax of $2,270,572 and net cash outflows from operating activities of $8,248,041. As at 30 June 2018, the Group had net assets of $75,144,714, including unrestricted cash of $806,574.

While the net current assets show a deficit of $1,439,933 at 30 June 2018, on 20 August 2018 the Company issued 571.4 million shares and raised A$200,000,000 in cash, before capital raising costs (see note 23 – Subsequent events).

The Directors have prepared cash flow projections for the coming 12 months which include the obligations under the Collaboration and Subscription Agreement with Shanghai Decent Investment (Group) Co. Ltd, that support the ability of the Group to continue as a going concern. These cashflow projections assumes the Group maintains expenditure in line with the level of funding available.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by all entities in the Group.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling interest

The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree. Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions.

Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Where a controlled entity issues shares to minority interests which does not result in loss of control by the Group, any gain or loss arising on the Group's interest in the controlled entity is recognised directly in equity.

Investments in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and a joint venture.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

Nickel ore sales revenue

Nickel ore sales revenue is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Con't)

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to United States dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to United States dollars at foreign exchange rates ruling at the dates the fair value was determined.

The Group transacts in the following foreign currencies: Australian dollars (A$ or AUD) and Indonesian Rupee (IDR).

Financial statements of foreign operations

The assets and liabilities of foreign entities are translated to United States dollars at the foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated to United States dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in the foreign currency translation reserve ('FCTR'), a separate component of equity.

Foreign exchange gains and losses arising from a monetary item receivable or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in the FCTR.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to United States dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to United States dollars at exchange rates at the dates of the transactions. When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss as part of the profit or loss on disposal.

At 30 June 2018 the functional currency of all components in the Group is United States dollars. The FCTR represents the foreign exchange differences which arose on retranslation in prior years on subsidiaries which have not yet been disposed.

Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see below accounting policy Impairment).

Depreciation and amortisation

Mining properties amortisation rate is applied on the basis of units of production over the life of the economically recoverable resources. The amortisation is included in the costs of conversion of inventories.

Depreciation is charged to the income statement using a reducing balance method from the date of acquisition using the following rates:

- Furniture and fittings and plant and machinery are depreciated at 25%.
- Land and buildings and infrastructure are depreciated at 5%.
- Mine infrastructure assets are depreciated at 5%.
- Office equipment is depreciated at rates of between 25% and 40%.
- Plant and machinery are depreciated at 25%.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Con't)

Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Non-financial assets

The carrying amounts of the Group's assets, other than deferred tax assets and inventories, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

Calculation of recoverable amount

The recoverable amount of assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Share capital

Transaction costs

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

Expenses

Net financing income

Net financing costs comprise interest payable on borrowings calculated using the effective interest method, interest earned and foreign exchange gains and losses.

Interest income is recognised in the income statement as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payment is established.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Con't)

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs which are directly attributable to the Group's exploration and evaluation and development activities are capitalised in relation to qualifying assets.

Income tax

Income tax on the income statement for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for: The initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Con't)

Employee benefits

Wages, salaries, annual leave, sick leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on average costs over the relevant period of production, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

Site restoration

In accordance with the Group's environmental policy and applicable legal requirements, a provision for site restoration in respect of disturbed land, and the related expense, is recognised when the land is disturbed.

Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Liabilities classified at fair value through profit or loss

The fair value of those convertible notes that are measured at fair value through profit or loss have been measured with reference to the terms of the Convertible Loan Facility Agreement ('Loan Facility') using a valuation technique that considers inputs that include risk adjusted discount factor, probability of achieving IPO and US treasury bond rate.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Con't)

Exploration, evaluation and development expenditure

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised at cost or fair value, as exploration and evaluation assets on an area of interest basis. Costs incurred before the consolidated entity has obtained the legal rights to explore an area are recognised in the statement of comprehensive income.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

(i) the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or

(ii) activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or other wise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability and facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from exploration and evaluation expenditure to mining property and development assets within property, plant and equipment.

Financial instruments

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the Group Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

Loans and receivables

Loans and receivables comprise trade and other receivables.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Trade and other payables

Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and are normally settled on 30 day terms.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Con't)

Liabilities classified at fair value through profit or loss

When a convertible note is identified to contain an embedded derivative that meets the definition of a liability, the whole contract is measured and accounted for at fair value through profit or loss, unless the derivative is able to be measured reliably, in which case it is separated from the host contract and accounted for separately at fair value through profit or loss.

Any gains or losses arising on the instrument upon fair valuing at inception are not immediately recognised as a gain or loss in profit or loss, but are instead deferred and recognised as a gain or loss in profit or loss on a systematic basis over the life of the instrument. Any subsequent movement in the fair value of financial instruments that are carried at fair value through profit or loss are recognised directly in profit or loss within finance expenses.

Transaction costs of financial liabilities that are carried at fair value through profit or loss are expensed in profit or loss.

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2018, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

AASB 9 Financial Instruments

AASB 9 replaces the existing guidance in AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financials instruments from AASB 139.

AASB 9 is effective for the Group's annual reporting period beginning 1 July 2018. The standard is not expected to have a material impact on the financial statements based on the nature of the financial assets and liabilities recognised at 30 June 2018.

AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue, AASB 111 Construction Contracts and IFRIC 13 Customer Loyalty Programs. AASB 15 is effective for the Group's annual reporting period beginning on 1 July 2018. The consolidated entity is assessing the potential impact on its consolidated financial statements resulting from the application of AASB 15. The Group plans to adopt the cumulative method with the effect of applying this standard at the date of initial application (i.e. 1 July 2018) and as a result the Group will not apply the requirements of AASB 15 to the comparative period presented. The revenue of the Group is subject to a contractual arrangement which will expire in November 2018 and the implementation of AASB 15 is not expected to have a significant impact on the accounting treatment of the contract and as such it does not expect the application of AASB 15 to have a significant impact on its consolidated financial statements.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Con't)

New standards and interpretations not yet adopted (con't)

AASB 16 Leases

AASB 16 replaces existing leases guidance, including AASB 17 Leases. The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16.

AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Group has not yet competed a detailed assessment of the potential impact of applying AASB 16 on the financial statements.

	2018 $	2017 $

NOTE 4 - OTHER EXPENSES

	2018 $	2017 $
Audit fees – KPMG audit of financial report	88,767	99,976
IPO related fees – KPMG	43,429	-
Travel	91,790	51,719
Legal fees	378,687	93,544
	602,673	245,239

NOTE 5 - FINANCIAL INCOME AND FINANCE EXPENSE

	2018 $	2017 $
Interest income	55,677	10,683
Interest expense	(315,813)	(417,133)
Loss on extinguishing liabilities	(602,881)	-
Net change in fair value of financial liabilities at fair value	(407,782)	(120,859)
Foreign exchange gain/(loss)	620,213	(14,903)
	(650,586)	(542,212)

NOTE 6 - TRADE AND OTHER RECEIVABLES

	2018 $	2017 $
GST receivable	11,291	4,041
Trade receivables	367,662	284,648
Other	8,459	-
	387,412	288,689

	2018 $	2017 $

NOTE 7 - OTHER CURRENT ASSETS

	2018 $	2017 $
Prepayments – IPO Costs	483,451	-
Prepayments - other	268,221	63,268
Security deposit	8,002	34,265
Other	8,969	39,322
	768,643	136,855

NOTE 8 - INCOME TAX EXPENSE

	2018 $	2017 $
Loss before tax – continuing operations	(2,270,572)	(3,917,842)
Prima facie income tax expense/(benefit) at the Australian tax rate of 30% (2017 – 30%)	(681,172)	(1,175,352)
Increase in income tax expense/(benefit) due to:		
- Effect of tax rates in foreign jurisdictions	(136,976)	-
- Non-deductible expenses	1,632,739	961,344
- Effect of deferred tax assets for tax losses not brought to account	(42,686)	152,318
- Effect of net deferred tax assets not brought to account	(32,882)	-
- Effect of foreign currency conversion	(82,762)	(117,657)
Income tax expense/(benefit) – current and deferred	656,261	(179,348)

Deferred tax assets/(liabilities) have been recognised in respect of the following items:

	2018 $	2017 $
DTA on Australian tax losses	-	-
DTL net deductible temporary differences	-	-
Net	-	-

Deferred tax assets have not been recognised in respect of the following items:

	2018 $	2017 $
Deductible temporary differences (net)	760,707	759,664
Tax losses	(26,609)	(607,346)
Net	734,098	152,318

The deductible temporary differences and tax losses do not expire under the current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise the benefits of the deferred tax asset. The Company does not have any franking credits.

NOTE 9 - LOSS PER SHARE

	2018 $	2017 $
Basic and diluted loss per share have been calculated using:		
Net loss for the year attributable to equity holders of the Company	(3,311,526)	(3,831,761)

Weighted average number of ordinary shares (basic and diluted)	**Nº of shares**	**Nº of shares**
Issued ordinary shares at the beginning of the year	317,330,516	316,580,516
- Effect of shares issued on 8 June 2017	-	45,330
- Effect of shares issued on 22 December 2017	43,011,718	-
- Effect of shares issued on 28 December 2017	15,294,233	-
- Effect of shares issued on 11 January 2018	13,624,425	-
- Effect of shares issued on 30 January 2018	4,148,352	-
- Effect of shares issued on 31 January 2018	6,796,291	-
- Effect of shares issued on 26 March 2018	1,648,352	-
- Effect of shares issued on 18 April 2018	31,180,898	-
- Effect of shares issued on 26 April 2018	28,768,277	-
Weighted average number of shares at the end of the year	461,803,062	316,625,846

As the Group is loss making, none of the potentially dilutive securities are currently dilutive. Subsequent to 30 June 2018 the Group issued an additional 571.4 million shares, see Note 23.

NOTE 10 - INVENTORY

	2018 $	2017 $
Inventory – ore stockpiles	588,843	959,451
	588,843	959,451

During the period the Group continued to provide ore to PT Indonesia Tsingshan Stainless Steel ('ITSS'), an Indonesian subsidiary of Tsingshan Group, under an offtake agreement signed in October 2017 with ITSS guaranteeing to take supply of 50,000 wmt per month until 30 November 2018, with a cut-off grade of 1.60% nickel.

Inventories are measured at the lower of cost and net realisable value. The cost of goods for the year ended 30 June 2018 totalling $10,693,574 (2017: $7,683,830) included employee expenses of $1,132,787 (2017: $962,339).

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

	2018 $	2017 $
Furniture and fittings		
Furniture and fittings – cost	37,541	36,357
Accumulated depreciation	(34,826)	(33,877)
Net book value	2,715	2,480
Mine infrastructure assets		
Mine infrastructure assets – cost	2,404,029	2,403,900
Accumulated depreciation	(705,194)	(600,579)
Net book value	1,698,835	1,803,321
Buildings		
Buildings– cost	250,682	243,732
Accumulated depreciation	(64,623)	(53,771)
Net book value	186,059	189,961
Mining properties		
Mining properties– cost	24,996,168	24,524,947
Accumulated amortisation	(553,855)	(411,367)
Net book value	24,442,313	24,113,579
Office equipment		
Office equipment – cost	288,485	253,580
Accumulated depreciation	(168,726)	(128,528)
Net book value	119,759	125,052
Plant and machinery		
Plant and machinery – cost	661,949	653,033
Accumulated depreciation	(629,730)	(611,351)
Net book value	32,219	41,682
Motor vehicles		
Motor vehicles – cost	147,367	-
Accumulated depreciation	(1,633)	-
Net book value	145,734	-
Total property, plant and equipment	26,627,634	26,276,076

Impairment

After consideration of both internal and external factors, the Directors believe that no indicators of impairment existed at 30 June 2018 and have therefore not completed an impairment assessment over the carrying value of the Group's property, plant and equipment assets at 30 June 2018.

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Con't)

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below.

	2018 $	2017 $
Furniture and fittings		
Carrying amount at beginning of year	2,480	5,685
Additions	1,184	677
Depreciation	(948)	(3,882)
Net book value	2,716	2,480
Mine infrastructure assets		
Carrying amount at beginning of year	1,803,321	1,910,283
Additions	129	567
Depreciation	(104,615)	(107,529)
Net book value	1,698,835	1,803,321
Buildings		
Carrying amount at beginning of year	189,961	196,103
Additions	6,950	4,783
Depreciation	(10,852)	(10,925)
Net book value	186,059	189,961
Mining properties		
Carrying amount at beginning of year	24,113,579	24,271,598
Additions	471,221	29,647
Amortisation	(142,488)	(187,666)
Net book value	24,442,312	24,113,579
Office equipment		
Carrying amount at beginning of year	125,052	13,661
Additions	34,905	139,627
Depreciation	(40,198)	(28,236)
Net book value	119,759	125,052
Plant and machinery		
Carrying amount at beginning of year	41,682	77,245
Additions	8,916	17,563
Depreciation	(1,633)	(53,126)
Net book value	48,965	41,682
Motor vehicles		
Carrying amount at beginning of year	-	-
Additions	147,367	-
Depreciation	(1,633)	-
Net book value	145,734	-

NOTE 12 - TRADE AND OTHER PAYABLES

	2018 $	2017 $
Current		
Creditors	2,533,155	4,516,276
Deferred project acquisition payments	-	2,800,000
Agency fee payable	-	3,801,501
Accruals	322,230	1,197,229
	2,855,385	12,315,006

Deferred project acquisition payments

Through various amendments to the original agreement entered into in December 2009 for the Company to acquire 80% of the share capital of PT Hengjaya Mineralindo ('PT Hengjaya') in Indonesia, the transfer of 80% of PT Hengjaya to Nickel Mines was effected in March 2012 with deferred payments totalling $7.35 million to be paid to the sellers based on the achievement of certain milestones. These deferred payments were payable to PT Hengjaya Sukses Pratama ('HSP'), the Company's Indonesian partner in the Hengjaya project upon achievement of various project milestones. At 30 June 2017 all milestones had been met except for the third and final milestone payment.

The final deferred payment of $2,800,000 ($3,000,000 less $200,000 paid in advance prior to 30 June 2017) became due and payable one month following the conversion of the HL protected forest area into Other Utilisation Area and the granting of all other licences, approvals and steps as deemed necessary to allow the exploitation, open cut mining and production operation in that area. Confirmation of the downgrade of the HL protected forest area into Other Utilisation Area was received in August 2014. Before production can commence from this area a 'Pinjam Pakai' forestry permit must be obtained.

In February 2018 the Group received confirmation that the forestry permit for the area previously classified HL protected forest area had been granted and consequently in February 2018 the third and final milestone payment of $2,800,000 ($3,000,000 less $200,000 paid in advance) was paid to HSP's nominee, completing the Company's deferred project acquisition obligations.

Agency fee payable

The Agency fee was payable to PT Hengjaya Sukses Pratama's ('HSP') nominated entity, Swift Capital Limited ("Swift"). Under a scope of work HSP earns the Agency Fee for: sales and marketing requirements in relation to the first 440,000 wmt of nickel ore produced by Hengjaya; assisting in negotiating the terms of sales contracts with all potential customers and connected parties in relation to or connected with the sale and marketing of nickel ore produced or developed by Hengjaya; and HSP is responsible for obtaining for PT Hengjaya all federal, provincial and local government approvals, including but not limited to forestry, mining, export, port, land access and community relations permits and approvals, and all other approvals as may be required by PT Hengjaya for PT Hengjaya to develop and operate the Hengjaya mine.

During the year ended 30 June 2018 the activities in relation to the final approval required by PT Hengjaya to develop and operate the Hengjaya mine were completed and the remaining balance of Agency Fee totalling $1,800,000 was recognised as an expense for the period and the total owing, including interest charges was settled in full, along with the Loan payable to Swift as detailed in Note 13 by the payment on 30 January 2018 of $12,400,000 and the issue of 10,000,000 fully paid ordinary shares in the Company at $0.16 per share to Swift's nominee.

NOTE 13 - BORROWINGS AND CONVERTIBLE NOTES

	2018 $	2017 $
Current		
Convertible note	-	4,020,859
Loans from related parties	-	1,360,166
	-	5,381,025
Non-current		
Loan – Swift Capital Limited	-	8,151,024
	-	8,151,024

Borrowings

During the year ended 30 June 2018 loans from related parties were settled in full, see Note 17 for details.

In September 2017 the Company entered into a Collaboration and Subscription agreement with Shanghai Decent. A condition precedent of the agreement for this JV to occur was for the Company to become 'debt-free'. An agreement was reached to repay the loan payable to Swift Capital Limited and this was settled in full on 30 January 2018, along with the agency fee payable to Swift as detailed in Note 12, by the payment on 30 January 2018 of $12,400,000 and the issue of 10,000,000 fully paid ordinary shares in the Company at $0.16 per share to Swift's nominee.

Convertible notes

Liabilities measured at fair value through profit and loss	2018 $	2017 $
Opening balance	4,020,859	3,900,000
Net change in fair value of financial liabilities at fair value	407,782	120,859
Repayment	(4,428,641)	-
	-	4,020,859

The PT Hengjaya and Woodburn Holdings Limited ('Woodburn') Convertible Loan Facility Agreement ('Convertible Note Facility') was due to mature on 21 July 2017. During the year the entities were renegotiating the facility agreement and on 29 January 2018 an agreement was reached for a total $4,428,641 to be paid to Woodburn as final settlement of the Convertible Note Facility. The final payment represented the principal totalling $3,000,000 and accrued interest and other charges of $1,428,641.

NOTE 14 - ISSUED CAPITAL

	Number of shares	$
Ordinary shares on issue at 30 June 2016 - fully paid	316,580,516	26,103,169
Issue of shares	750,000	84,836
Ordinary shares on issue at 30 June 2017 - fully paid	317,330,516	26,188,005
Issue of shares - cash	455,793,411	73,908,362
Issue of shares - share based payments	35,358,303	5,678,967
Costs of issue	-	(2,670,206)
Ordinary shares on issue at 30 June 2018 - fully paid	808,482,230	103,105,128

2018

During the year ended 30 June 2018 the Group issued 455,793,411 shares for cash totalling $73,908,362. There were no amounts unpaid on the shares issued and share issue costs amounted to $2,670,206. In addition to the cash issues the Group had the following share based payment arrangements:

Settlement of liabilities

29,408,347 shares were issued as full settlement of liabilities owing totalling $4,726,974. This included the following:

- Repayment of Swift Capital loan and related liabilities: $1,600,000 settled through the issue of 10,000,000 $0.16 shares (see note 12).
- Repayment of related party loans: $1,396,788 settled through the issue of 8,594,681 shares. This includes 6,898,239 $A0.213 shares and 1,696,442 $0.16 shares (see note 17)
- Payment of creditors: $1,730,187 of creditor balances were settled through the issues of 10,813,666 $0.16 shares.

Director and employee payments

As noted in Note 17 the Directors received a one-off payment in recognition of their efforts in respect of the pre-IPO capital raise in December 2017. The approved payment totaled A$976,000 (excluding GST). The payment of A$1,057,600 (including GST) was converted to $851,368 using the rate of 80.5c and settled through the issue of shares on 31 January 2018 at the pre-IPO capital raising price of US$0.16 per share.

Bonus payments totalling $100,625 were granted to employees of the Group in recognition of their efforts in respect of the pre-IPO capital raise in December 2017. The payments were settled through the issue of 628,906 shares with an issue price of $0.16.

2017

During the year ended 30 June 2017 the Group issued 750,000 shares at A$0.15 each for cash totalling A$112,500. There were no amounts unpaid on the shares issued.

Options

There were no options granted, exercised or lapsed unexercised during the year ended 30 June 2018 or year ended 30 June 2017.

Dividends

There were no dividends paid or declared during the year ended 30 June 2018 or year ended 30 June 2017.

Ordinary shares

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. The holders of ordinary shares are entitled to receive dividends as declared from time to time.

NOTE 15 - INVESTMENT IN HENGJAYA HOLDINGS PRIVATE LIMITED

In April 2018, following successful completion of the Company's pre-IPO capital raising, the Group acquired 25% of the issued share capital of Hengjaya Holdings Private Limited (Hengjaya Holdings), a Singaporean holding company which holds 100% of the shares (directly and indirectly) of PT Hengjaya Nickel Industry (Hengjaya Nickel), which is an Indonesian PMA Company which will own and operate the RKEF Project once completed (subject to relevant regulatory approvals).

As governed by the Collaboration and Subscription Agreement (CSA), the Company has provided the aggregate of $50 million received from Shanghai Decent and Wanlu by way of a shareholder loan to Hengjaya Holdings. Hengjaya Holdings has in turn advanced these funds to Hengjaya Nickel for construction of the RKEF Project. There are no repayment terms and the Group does not intend to charge interest on the shareholder loan advanced to Hengjaya Holdings. As such, the monies advanced have been accounted for as part of the cost of acquiring the 25% interest in Hengjaya Holdings.

The construction of the RKEF plant has commenced. Under the CSA the balance of the capital costs shall be funded by Shanghai Decent through shareholder loans. The total cost has been guaranteed by Shanghai Decent to not exceed $200 million. At 30 June 2018 there were no funds advanced by Shanghai Decent.

At 30 June 2018 the investment is accounted for as an equity accounted investment. There was no profit or loss incurred by the associate for the period 27 April 2018 to 30 June 2018.

	2018 $	2017 $
Hengjaya Holdings Private Limited – 25%	50,000,025	-
	50,000,025	-

Following successful completion of the Company's IPO the Board has approved the acquisition of a further 35% interest in Hengjaya Holdings to increase its interest to 60%. The Company will pay $70 million to Shanghai Decent in cash to acquire the additional 35% interest. The acquisition of the additional 35% interest was approved by the Board on 31 August 2018, see note 24.

NOTE 16 - CONTROLLED ENTITIES

Particulars in relation to controlled entities:

	Ordinary shares – Group interest 2018 $	Ordinary shares – Group interest 2017 $
Parent entity		
Nickel Mines Limited		
Controlled entities		
PT Hengjaya Mineralindo (incorporated in Indonesia)	80	80

NOTE 17 - RELATED PARTIES

Key Management Personnel compensation

	2018 $	2017 $
Short term employee benefits	213,131	113,130
Share based payments	761,476	-
	974,607	113,130

The key management personnel compensation comprises the following:

- The directors, Justin Werner, Peter Nightingale and Norman Seckold were compensated $213,131 for their services during the year ended 30 June 2018 (2017 – Justin Werner, $113,131) for directors fees. At 30 June 2018 $13,263 remained outstanding (2017: $324,719 outstanding).
- Peter Nightingale, Norman Seckold and James Crombie received a one-off payment following the successful capital raise. The total approved payment was for A$976,000 (excluding GST) in recognition of the services they have provided leading up to the pre-IPO capital raise. The expense of $761,476 was accrued at 31 December 2017 and converted to USD using a rate of 78c. The payment of A$1,057,600 (including GST) was converted to $851,368 using the rate of 80.5c and settled through the issue of shares on 31 January 2018 at the pre-IPO capital raising price of US$0.16 per share.

No other key management personnel were remunerated for their services during the year ended 30 June 2018 or year ended 30 June 2017.

Key Management Personnel transactions

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or joint control over the financial or operating policies of those entities.

A number of these entities transacted with the Group during the year. The aggregate value of transactions and outstanding balances (excluding the compensation noted above) relating to key management personnel and entities over which they have control or joint control were as follows:

			Expense		Balance outstanding	
			2018	2017	2018	2017
Key management personnel	Transaction		$	$	$	$
Norman Seckold	Loan and interest	(i)	14,149	-	-	549,476
Justin Werner	Loan and interest	(ii)	7,727	189,078	-	385,185
Peter Nightingale	Loan and interest	(iii)	6,257	64,669	-	158,909
			28,133	253,747	-	1,093,570

NOTE 17 - RELATED PARTIES (Con't)

(i) At 30 June 2017 the loans owing by the Company to entities related to Norman Seckold comprised principal and accrued interest of A$114,048 and $246,977. The loans were unsecured and at call. Interest on the funds advanced to the Company were calculated at a rate of 10% p.a. from the date funds were advanced. In addition at 30 June 2017 $186,710 was owed by the Group's subsidiary, PT Hengjaya which had an applicable interest a rate of 15% p.a.. On 31 December 2017 the loans payable were settled in full through the issue of 3,472,776 shares in the Company on the same terms as the pre-IPO raising.

(ii) At 30 June 2017 the loans owing by the Company to an entity related to Justin Werner comprised principal and accrued of A$33,000 and $169,977. The loans were unsecured and at call. Interest on the funds advanced to the Company were calculated at a rate of 10% p.a. from the date funds were advanced. In addition, $186,710 was owed by the Group's subsidiary PT Hengjaya which had an applicable interest rate of 15% p.a. On 31 December 2017 the loans payable were settled in full through the issue of 2,416,806 shares in the Company on the same terms as the pre-IPO raising.

(iii) At 30 June 2017 the loan owing by the Company to an entity related to Peter Nightingale, had a principal and accrued interest balance of A$176,000. The loan was unsecured and at call. Interest on the funds advanced to the Company were calculated at a rate of 10% p.a. from the date funds were advanced. On 31 December 2017 the loan payable was settled in full through the issue of 1,008,656 shares in the Company on the same terms as the pre-IPO raising.

			Expense		Balance outstanding	
Other related parties	**Transaction**		**2018**	**2017**	**2018**	**2017**
			$	**$**	**$**	**$**
MIS Corporate Pty Limited	Loan and interest	(iv)	11,199	21,600	-	266,596
MIS Corporate Pty Limited	Administration services	(iv)	219,431	280,055	37,950	483,568
			230,630	301,655	37,950	750,164

(iv) Peter Nightingale and Norman Seckold hold an interest in an entity, MIS Corporate Pty Limited ('MIS'), which provided full administrative services, including administrative, accounting and investor relations staff both within Australia and Indonesia, rental accommodation, services and supplies, to the Group. On 1 July 2017 MIS agreed to provide these services for a fee of A$15,000 per month. This fee will be reviewed quarterly by the Company and MIS. Fees charged by MIS during the year amounted to A$279,452 (2017 - A$371,325) which included the agreed monthly fee and the reimbursement of consultant expenses incurred by MIS on behalf of the Group. At 30 June 2018 A$51,346 (30 June 2017: A$629,236) remained outstanding and was included in the creditor's balance. In addition to the creditor balance the Company had outstanding loan balance owing to MIS at 30 June 2017 of $266,596. The loan was denominated in Australian dollars, unsecured and at call. Interest was calculated at a rate of 10% p.a. from the date funds were advanced. On 31 December 2017 the loan balance was repaid in full through the issue of 1,696,442 shares in the Company on the same terms as the pre-IPO raising.

Apart from the details disclosed in this note, no Director or other related party has entered into a material contract with the Group during the year and there were no material contracts involving director's interests subsisting at year end.

NOTE 18 - STATEMENT OF CASH FLOWS

	2018 $	2017 $
(a) Reconciliation of cash and cash equivalents		
Cash and cash equivalents at the end of the year as shown in the Statements of Cash Flows is reconciled to the related items in the Balance Sheets as follows:		
Bank balances	806,574	278,775
(b) Reconciliation of net loss from ordinary activities after tax to net cash used in operating activities		
Loss from ordinary activities after tax	(2,926,833)	(3,738,494)
Non-cash items		
Depreciation and amortisation	64,425	50,337
Foreign exchange loss/(gain)	(620,213)	14,903
Interest expense and loss on extinguished liabilities	642,213	417,133
Net change in fair value of financial liabilities	407,782	120,859
Changes in assets and liabilities		
Trade receivables and other assets	(731,737)	545,871
Inventory	370,608	(529,108)
Provisions	197,546	163,721
Trade and other payables	(5,651,832)	3,039,457
Net cash used in operating activities	(8,248,041)	84,679

(c) Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liabilities		Equity	
	Loans and borrowings	Convertible notes	Share capital	Total
Opening balance at 1 July 2017	**9,511,190**	**4,020,859**	**26,188,005**	
Changes from financing activities				
Proceeds from issue of shares	-	-	73,908,362	73,908,362
Costs of issue	-	-	(1,770,206)	(1,770,206)
Repayment of borrowings and convertible notes	(8,753,905)	(4,428,641)	-	(13,182,546)
Total changes from financing cash flows	**(8,753,905)**	**(4,428,641)**	**72,138,156**	**58,955,610**
Other changes				
The effect of changes in foreign exchange rates	(2,710)	-	-	
Costs of issue (settled in shares)	-	-	(900,000)	
Finance expenses	642,213	407,782	-	
Creditors settled in shares	-	-	3,330,187	
Related party borrowings settled in shares	(1,396,788)	-	1,396,788	
Director and employee payments settled in shares	-	-	951,992	
Total other changes	**757,285**	**407,782**	**4,778,967**	
Closing balance at 30 June 2018	**-**	**-**	**103,105,128**	

NOTE 19 - FINANCIAL INSTRUMENTS DISCLOSURE

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. These policies are reviewed regularly to reflect changes in market conditions and the Group's activities.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, currency risk and interest rate risk. The summaries below presents information about the Group's exposure to each of these risks, their objectives, policies and processes for measuring and managing risk, the management of capital and financial instruments.

Credit risk

Credit risk arises mainly from the risk of counterparties defaulting on the terms of their agreements. The carrying amounts of the following assets represent the Group's maximum exposure to credit risk in relation to financial assets:

		2018 $	2017 $
Cash and cash equivalents	18	806,574	278,775
Trade and other receivables	6	387,412	288,689
		1,193,986	567,464

The Group mitigates credit risk on cash and cash equivalents by dealing with regulated banks in Australia and Indonesia. Credit risk of trade and other receivables is low as it consists predominantly of nickel ore sales receivable from one customer, amounts recoverable from the Australian Taxation Authority and interest receivable from call deposits held with regulated banks.

Impairment losses

None of the Group's material trade and other receivables are past due.

NOTE 19 - FINANCIAL INSTRUMENTS DISCLOSURE (Con't)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

Consolidated	Carrying amount $	Contractual cash flows $	Less than one year $	Between one and five years $	More than five years $
30 June 2018					
Trade and other payables	3,512,856	3,512,856	3,512,856	-	-
	3,512,856	3,512,856	3,512,856	-	-
30 June 2017					
Trade and other payables	9,887,311	9,887,311	9,887,311	-	-
Loan – Swift Capital Limited	8,151,024	8,151,024	-	8,151,024	-
Loans from related parties	1,360,166	1,437,510	1,437,510	-	-
Convertible note	4,020,859	4,262,111	4,262,111	-	-
Deferred project acquisition payments	2,800,000	2,800,000	2,800,000	-	-
Total liabilities	26,219,360	26,537,956	18,386,932	8,151,024	-

Ultimate responsibility for liquidity management rests with the Board of Directors. The Group manages liquidity risk by maintaining adequate funding where possible and monitoring of future rolling cash flow forecasts of its operations, which reflect management's expectations of expected settlement of financial assets and liabilities.

Currency risk

The Group functional currency in 2018 was assessed as being United States dollars. The Group is exposed to foreign currency risks due to the fact that the domestic ore sales of its subsidiary PT Hengjaya are in Indonesian Rupiah, liabilities of the Group are denominated in both Indonesian Rupiah and Australian dollars and the rights issue to shareholders and an additional placement during the year were denominated in Australian dollars.

NOTE 19 - FINANCIAL INSTRUMENTS DISCLOSURE (Con't)

The Group's gross financial position exposure to foreign currency risk at 30 June is as follows:

	2018		2017	
	Foreign currency	USD	Foreign currency	USD
IDR				
Cash at bank	IDR 10,220,318,341	$709,547	IDR 3,625,004,373	$272,107
Accounts receivable	IDR 5,295,797,056	$367,662	IDR 3,237,502,516	$243,019
Other current assets	IDR 4,082,905,254	$283,456	IDR 1,753,618,468	$131,633
Provisions	IDR 10,999,001,109	($763,607)	IDR 7,541,074,684	($566,062)
Taxes payable	IDR 6,095,274,009	($423,165)	IDR 3,384,324,705	($254,040)
Trade and other payables	IDR 6,013,820,947	($417,510)	IDR 59,935,532,760	($4,498,989)
AUD				
Cash at bank	A$24,969	$18,489	A$267	$205
Receivables	A$15,248	$11,291	A$5,258	$4,041
Prepayments	A$652,870	$483,451	-	-
Borrowings	-	-	A$726,660	($558,438)
Trade and other payables	A$545,340	($403,824)	A$1,308,429	($1,005,528)
Tax provisions payable	-	-	A$514,986	($395,767)

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
USD	2018	2017	2018	2017
IDR	13,608	13,258	14,404	13,322
AUD	1.2913	1.3259	1.3504	1.3012

The following sensitivity analysis is based on the exchange rate risk exposures at balance date.

At 30 June if the exchange rate between the United States dollar and the Indonesian Rupiah and the Australian Dollar had moved, as illustrated in the table below, with all other variables held constant, the post-tax loss and equity would have been affected as follows:

Judgement of reasonable possible movements:

	Post tax loss (Higher)/Lower 2018 $	Total equity (Higher)/ Lower 2018 $	Post tax loss (Higher)/Lower 2017 $	Total equity (Higher)/ Lower 2017 $
+ 10% higher USD to IDR exchange rate	128,359	128,359	467,233	467,233
- 5% lower USD to IDR exchange rate	(64,180)	(64,180)	(233,617)	(233,617)
+ 10% higher USD to AUD exchange rate	19,952	19,952	191,789	191,789
- 5% lower USD to AUD exchange rate	(9,976)	(9,976)	(95,895)	(95,895)

NOTE 19 - FINANCIAL INSTRUMENTS DISCLOSURE (Con't)

Interest rate risk

The Group's exposure to market interest rate relates to cash assets.

At balance date, the Group had the following mix of financial assets and liabilities exposed to variable interest rate risk:

		2018	2017
Financial assets			
Cash and cash equivalents	19	806,574	278,775

Sensitivity analysis

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) loss for the period by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for the comparative period.

	2018 $	2017 $
Loss for the year	(5,427)	(2,485)

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board ensures, where possible, costs are not incurred in excess of available funds and will seek to raise additional funding through issues of shares for the continuation of the Group's operation. There were no changes in the Group's approach to capital management during the year.

The Group is not subject to externally imposed capital requirements.

NOTE 20 - PARENT ENTITY DISCLOSURE

As at, and throughout the financial year ended 30 June 2018 the parent entity of the Group was Nickel Mines Limited.

	Parent Entity 2018 $	Parent Entity 2017 $
Result of the parent entity		
Net profit/(loss)	(4,850,295)	(4,204,832)
Other comprehensive income	-	-
Total comprehensive profit/(loss)	(4,850,295)	(4,204,832)
Financial position of the parent entity at year end		
Current assets	597,847	4,398
Non-current assets	64,468,529	10,590,822
Total assets	65,066,376	10,595,220
Current liabilities	494,917	9,939,565
Non-current liabilities	-	8,151,024
Total liabilities	494,917	18,090,589
Net Assets/(Liabilities)	64,571,459	(7,495,369)
Equity		
Share Capital	103,105,128	26,188,005
Accumulated losses	(38,533,669)	(33,683,374)
Total Equity	64,571,459	(7,495,369)

At balance sheet date the company has no capital commitments or contingencies (2017 - $nil).

NOTE 21 - SEGMENT INFORMATION

Segment information is presented in respect of the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise interest bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period in that geographic region.

Geographical segments

For the year ended 30 June 2018, the Group had two segments, being mine development in Indonesia and the RKEF Project in Indonesia.

	Indonesia - Mine Development $	Indonesia - RKEF Project $	Unallocated $	Total $
30 June 2018				
External revenues	13,551,416	-	-	13,551,416
Reportable segment loss/(profit) before tax	(2,579,722)	-	4,850,294	2,270,572
Interest income	25,103	-	30,574	55,677
Interest expense	21,818	-	293,995	315,813
Depreciation and amortisation	64,401	-	24	64,425
Reportable segment assets	28,823,304	50,000,025	597,847	79,421,176
Reportable segment liabilities	(3,781,545)	-	(494,917)	(4,276,462)
30 June 2017				
External revenues	8,594,750	-	-	8,594,750
Reportable segment loss/(profit) before tax	(516,676)	-	4,434,518	3,917,842
Interest income	10,643	-	40	10,683
Depreciation and amortisation	50,337	-	-	50,337
Reportable segment assets	27,935,449	-	4,398	27,939,846
Reportable segment liabilities	(25,454,962)		(1,330,460)	(26,785,422)

The Group's external revenue is generated under the ore supply agreements with Tsingshan Group companies.

NOTE 22 - AUDITOR REMUNERATION

During the year ended 30 June 2018 KPMG, the Company's auditor, has performed other services in addition to their statutory audit duties.

Details of the amounts paid to the auditor of the Group, KPMG, and its related practices for audit and non-audit services provided during the year are set out below:

	2018 $	2017 $
Auditors of the Company		
Audit and review of financial reports – KPMG Australia	47,196	66,546
Audit and review of financial reports – KPMG Indonesia	41,571	33,430
Services other than statutory audit		
Taxation services in relation to IPO	7,545	-
Investigating Accountant's services in relation to IPO	35,884	-
	132,196	99,976

NOTE 23 - SUBSEQUENT EVENTS

On 20 August 2018 the Group listed on the Australian Stock Exchange (ASX). The ASX listing was on completion of a successful capital raise which raised A$200 million through the issues of approximately 571.4 million new shares. In accordance with the prospectus dated 7 August 2018 the Company provided notice to Shanghai Decent on 31 August 2018 of its election to acquire an additional 35% interest in share capital of Hengjaya Holding Private Limited. Consideration is the payment of $70 million to Shanghai Decent. As a consequence of this the Company's interest in the RKEF project will also increase by 35% to 60%.

Other than the matters detailed above, there has not arisen in the interval between the end of the financial year and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

NOTE 24 - COMMITMENTS AND CONTINGENCIES

Under the terms of the Collaboration and Subscription Agreement with Shanghai Decent and Shanghai Wanlu, the Company agreed to purchase and Decent agreed to sell no less than 26% and not more than 35% of the issued capital of Hengjaya Holding Private Limited. On 30 August 2018 the Company provided notice to Shanghai Decent of its election to acquire an additional 35% interest in share capital of Hengjaya Holding Private Limited through the payment of $70 million to Shanghai Decent.

There are no contingent liabilities existing at 30 June 2018 (2017: Nil).

In the opinion of the Directors of Nickel Mines Limited ('the Company'):

(a) the consolidated financial statements and notes set out on pages 18 to 48 and the Remuneration report on pages 12 to 15 in the Directors' report, are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards, (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed at Sydney this 31st day of August 2018

in accordance with a resolution of the Board of Directors:

Robert Neale
Chairman

Norman Seckold
Deputy Chairman

Independent Auditor's Report

To the shareholders of Nickel Mines Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Nickel Mines Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group***'s financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated Statement of Financial Position as at 30 June 2018;
- Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity, and Consolidated Statement of Cash Flows for the year then ended;
- Notes including a summary of significant accounting policies;
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with *the Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

KPMG

Key Audit Matters

The ***Key Audit Matters*** we identified are:

- Accounting for the investment in equity accounted associate
- Going concern basis of accounting

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accounting for the investment in equity accounted associate ($50,000,025)

Refer to Note 15 Investment in Hengjaya Holdings Private Limited

The key audit matter	How the matter was addressed in our audit
The Group's investment in the equity accounted associate, Hengjaya Holdings Private Limited (Hengjaya Holdings) represents a significant transaction for the Group. This was a key audit matter specifically due to the following: • Size of the transaction: The Group's 25% interest in Hengjaya Holdings represented 63% of total assets of the Group at year end. The transaction included $50,000,000 advanced to Hengjaya Holdings by way of shareholder loan; and • Complexity: The acquisition was part of the Collaboration and Subscription Agreement (CSA) with Shanghai Decent Investment (Group) Co., Ltd. (Shanghai Decent) and Shanghai Wanlu Investment Co., Ltd (Wanlu). The terms and conditions of the CSA were complex and the implications had pervasive impacts on the financial report. We focused on: - the substance of the transaction, against the requirements of the accounting standards, including assessing the $50,000,000 advanced as either a loan receivable or equity accounted associate. The Hengjaya Holdings Shareholder Loan Agreement details further terms in	Our procedures included: • Reading the CSA to understand the key terms and conditions of the agreement and the obligations of each entity party to the contract; • Checking the completeness of the nature of the Group's obligations required by the CSA. We assessed the existence of triggering conditions of the obligations to underlying events of the Group and our understanding of the business. We compared these to the criteria for recording liabilities and recognising assets in the accounting standards; • Working with our valuation specialists we challenged the Group's fair value assessment. Of specific note was the financial instruments granted under the CSA. We did this by calculating a fair value using comparable market data and comparing it to the value derived by the Group; • Assessing the appropriateness of the Group's accounting treatment of its interest in Hengjaya Holdings against the criteria in the accounting standards. We read the Shareholder Loan Agreement to understand the terms under which the funds were advanced. We assessed the features of these terms, combined with our understanding of the terms of the CSA, against the criteria in the accounting standards for consistency to either loan receivable or equity accounted associate accounting; • Checking the cash payments for the transaction to the bank records of the Group agreed to the cost recorded and the total agreed in the CSA; • Obtaining the accounting records of the equity accounted associate and recalculating the Group's

KPMG

relation to the $50,000,000 advanced to Hengjaya Holdings; - further potential accounting implications, in particular unrecorded obligations, of the terms and conditions of the CSA and their treatment by the Group. These conditions required significant audit effort and greater involvement by senior team members and KPMG valuation specialists.	share of the associate's losses for the period. We performed additional procedures on the key underlying accounting records of the associate, including checking a sample of significant transactions recorded to the associate's bank records; • Evaluating the Group's disclosures in the financial report against the requirements of the accounting standards and our understanding of the terms and conditions of the CSA and Shareholder Loan Agreement.

Going concern basis of accounting	
Refer to Note 2 Basis of preparation	
The key audit matter	**How the matter was addressed in our audit**
The Group's use of the going concern basis of accounting and the associated extent of uncertainty is a key audit matter due to the status of initiatives during the audit, including the following: • The negative net current asset position of the Group prior to the completion of the IPO in August 2018; • The existence of the Group's conditional obligation to acquire an additional interest in Hengjaya Holdings on successful completion of the IPO and the funding options to achieve this. This obligation is outlined in the CSA; • The status and size of the funds from the IPO. The above conditions increased our audit effort in this key audit area. The Directors have determined that the use of the going concern basis of accounting is appropriate in preparing the financial report. Their assessment of going concern was based on cash flow projections. The preparation of these projections incorporated a number of assumptions and judgements, in particular as they related to the securing of additional funding from the IPO proceeds	Our procedures included: Reading the CSA to understand the key terms of the agreement and the obligations of each entity party to the contract, particularly as they relate to forecast cash flows; • Analysing the cash flow projections by: - Evaluating the underlying data used to generate the projections. We specifically looked for their consistency with the Group's intentions, as outlined in Directors minutes, market announcements and post year end events (i.e. the IPO); - checking the receipt of proceeds from IPO post year end to the Group's bank records; - Assessing the planned levels of operating expenditures for consistency of relationships and trends to the Group's historical results, impact of the investment in Hengjaya Holdings, results since year end, and our understanding of the business, industry and economic conditions of the Group in light of the operational changes post-IPO; - Assessing their consistency with the CSA regarding the obligation to acquire an additional interest in Hengiaya; • Evaluating the Group's repayment of pre-CSA liabilities with reference to loan extinguishment

KPMG

post year end and to meet the CSA obligations relating to the additional interest in Hengjaya Holdings. The Directors have concluded that the range of possible outcomes considered in arriving at this conclusion does not give rise to a material uncertainty casting significant doubt on the Group's ability to continue as a going concern. We critically assessed the levels of uncertainty, as it related to the Group's ability to continue as a going concern. Our focus was on: • the Group's planned levels of operational and capital expenditures, and the ability of the Group to manage cash outflows within available funding, particularly in light of the recent investment in Hengjaya Holdings; • the contractual commitments associated with the acquisition; • funds received from the capital raising post year end; and • further events occurring subsequent to balance date and the Group's obligations following the successful listing on the Australian Stock Exchange. We also considered the activities undertaken by the Group as required under the CSA with Shanghai Decent and Wanlu. The CSA required the Group be debt free and we focused on the settlement of liabilities which existed at 30 June 2017 through both share based payments and cash payments to extinguish all obligations under the original financing arrangements. These conditions required significant audit effort and greater involvement by senior members of the audit team.	documentation, such as repayment agreements and cash records; • Evaluating the Group's disclosures in the financial report in relation to the CSA and the subsequent events by comparing them to our understanding of the agreement. We assessed the compliance of the disclosures with the disclosure requirements of the accounting standards.

KPMG

Other Information

Other Information is financial and non-financial information in Nickel Mines Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001;*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error;
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Nickel Mines Limited for the year ended 30 June 2018, complies with *Section 300A of the Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A of the Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 12 to 15 of the Directors' report for the year ended 30 June 2018.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Adam Twemlow

Partner

Brisbane

31 August 2018

APPENDIX A –
INDUSTRY REPORT

Wood Mackenzie
A Verisk Business

March 2021

Nickel Industry Market Report
Prepared for Nickel Mines Limited

Contents

Figures

Tables

Nickel market overview

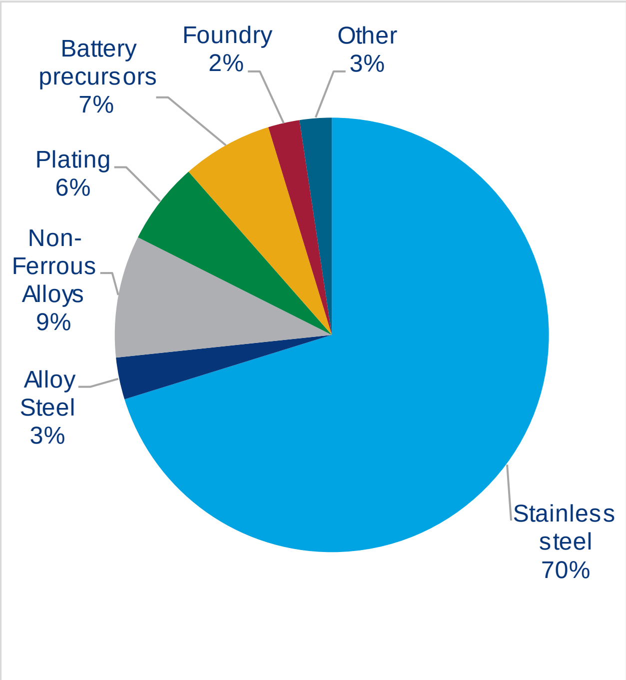
Introduction to the nickel market

Nickel is a base metal with physical and chemical properties that make it suitable for use in a wide variety of products across the commercial, industrial, construction and transport sectors. Key properties include its high strength and ductility; low thermal conductivity; resistance to corrosion and oxidation; ferromagnetism; and catalytic properties. Nickel also alloys readily with many other metals and can be deposited by electroplating, imparting its favorable properties to the resulting alloy or plated product.

Nickel demand is separated into primary and secondary demand. Primary nickel demand is met directly by supply from mined material. On the other hand, secondary supply is met by recycled scrap products that contain nickel. Primary nickel products are classified by nickel content. These are classified as:

- Class 1 – Refined nickel products with a nickel content of at least 99.8%. These include
    - Electrolytic nickel
    - Pellets
    - Briquettes
    - Granules
    - Rondelles
    - Powder/flakes
- Class 2 – Charge nickel products have <99.8% contained nickel. These include:
    - Nickel pig iron (NPI) and ferro-nickel (FeNi)
    - Nickel oxide sinter
    - Chemicals – nickel oxides/carbonates/salts etc. which are used for specialty purposes or further refined

Figure 1 Global nickel consumption by first use – 2020



Source: Wood Mackenzie Nickel LTO Q4 2020

There is different demand for the types of nickel products, linked to different end uses, although there is some ability to substitute between nickel products. As presented in Figure 1, 70% of nickel consumed in 2020 was used as an alloying element in stainless steel production.

Class 1 products can be utilised both in stainless steel production and other uses while usage of Class 2 (except for chemicals) products are generally restricted to stainless steel production. Where possible, stainless steel melters will buy the least amount of Class 1 nickel products in order to minimize costs, and this process of product replacement can create more opportunities for Class 2 product in the stainless steel industry.

Other key demand sectors include nickel as an alloying element, in both ferrous (3%) and non-ferrous (9%) applications, and the electric vehicle and energy storage sectors (7%).

EV and Energy Storage Batteries: The growth in use of nickel-bearing batteries for powering electric vehicles and in energy storage will be an important component of future nickel demand. This is the leading growth area in non-stainless nickel demand and will continue to be driven by increasing uptake of EVs, as well as the chemistry of batteries being used.

Plating: Carbon steel and plastics can be plated with nickel to impart corrosion resistance, with the resulting articles used principally in cars, household appliances and jewelry.

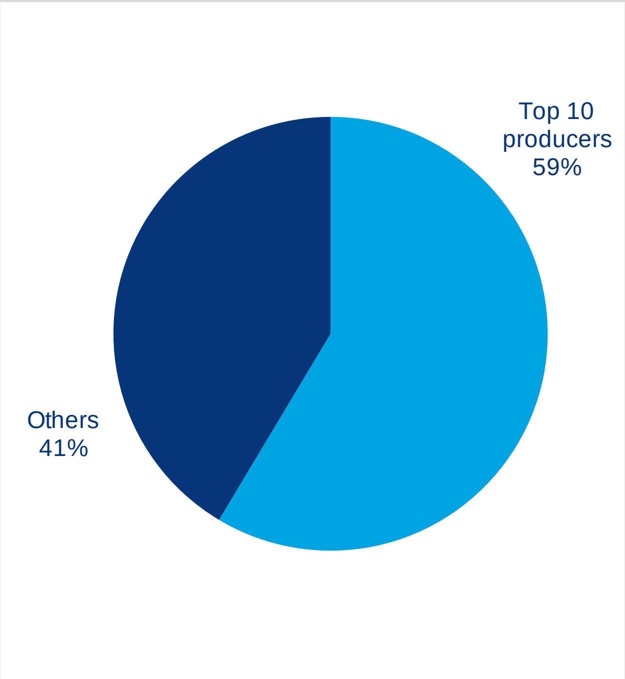
Alloying: For tooling steels and high strength steels, as well as in non-ferrous alloys, or superalloys for usage in aircraft engines, gas turbines, waste incineration and chemical processing plants, offshore oil and gas applications, and flue gas de-sulphurisation units.

Foundry applications: For specialist castings are not worked from ingot or billet, nickel is added either to increase the strength of those alloys that are not going to be heat treated, or to improve the 'hardenability' of those that are going to be heat treated.

Other uses: Used in catalysts primarily for the hydrogenation of fats and oils. Nickel is also used in carbides and hard-facing materials and in ceramics to form a bond between enamel and iron.

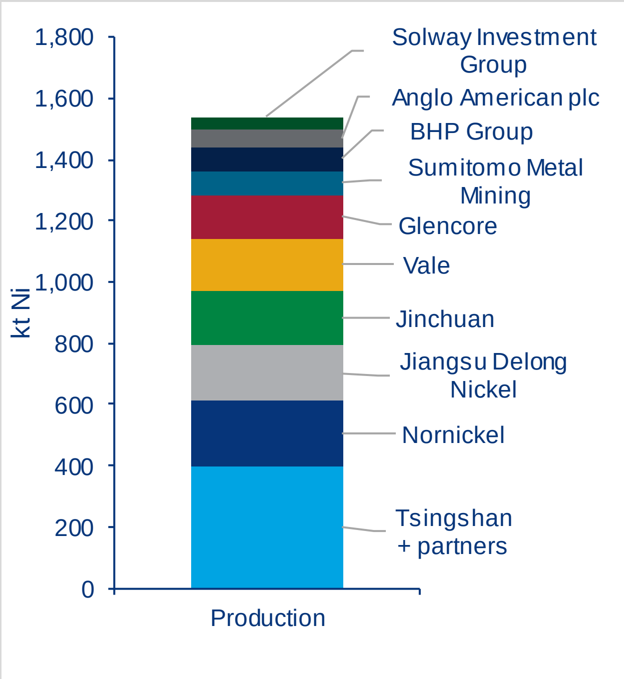
Market concentration

Figure 2: Processed nickel market – 2020



Source: Wood Mackenzie Nickel LTO Q4 2020

Figure 3: Top 10 processed nickel producers – 2020



Source: Wood Mackenzie Nickel LTO Q4 2020, Nickel Mines Ltd

Table 1 Processed nickel production – 2020

Company	kt Ni[1]
Tsingshan and partners (ex. Nickel Mines)	395
Nornickel	218
Jiangsu Delong Nickel	180
Jinchuan	179
Vale	171
Glencore	138
Shandong Xinhai Technology	122
Sumitomo Metal Mining	83
BHP Group	76
Nickel Mines (current + ANI)	**65**
Anglo American plc	58
Solway Investment Group	42
Eramet	39
Nickel Mines (current)	**37**
South32	37
SMSP	32
Guangxi Beihai Chengde	32

Source: Wood Mackenzie Nickel LTO Q4 2020, Nickel Mines Ltd
Note 1: Attributable production based on ownership share
Note 2: Nickel Mines and Tsingshan data provided by Nickel Mines Ltd

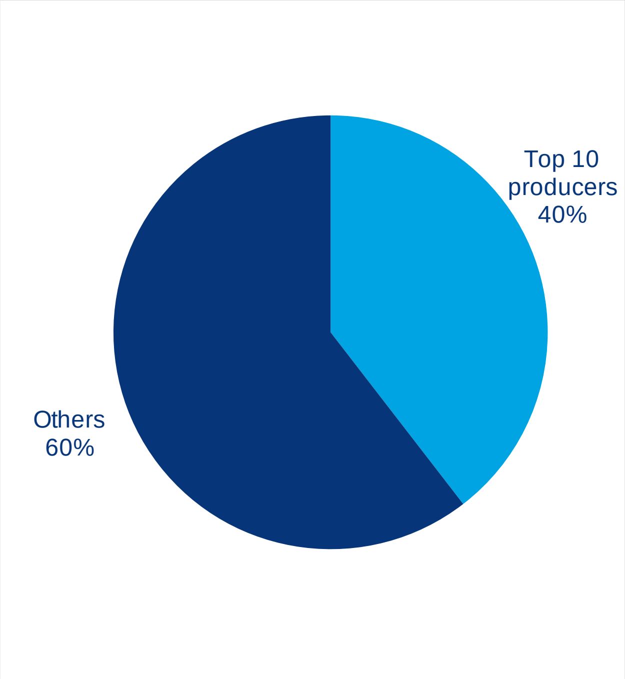
Processed nickel production is highly concentrated, with Tsingshan and their partners being the largest producer. In 2020 the top ten producers accounted for 58% of the processed nickel produced. The top twenty producers accounted for 74% of processed nickel. There is little room in the market available for significant numbers of smaller producers.

Tsingshan operates the Indonesian Morowali Industrial Park (IMIP), which makes up the majority of the production attributed to the company in Figure 3. Production at IMIP accounted for 58% of Indonesia's NPI/FeNi output in 2020.

The supply of mined nickel is less concentrated. Whilst the top ten producers have extracted a significant portion of the total mined nickel for 2020 (40%), the top twenty producers extracted just under half of all mined nickel. With the twentieth largest producer accounting for only 18 kt Ni and 0.7% of the market, a significant number of smaller players make up the other 50% of production.

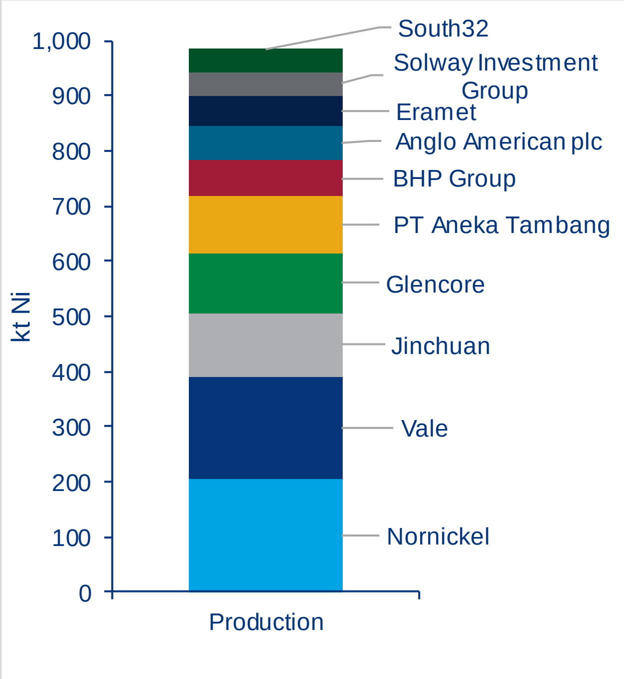
As shown in Table 1, the development of the Angel nickel project (ANI) will result in Nickel Mines moving into the top ten in the producer rankings, based on global nickel production in 2020.

Figure 4: Mined nickel market – 2020



Source: Wood Mackenzie Nickel LTO Q4 2020

Figure 5: Top 10 mined nickel producers – 2020



Source: Wood Mackenzie Nickel LTO Q4 2020

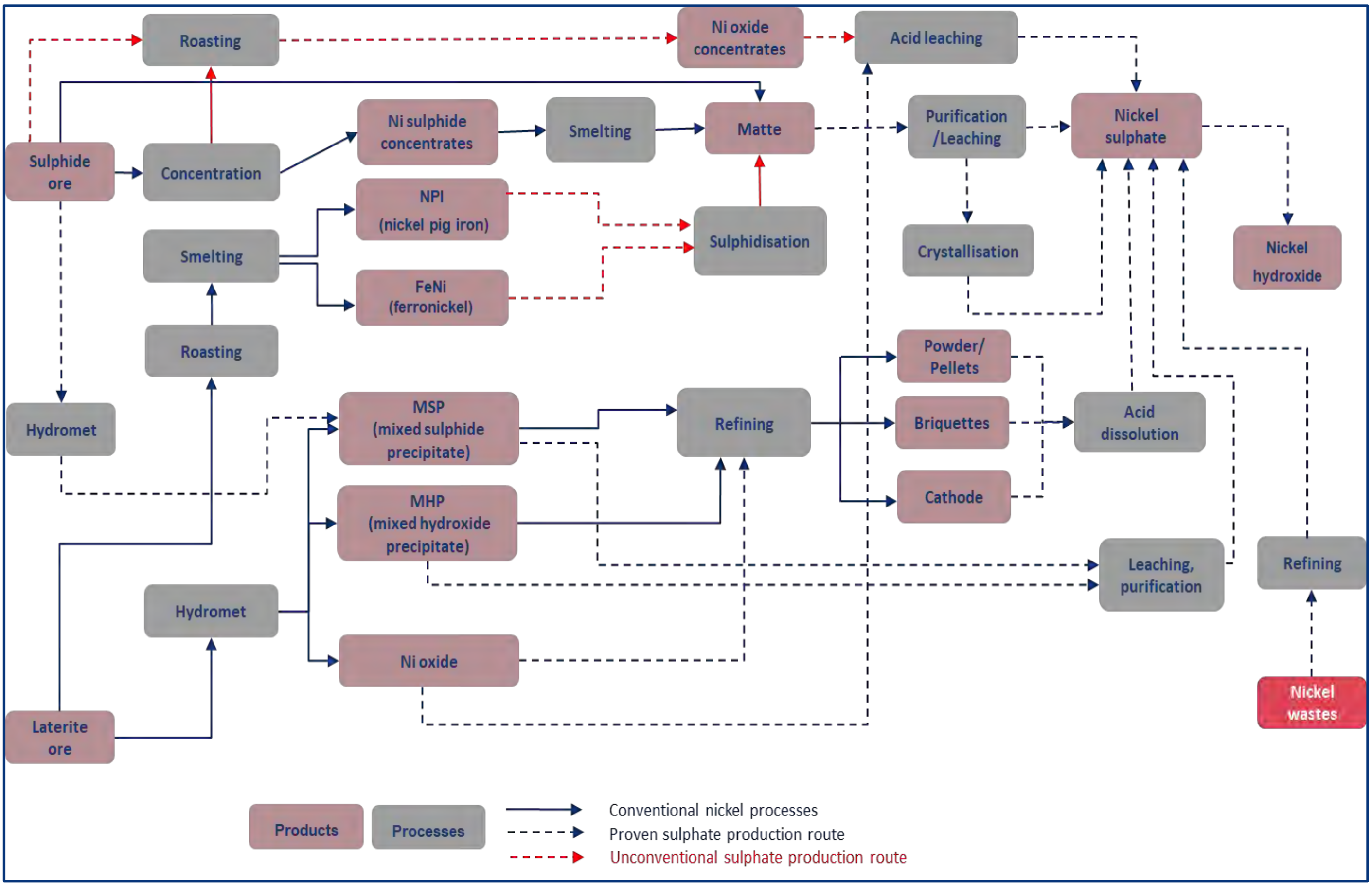
Nickel value chain

There are two main types of nickel ore – sulphides and laterites:

- **Nickel laterites** (that is ores containing nickel bonded with oxygen, along with other elements) account for roughly 70% of global resources. Laterites are formed through weathering and can be further sub-classified into Limonites (nickel bonded with hydroxides) or Saprolites (nickel bonded with silicates). Limonite ores account for roughly 70% of laterites with saprolites account for the remaining 30%. In general limonite ores are high in iron and low in magnesia, and saprolite ores are low in iron and high in magnesia. Key laterite deposits are present across Latin America and the Asia Pacific region, most notably in Indonesia, the Philippines and New Caledonia.
- **Nickel sulphides** (that is ores containing nickel bonded with sulphur) account for roughly 30% of global resources, with more than 95% of these resources held in intrusive orebodies. Many sulphide ores contain valuable, recoverable by-products that include copper, cobalt, platinum group metals, gold and silver. The Sudbury deposits in Canada, the Norilsk-Talnakh deposits in Russia, and the Bushveld Igneous Complex in South Africa are examples of some of the principal deposits in this class.

The type of nickel ore determines the available processing routes. The routes for processing nickel ore to produce refined nickel or valuable intermediates are complex and vary widely between different operations, as shown in Figure 6. Sulphide nickel ore is mined and upgraded to a concentrate, which is smelted to produce matte and which is then refined to produce a pure nickel product (typically Class 1 products but also chemicals). Laterite nickel ore can be smelted to a saleable FeNi, oxide or NPI. Alternately, the laterite ore can be processed hydrometallurgically to produce finished nickel metal or chemicals, or an intermediate, which is then further refined to produce various nickel products. Additional work has been undertaken previously for the conversion of FeNi to matte. This can then be further processed to nickel sulphate ($NiSO_4$), which is a key chemical precursor for the manufacture of battery cathodes. There is ongoing work being undertaken on utilising this process for NPI.

Figure 6: Simplified nickel production processes



Source: Wood Mackenzie

Demand overview

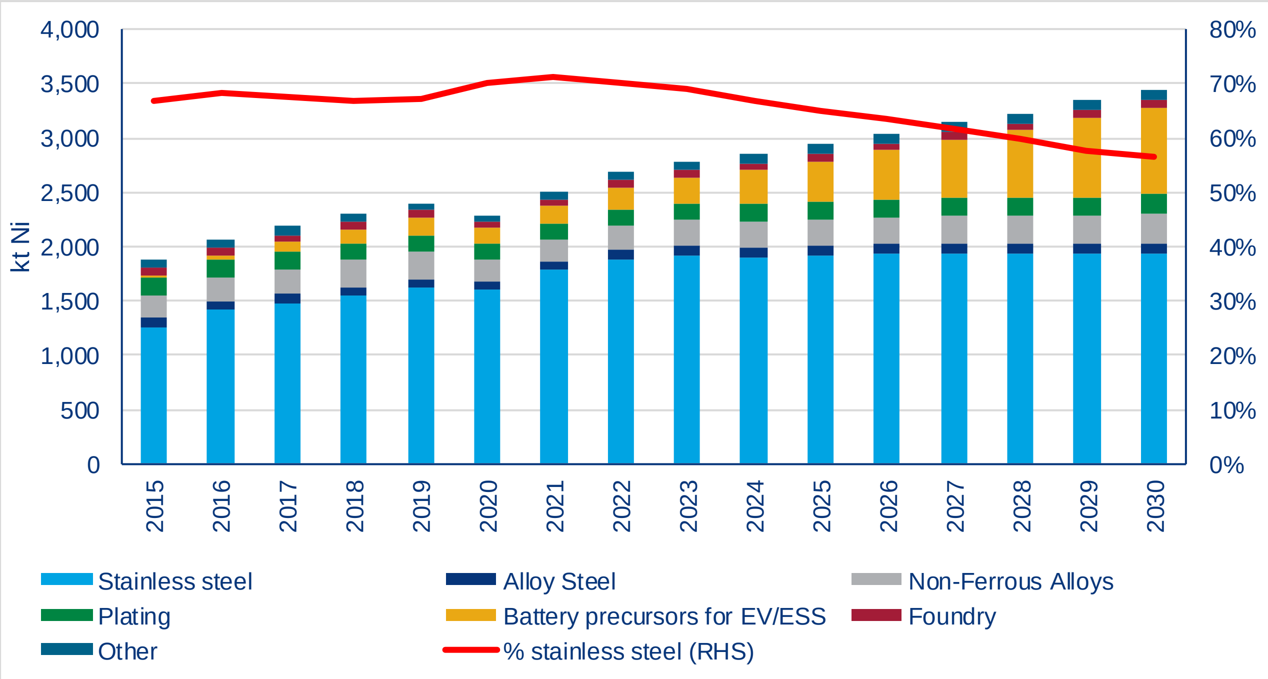
Global Nickel Demand

Global nickel demand grew steadily between 2015 and 2019 at a rate of 6.3% CAGR reaching 2.40 Mt in 2019. Demand destruction as a consequence of the COVID-19 pandemic has resulted in a decrease in demand of approximately 5% globally in 2020 to 2.29 Mt. Growth will return in 2021 with global demand reaching 2.94 Mt by 2025 (5.1% CAGR 2020-2025). Over the longer term, nickel demand is expected to grow to 3.44 Mt by 2030 (4.2% CAGR 2020-2030).

China will remain the main driver of demand over the long term as a result of the scale of its stainless steel industry. Growth will also be supported by the development of a new stainless steel industry in Indonesia, where two of the largest Chinese stainless companies, Tsingshan and Delong, now have large stainless steel melt shops.

Chinese and Asian demand for nickel will receive a further boost from the expansion in demand for $NiSO_4$ in battery cathode materials, chiefly for EV batteries. Wood Mackenzie estimates that Asian companies account for approximately 85% of global $NiSO_4$ production.

Figure 7 Global primary nickel consumption by first use



Source: Wood Mackenzie Nickel LTO Q4 2020

Demand for NPI/FeNI nickel is expected to increase due to growth in stainless steel production. While demand for nickel will continue to be dominated by stainless steel, other sectors will see relatively higher growth. Primary nickel use in stainless steel grows more slowly than stainless steel melt production growth due to greater use of scrap. Nevertheless, demand for nickel from stainless steel is expected to increase by 334 kt between 2020 and 2030 (CAGR 1.9%).

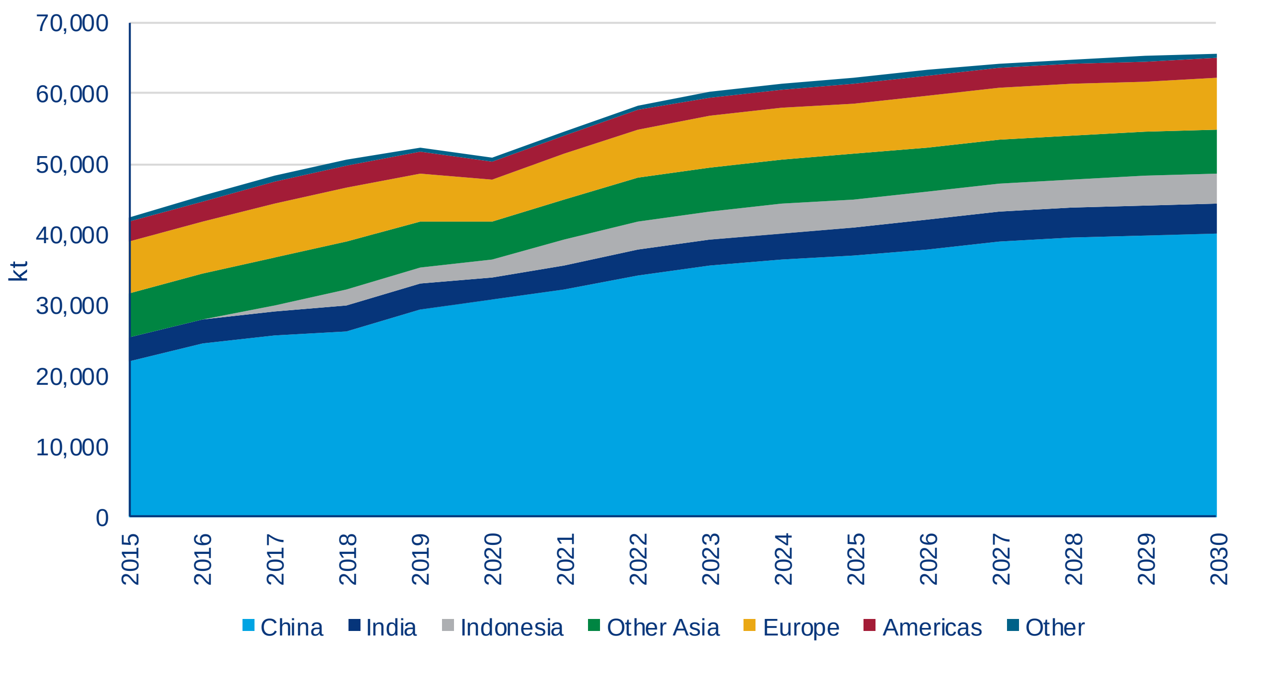
Nickel demand from non-stainless applications is expected to see much more rapid growth as it more than doubles from 681kt in 2020 to 1.499 kt in 2030 (CAGR 8.2%). Growth in non-stainless demand will be supported by rapidly increasing demand from the battery sector.

Nickel demand from stainless steel

Global stainless steel production grew by around 5.4% CAGR between 2015 and 2019, reaching 52.3 Mt in 2019, with most of that growth originating in China. While Chinese and Indonesian production continued to grow in 2020, production contracted in other regions due to the COVID-19 pandemic and global stainless steel production fell to 50.8 Mt in 2020.

China is expected to remain the dominant stainless steel producer, increasing from 30.8 Mt in 2020 to 40.1 Mt in 2030 (CAGR 2.7%). India is the second largest stainless producer contributing to 3.1 Mt in 2020, which is expected to grow to 4.3 Mt by 2030. Indonesia's stainless steel industry is evolving rapidly, with production expected to grow from 2.7 Mt in 2020 to 4.0 Mt in 2022, reaching 4.2 Mt by 2030.

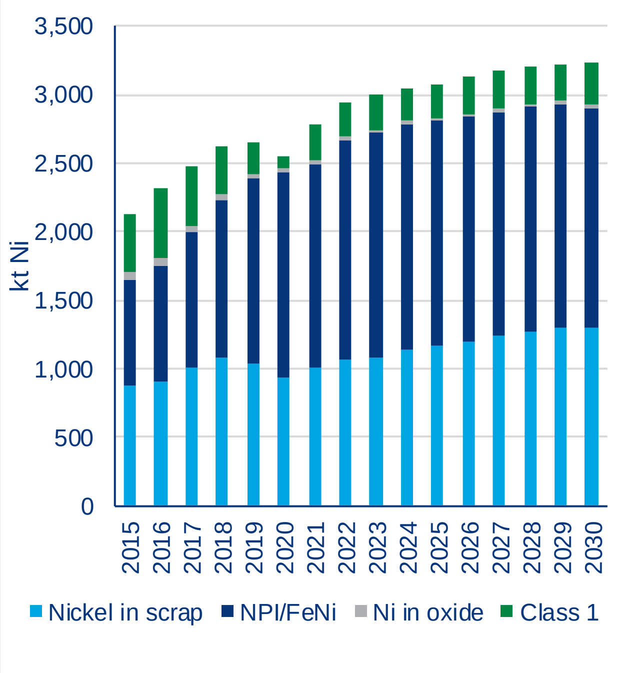
Figure 8 Global stainless steel melt output



Source: Wood Mackenzie Nickel LTO Q4 2020

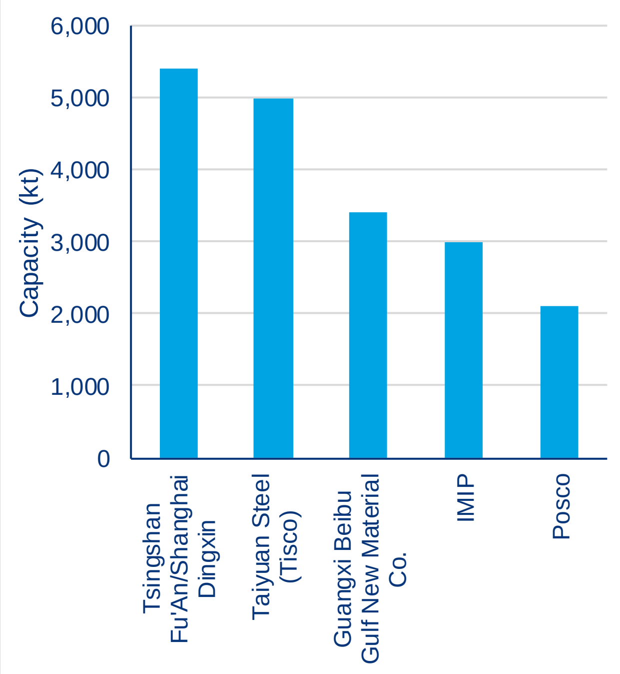
Stainless steel production capacity is heavily concentrated in China, with over 50% of global capacity residing there. China also hosts the three largest operations with regards to capacity in 2020. Globally, the fourth largest producer is IMIP (Figure 10). With the exception of the combined capacity of Chinese SOEs, Tsingshan controls the largest stainless steel production capacity globally.

Figure 9 Global consumption of nickel in stainless steel by nickel product type



Source: Wood Mackenzie Nickel LTO Q4 2020

Figure 10: Top 5 stainless steel plants by capacity - 2020



Source: Wood Mackenzie Nickel LTO Q4 2020

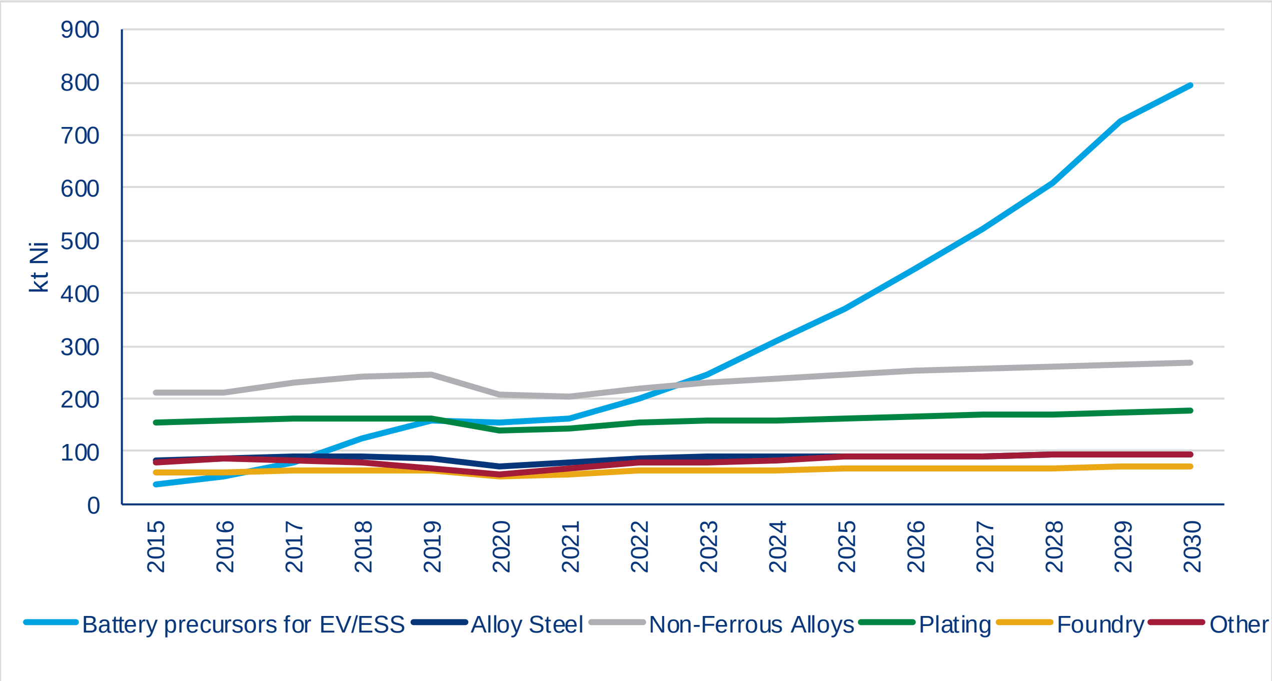
In normal years (2020 market dynamics having been altered by reduced demand during the COVID-19 pandemic), primary nickel accounts for approximately 60%-65% of the nickel units consumed in the world stainless steel total (1.62 Mt in 2019). The remaining 35%-40% of nickel is sourced from scrap. Most of the 60%-65% from primary supply is accounted for by NPI (in China and Indonesia) or FeNi, with an estimated 234 kt of Class 1 nickel being consumed by the world's mills in 2019. This is the equivalent of only 9% of the total nickel units consumed in stainless. Assuming that all FeNi and NPI produced in one year is consumed in stainless in the same year, the requirement for Class 1 will remain stable at 8%-9% of the total from 2022 to 2030. Primary nickel uptake in stainless is expected to increase from 1.61 Mt in 2020 to 1.94 Mt in 2030 (1.9% CAGR). Over this period, growth of primary nickel use in stainless will not keep pace with the growth in stainless production because of increasing use of scrap in China and because of a slight decline in austenitic ratio.

Other nickel demand

The nickel market has, over the past 1-2 years, become increasingly excited about the prospects for future nickel demand in cathode materials for EV batteries. Wood Mackenzie's forecast of nickel demand in non-stainless first use highlights how important the EV sector will be to long term nickel consumption.

Total demand for nickel in non-stainless demand declined from 784 kt in 2019 to 681 kt in 2020 as a consequence of the global pandemic. However, growth is expected to return from 2021, with total demand growing to 1.5 Mt by 2030 (8.2% CAGR from 2020-2030). Growth will primarily be driven by the battery segment with nickel demand in batteries anticipated to increase from 154 kt in 2020 to 200 kt by 2022. It is expected to continue throughout the decade, reaching 795 kt by 2030 (17.8% CAGR 2020-2030).

Figure 11 Primary nickel non-stainless steel first use demand



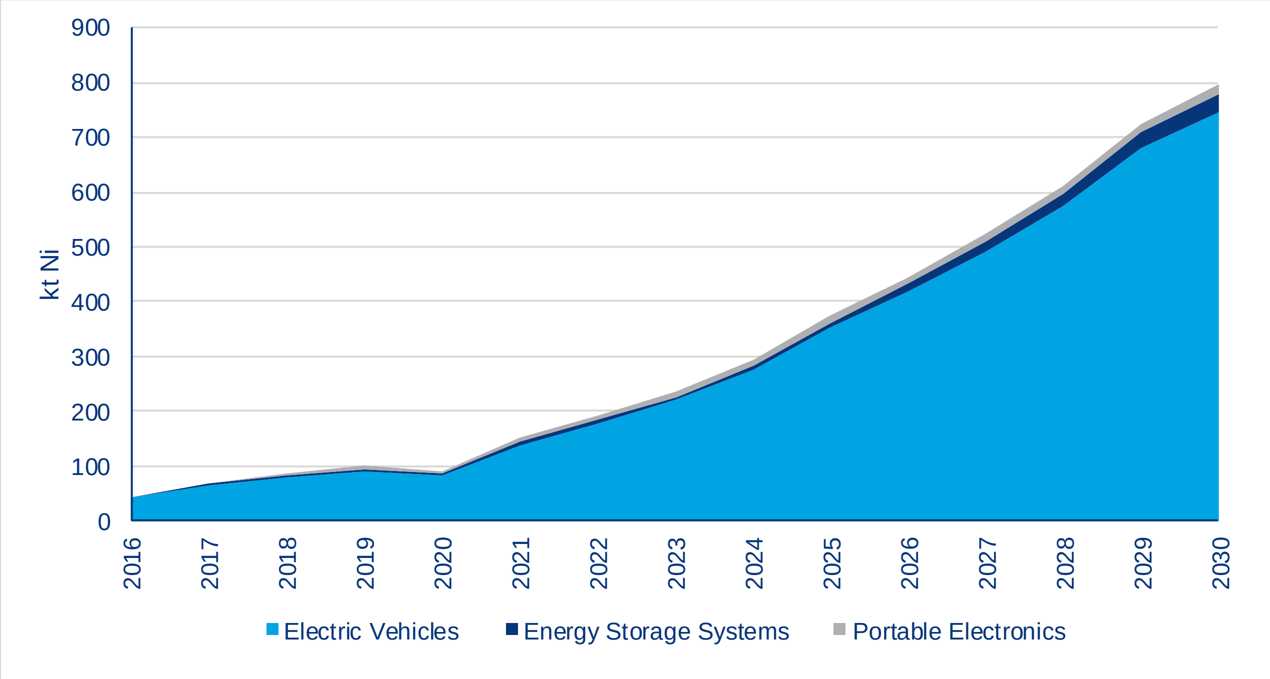
Source: Wood Mackenzie Nickel LTO Q4 2020

Within the battery segment, EV batteries are the greatest source of demand and volume growth. EV demand accounted for 90% of all nickel consumed in batteries in 2020, and will rise to 95% over the long term, exhibiting a 24.8% CAGR through to 2030. Nickel demand for batteries in portable electronics and energy storage systems are also expected to grow over the next decade. Portable electronics nickel demand will grow at a lower rate of 11.5%. Energy storage systems will have a marginally higher growth rate than EVs, at 24.9% CAGR, but a much lower volume of growth due to the low starting demand.

EV battery demand forecasts are based on Wood Mackenzie's EV projections of vehicle sales and the implication this has for battery types in use and the nickel contained therein. They are also corroborated by an evaluation of global $NiSO_4$ consumption by the makers of battery cathode precursors.

At present, and over the remainder of the forecast, stainless steel remains the main first user of nickel and the portion of world nickel demand that will go to EV batteries remains comparatively small. It is only after 2025, that the potential quantities involved become more critical for the nickel market in general. It is expected that battery precursors for EVs and energy storage will become increasingly important. Over the mid-term, and despite the large growth rates noted above, nickel units to feed the battery segment will be sourced reasonably easily. In particular, the large quantity of nickel currently held by the LME could be used by battery consumers. Currently, approximately 85% of all LME nickel stocks is in the form of briquettes, which is suitable for dissolving to make $NiSO_4$. Thus, as demand for $NiSO_4$ increases, this can be satisfied by drawing down the inventory of briquettes currently held in LME warehouses. That almost all of these warehouses are located in Asia is an added benefit, as this is where most of the world's $NiSO_4$ producers are also currently located.

Figure 12 Long-term demand for nickel in batteries for EVs, ESS and electronics



Source: Wood Mackenzie Battery Raw Materials LTO H2 2020

Nickel pig iron uses

NPI was borne out of an urgent need by the nickel-starved Chinese stainless steel expansion at a time when traditional western nickel producers were not making enough nickel at the right price and alternatives – such as scrap – were not available or widely understood in their use. NPI became available when then existing producers of ferromanganese or other alloys converted to producing a crude FeNi. Initially a lot of the NPI produced contained such low nickel contents that many market observers thought it could not endure the test of time. However, the Chinese stainless steel sector also embarked on producing a low-nickel series of stainless steel products (referred to as the 200 series) which has not been widely used in Western markets.

Initially NPI production commenced utilising the existing blast furnaces which made other alloys. Since 2005 the industry has developed rapidly, firstly through the use of electric arc furnaces, and then purpose-built facilities, and now the use of rotary kiln electric arc furnace (RKEF) technology, which is more akin to a "standard" FeNi production facility. Many of these purpose-built plants are also associated directly with the stainless steel mills for which the NPI is destined to be used. Input to stainless steel manufacturing currently accounts for all NPI demand.

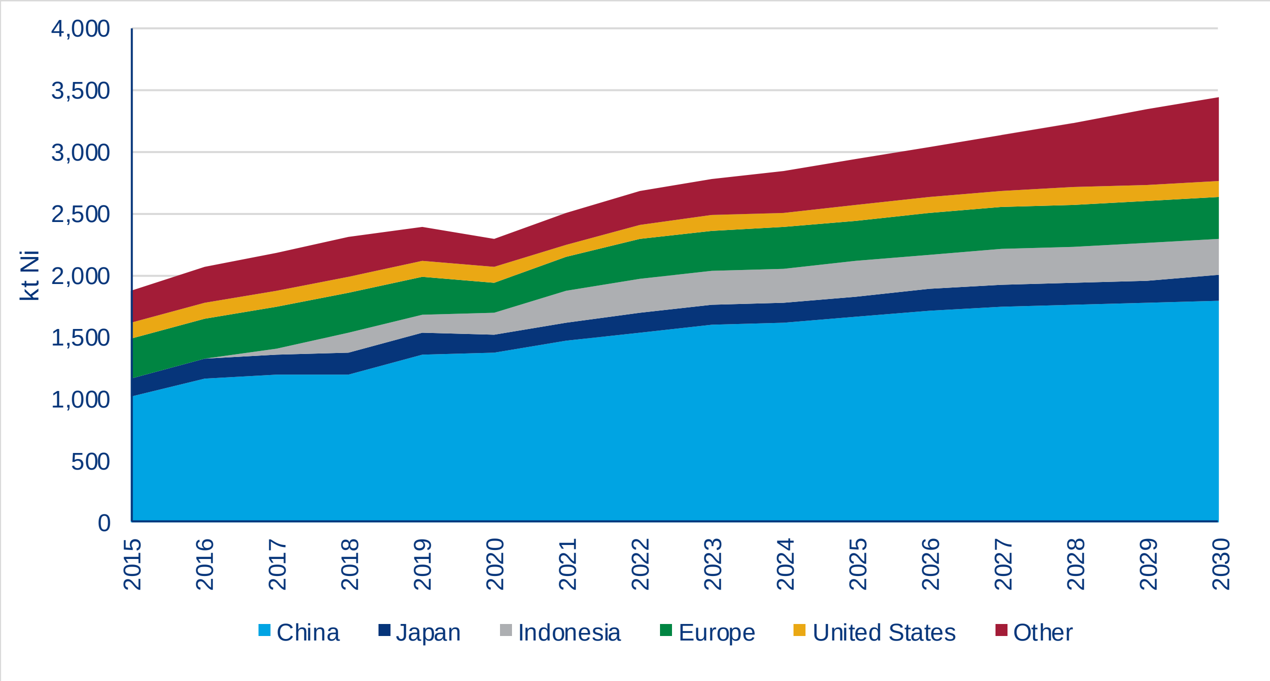
The key area of growth in nickel demand is in battery cathodes. The nickel meeting this demand will typically be in the form of $NiSO_4$, which is the key chemical raw material needed to make the precursor compounds from which battery cathodes are made. $NiSO_4$ has in the past generally been made from the dissolution of class 1 nickel products. For NPI, since it does not contain the sulphur that comes through from sulphide deposits, an additional sulphidisation process would be required before being able to be converted to $NiSO_4$. This is an unconventional process route, adding additional expense to the chemical production process. However, this process continues to be explored by several companies in ongoing efforts to make it a commercially feasible option for $NiSO_4$ production. A recent announcement from Tsingshan suggests that these efforts are progressing as they will be producing matte from NPI (for later use in the production of $NiSO_4$) whilst market conditions are appropriate.

Limonite ores also have been used to meet demand for nickel from batteries. Thus, mixed hydroxide precipitate (MHP) and mixed sulphide precipitate (MSP) intermediate products are both currently being used as raw materials in the production of $NiSO_4$. For the battery segment, such materials have the advantage of also containing cobalt, which is a second key component of many Li-ion battery formulations.

Demand by country

Primary nickel demand across both product classes will continue to be dominated by China out to 2030 due to the already large demand base and dominant positions in both the stainless steel and battery precursor segments. Indonesia will see the largest growth, with companies other than Tsingshan now also making progress with their own stainless steel facilities, as well as construction of other facilities for processing nickel into other products.

Figure 13 Primary nickel demand by country/region

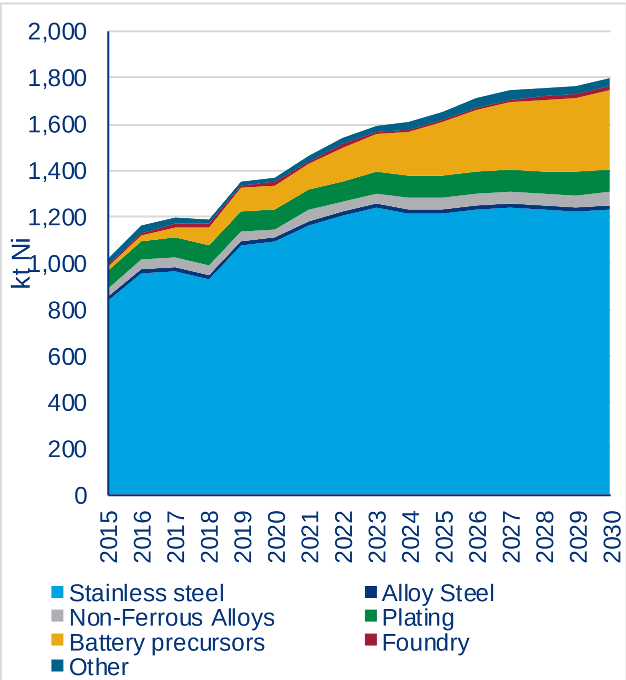


Source: Wood Mackenzie Nickel LTO Q4 2020

China

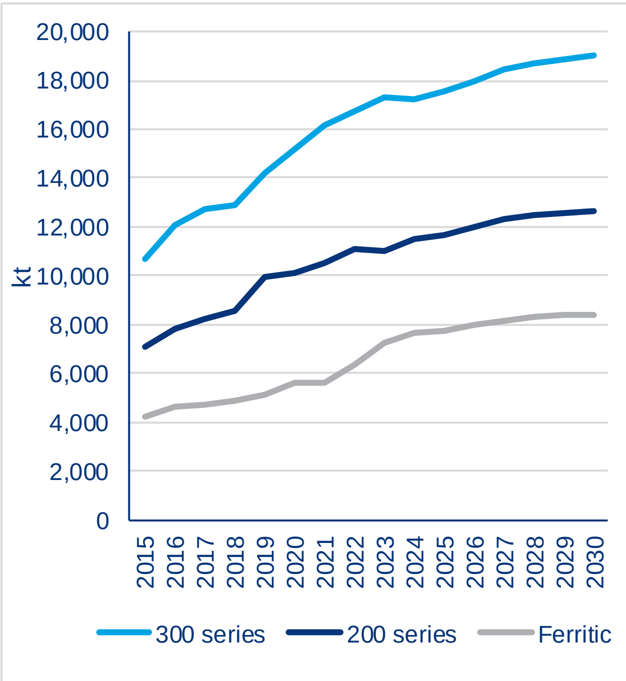
At 1.37 Mt, Chinese nickel demand accounted for an estimated 60% of global nickel consumption in 2020. Wood Mackenzie forecasts Chinese demand will grow from 1.47 Mt in 2021 to 1.80 Mt in 2030 (2.8% CAGR). The Chinese government will continue its efforts to rationalise overcapacity in the steel industry, moderating future nickel demand growth. Also, some new plant capacity now under construction will focus on melting non-nickel ferritics. However, with an austenitic ratio still hovering around 80% in China, 300 series stainless melting will continue to drive nickel demand.

Figure 14: China primary nickel consumption



Source: Wood Mackenzie Nickel LTO Q4 2020

Figure 15: China stainless steel melt output



Source: Wood Mackenzie Nickel LTO Q4 2020

In China, nickel demand from EV batteries will see the highest growth of 12.4% CAGR from 106 kt in 2020 to 340 kt in 2030. Despite this significant growth in the EV batteries sector, stainless steel will remain the largest consumer of nickel, accounting for approximately 69% of China's total nickel demand by 2030, down from 80% in 2020. Growth in nickel consumption from stainless steel is expected to average at a rate of 1.2% CAGR between 2020 and 2030.

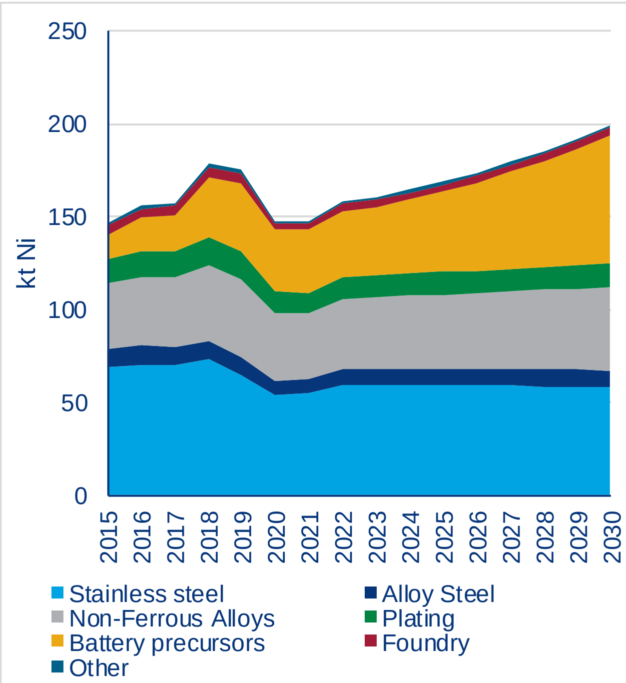
Japan

At 148 kt, Japanese nickel demand accounted for approximately 6% of global nickel consumption in 2020. In the longer-term through to 2030, Japan's share of global demand will remain stable around 6%. Wood Mackenzie forecasts that nickel demand in Japan will grow from 148 kt in 2020 to 199 kt by 2030 (3.0% CAGR), driven primarily by non-stainless steel sector with strong demand growth expected from the EV batteries sector.

Japan's stainless steel market is mature. Potential upside for nickel demand in Japan has become apparent through a focus on financial improvement by industry players, particularly through enhanced margins stemming from corporate mergers, product innovation and alternative material replacement. In 2020 Japanese stainless steel production declined 22% on 2019 to 2.3 Mt as a result of the COVID-19 pandemic, but volumes are expected to rebound to 2.6 Mt in 2021, plateauing at around 2.7 Mt from 2022 through to 2030 (1.5% CAGR 2020-2030).

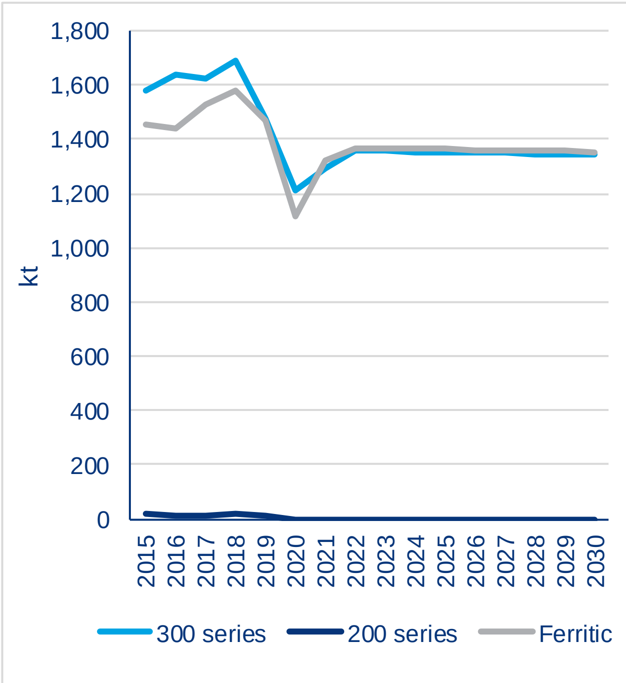
Outside stainless steel, nickel demand growth has better prospects in Japan than in most other countries. Primary metal consumption in these sectors is projected to increase from 94 kt in 2020 to 141 kt by 2030 (4.1% CAGR). The automotive sector will drive demand growth for plating, alloy steels and foundry forecasts while battery demand for EVs is expected to drive nickel demand from 34 kt in 2020 to 69 kt in 2030 (7.5% CAGR).

Figure 16: Japan primary nickel consumption



Source: Wood Mackenzie Nickel LTO Q4 2020

Figure 17: Japan stainless steel melt output



Source: Wood Mackenzie Nickel LTO Q4 2020

Indonesia

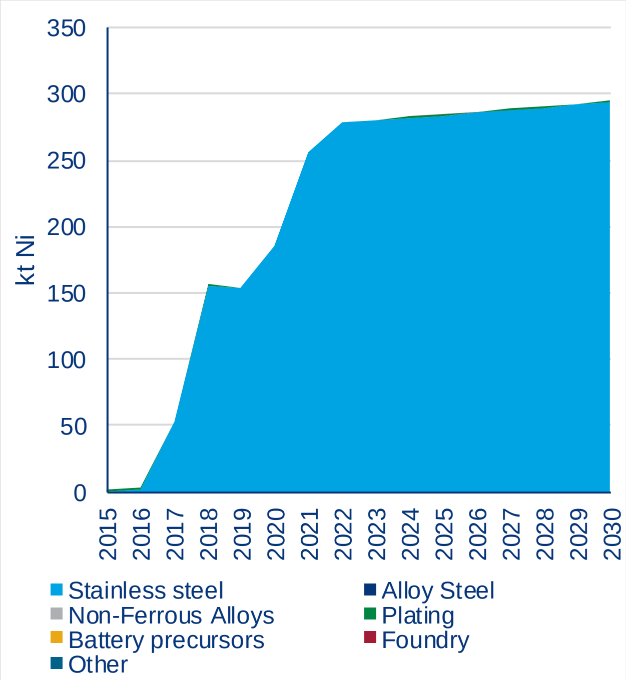
At 185 kt, Indonesia accounted for 8% of global nickel consumption in 2020. Indonesia's share of global nickel consumption will increase to 10% in 2021. reaching 284 kt in 2025 (9% CAGR 2020-2025). Demand growth will slow to reach 295 kt in 2030 (CAGR 1% 2025-2030) with the share of global nickel demand having declined to just under 9%.

In line with policy to onshore the processing of Indonesian minerals, in late 2019 the Indonesian Government announced a ban on nickel ore exports, to come into effect at the start of 2020, two years ahead of the planned change.

Tsingshan's IMIP stainless steel production facility was the first to be developed in response to the ban. With NPI being the predominant nickel component of stainless steel (~65%), Tsingshan's rapidly expanding stainless steel production base has resulted in increasing NPI feed. Delong-Obsidian stainless steel plant began production in February 2020 and is expected to expand in 2021.

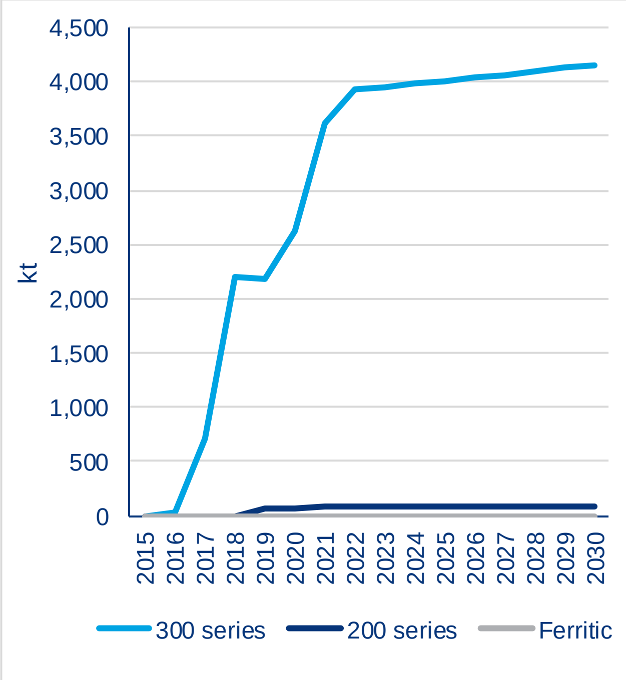
In addition, Indonesia is now embarking on becoming a major hub in the battery supply chain. In late 2020 South Korea's LG has recently signed an EV battery deal which will include a Nickel mine and smelter on Maluku Island. CATL also plans to invest in a Li-ion battery plant. The government is also in talks with Tesla for additional battery investments.

Figure 18: Indonesia primary nickel consumption



Source: Wood Mackenzie Nickel LTO Q4 2020

Figure 19: Indonesia stainless steel melt output

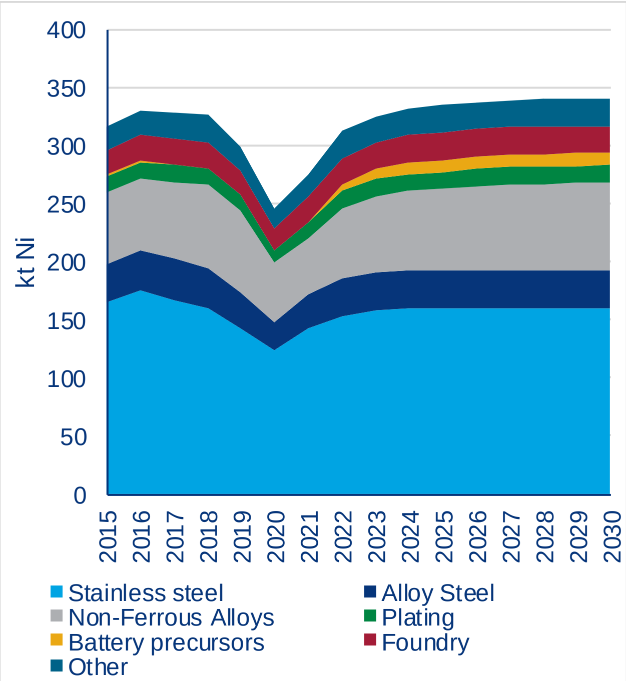


Source: Wood Mackenzie Nickel LTO Q4 2020

Europe

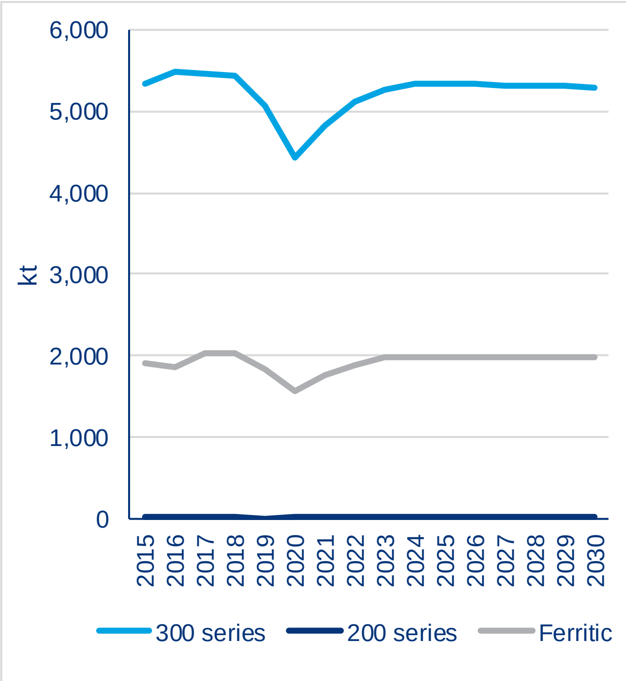
Europe accounted for 11% of global primary nickel demand in 2020, though demand volumes fell significantly as a result of the economic impacts of the ongoing COVID-19 pandemic across the region. Wood Mackenzie forecasts global share of demand will fall to approximately 10% by 2030. Primary demand in Europe is expected to grow from 246 kt in 2020 to 342 kt in 2030 (CAGR 3.4%). Battery precursor demand will see the highest growth rate of all demand sectors in Europe, at 38.6% CAGR between 2020 and 2030, however the greatest growth in volume terms will be from stainless steel (36.5 ktpa) followed by non-ferrous alloys (25.0 ktpa). Primary nickel demand in stainless steel will increase in line with stainless steel output, from 124 ktpa in 2020 to 160 ktpa in 2030 (2.6% CAGR 2020-2030).

Figure 20: Europe primary nickel consumption



Source: Wood Mackenzie Nickel LTO Q4 2020

Figure 21: Europe stainless steel melt output



Source: Wood Mackenzie Nickel LTO Q4 2020

The forecast depends on producers maintaining their share of the European market and, potentially, growing niche markets overseas. However, the market share of domestic players in their home market remains under pressure from imports from Asia, despite the imposition of dumping duties on cold-rolled imports from China and Taiwan. South Korean stainless steel, which is not subject to duties, continues to penetrate the European market. Imports from Taiwan, which are understood to largely be re-rolled material originally from China, have also increased despite duties. Chinese producers are also circumventing duties by exporting increasing volumes of hot rolled stainless steel to Europe.

United States

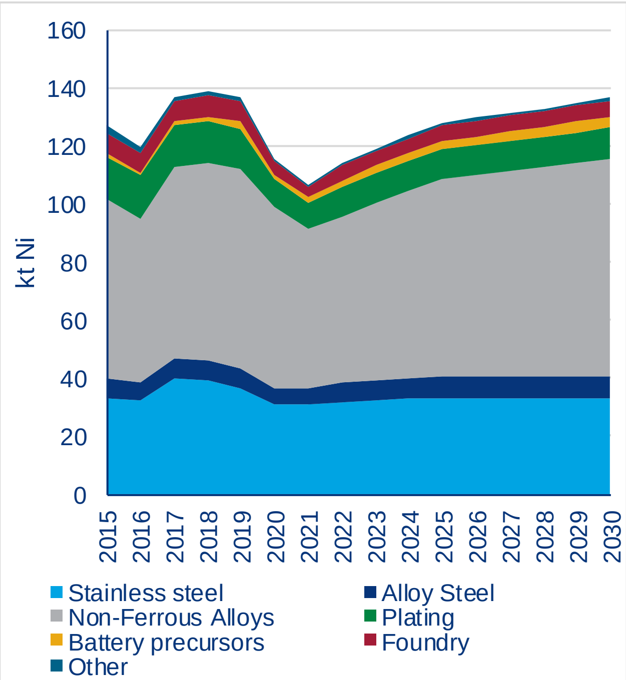
The US accounted for 5% of global primary nickel demand in 2020. This will fall to approximately 4% by 2021 and remain around this level out to 2030. Primary demand in the US will grow from 116 kt in 2020 to 137 kt in 2030 (1.7% CAGR 2020-2030) driven primarily by non-ferrous alloys, accounting for over 50% of the overall growth for the period.

Nickel consumption rates in stainless steel manufacturing have been declining due to increased scrap consumption. However, the proportion of scrap used in stainless steel manufacturing has plateaued, halting declines in primary nickel and leaving nickel demand in stainless steel at around 31 ktpa-33 ktpa between 2020 and 2030.

Nickel demand in non-stainless in the US will be sustained by growth in superalloys for aerospace and automotive applications. Support from the government for the main players in the former, and from the public in its need for private transport for the latter, will effectively guarantee the survival of these demand segments over the long term despite any short-term volatility. The nickel-containing metals and materials used in both sectors will remain relatively stable.

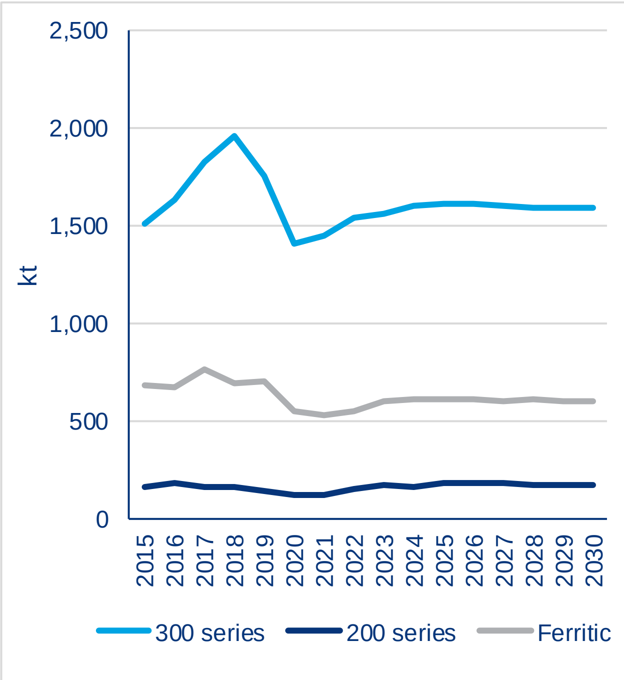
As with other locations, if the US follows the global move to vehicle electrification, this will provide a potential growth area for nickel demand. The main company in the US EV industry is Tesla. However, to date, Tesla has imported EV battery cathodes with nickel content in battery cells made by Panasonic in Japan and is yet to implement supply arrangements from within North America. As a result, there will be no reflection of higher first use US nickel demand in this application until this arrangement changes. For that reason, the forecasts nickel demand in EV batteries in the US to grow from 1.8 kt in 2020 to 3.9 kt in 2030 (8.3% CAGR).

Figure 22: United States primary nickel consumption



Source: Wood Mackenzie Nickel LTO Q4 2020

Figure 23: United States stainless steel melt output



Source: Wood Mackenzie Nickel LTO Q4 2020

Supply overview

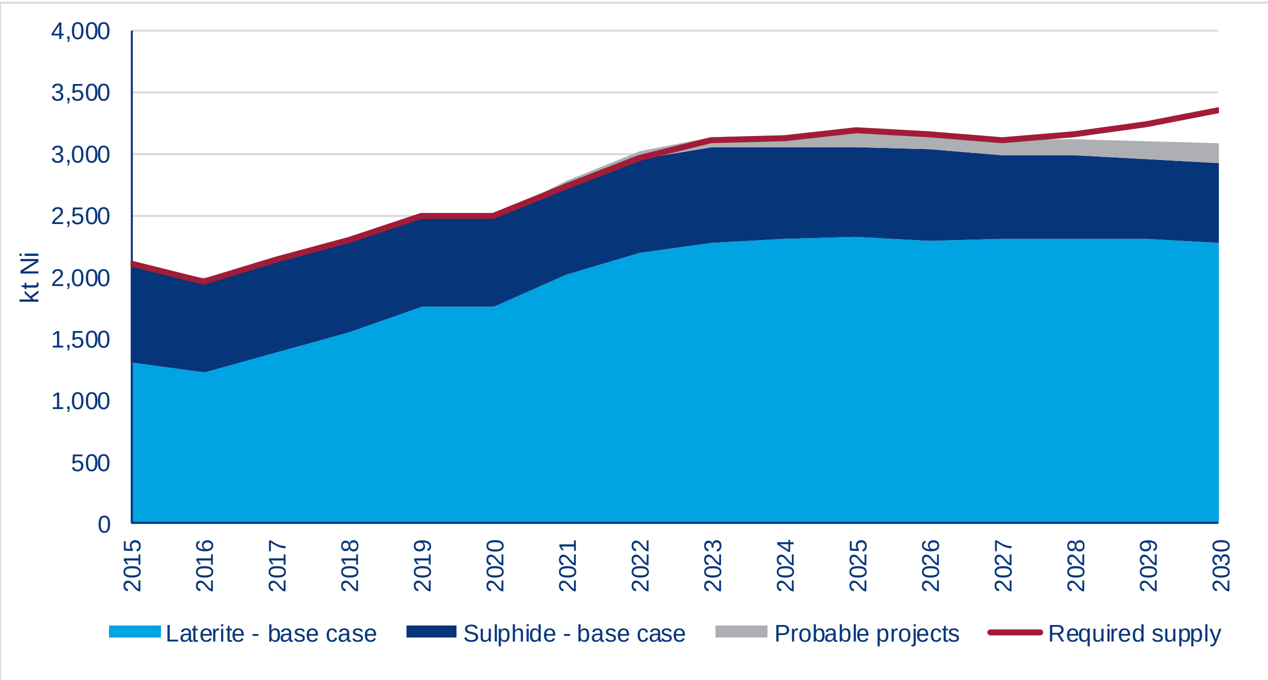
Mined nickel supply

Global mined nickel production reached 2.50 Mt in 2019 and declined only slightly in 2020. It is expected to increase in 2021 to 2.74 kt, with this rise primarily attributable to changes in Indonesian mine output related to the aforementioned ore export ban. To keep up with market demand, mined nickel supply is expected to reach a high of 3.36 Mt in 2030 (3.0% CAGR 2020-2030). By 2030, Wood Mackenzie's forecast base case supply will account for 2.92 Mt with the remaining to come from probable projects and as yet unidentified sources.

Production of nickel from laterite ores has been growing over time. In 2009 finished nickel production from laterite ores overtook the amount of nickel produced from sulphide ores for the first time. While this coincided with a temporary loss of sulphide production at Vale Sudbury, due to strike action, it was primarily a consequence of a significant increase in laterite ore production in the Philippines and Indonesia as feed for the production of NPI in China. Nickel sourced from laterite has continued to be the largest source of mined nickel since then and is likely to remain so in the future.

Wood Mackenzie's base case supply forecast for nickel production from laterite ore is expected to increase from 1.76 Mt in 2020 to a high of 2.32 Mt in 2025, before declining slightly to 2.27 Mt by 2030. The growth in laterite production in the last few years reflects the continued growth in NPI production both in China and Indonesia. Nickel production from sulphide ore is forecast to decline by 1.4% year-on-year from 2020 to 2030.

Figure 24 Base case mined nickel production



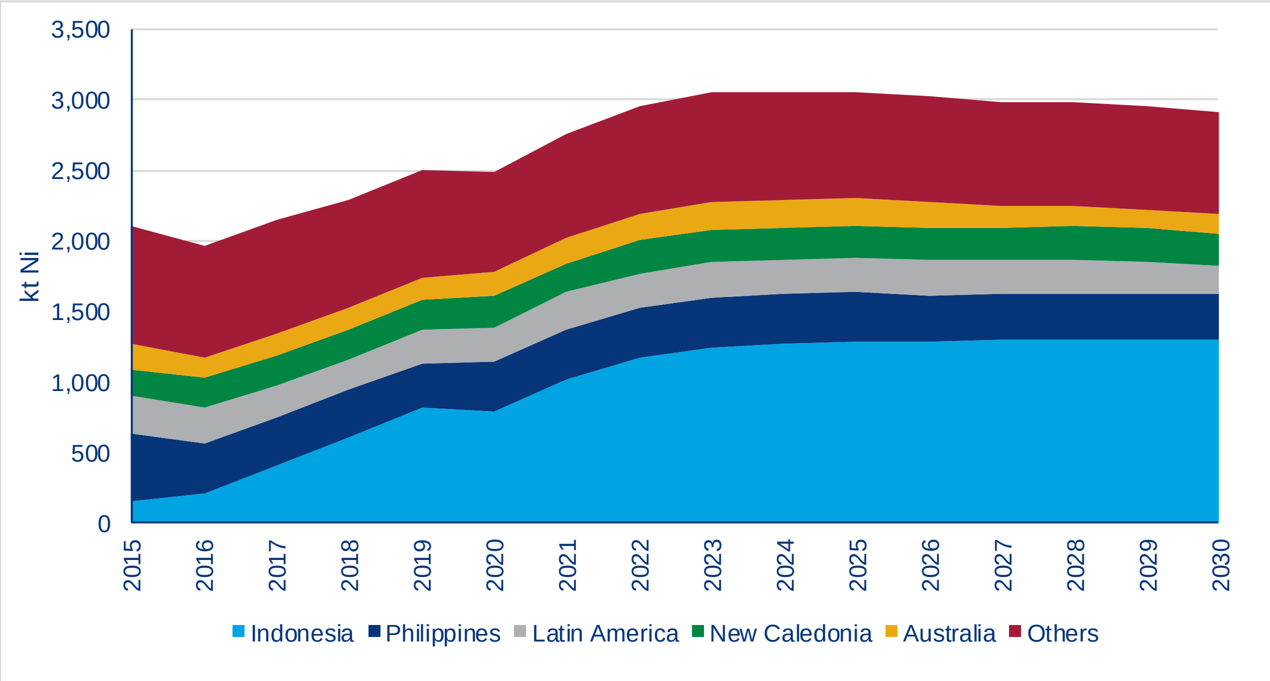
Source: Wood Mackenzie Nickel LTO Q4 2020

Of the major producers, growth in mined nickel will come from increases in Indonesia and New Caledonia through the development of new projects and the ramp-up of existing operations. This growth in nickel production is expected to come primarily from laterite ore. Wood Mackenzie currently categorises four laterite projects as probable which could add a combined 106 ktpa to global nickel output by 2030. There are eight probable sulphide mine projects which could add 120 ktpa Ni in concentrate to supply by 2025, reducing to 67 ktpa by 2030 due to a number of short-life projects in Australia.

Indonesia is the largest supplier of mined nickel globally at 790 kt (32%) in 2020. Indonesia's share of global supply is expected to grow rapidly over the next two years, reaching 1,244 kt in 2023, 41% of global supply. In the longer term, Indonesian nickel production is expected to continue to increase at a slower rate, reaching 1,298 Mt by 2030, 44% of global supply. Despite the export ban Indonesian production has remained unimpacted as Indonesian miners have re-routed their ore to domestic smelters to support the rapid ramp up of NPI production.

The second largest nickel producer is the Philippines with 14% of global production in 2020, followed by New Caledonia (9%), Australia and Canada (each 7%) and China (5%). With the exception of Indonesia, other major producing countries are expected to have declining shares of global production over the forecast period to 2030.

Figure 25 Mined nickel production by country



Source: Wood Mackenzie Nickel LTO Q4 2020

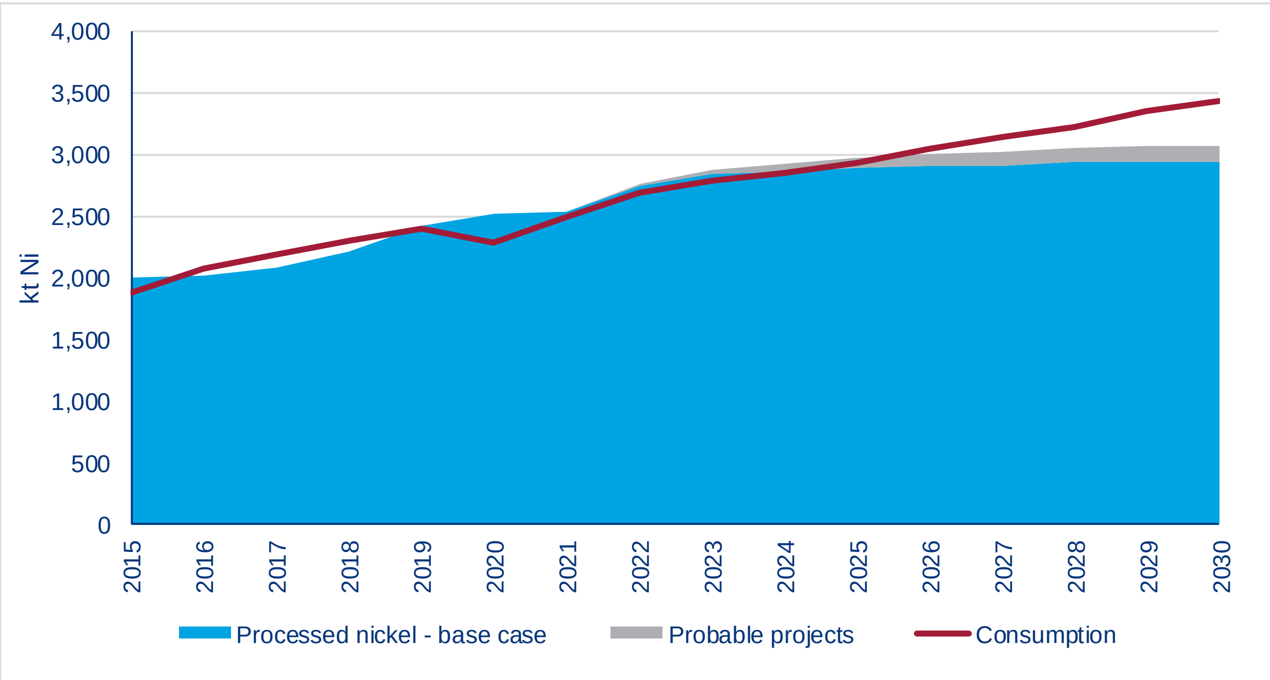
Processed nickel supply

Processed nickel supply by status

Global processed nickel production grew by 532 kt between 2015 and 2020 (4.8% CAGR), reaching 2.54 Mt. Production levels continued to grow during the COVID-19 pandemic due to the rapid growth of NPI production in Indonesia. Production is expected to continue to grow in 2021 to 2.59 Mt continuing to reach 3.63 Mt in 2030 (3.7% CAGR 2020-2030). This includes new nickel supply in unidentified projects that is needed to ensure a reasonable long-term market balance.

Wood Mackenzie's forecast of supply from existing operations and identified probable projects is presented below in Figure 26. Base case operations and probable projects can no longer meet demand after 2027 resulting from a surge in demand for nickel in EV batteries.

Figure 26 Base case processed nickel supply and forecast consumption



Source: Wood Mackenzie Nickel LTO Q4 2020

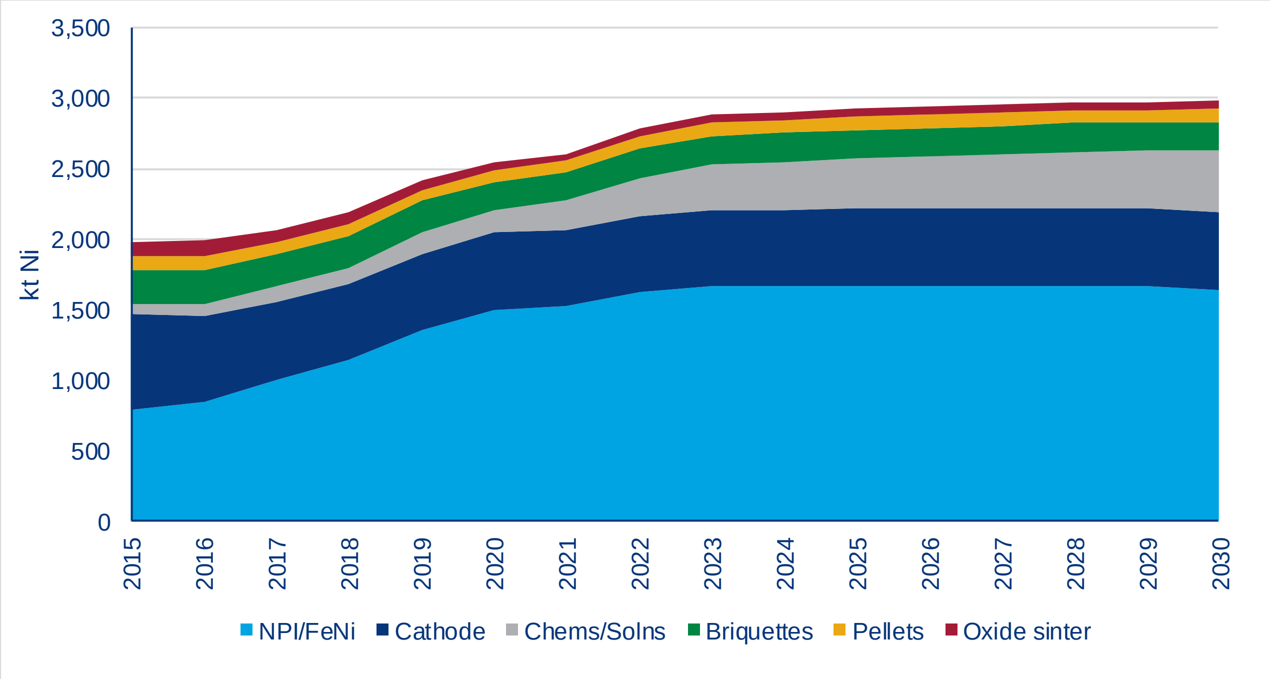
The supply deficit is later exacerbated by anticipated closures, due to exhaustion of currently defined economic reserves at several operations. By 2030, the market will require around 497 kt of new supply, including 130 kt that can be provided by projects in Wood Mackenzie's "probable" category. Therefore, a further 368 kt of new nickel supply, from as yet unidentified resources, will be needed by 2030.

This substantial shortfall is arrived at with moderate demand growth over the long term and a reasonably conservative EV demand forecast. The typical time required for development, construction and ramp up of a new facility can take eight to ten years. To supply such a large quantity of nickel by then will be a considerable challenge for investors and producers alike. Additional supply, when required could come from NPI expansion potential in Indonesia. With the establishment of large industrial parks, such as IMIP, brownfield capacity could be added in approximately a year.

Base case processed nickel supply by type

In 2020, Class 1 nickel production (i.e., cathode, briquettes and pellets) amounted to 825 kt or approximately 32% of the world total. This compares with 1.55 Mt of Class 2 products (FeNi, NPI and nickel oxide sinter) which accounted for 61% of world supply. The balance comprises 164 kt nickel in chemicals and 20 kt as metal powder.

Figure 27 Base case processed nickel supply capacity by product



Source: Wood Mackenzie Nickel LTO Q4 2020
Note: Does not include disruption allowance, market adjustments, or probable and unidentified projects

Market balance and price

Nickel pig iron market dynamics

In China, the loss of ore feed from Indonesia because the export ban means Chinese NPI production is likely to decrease by almost 40% in 2021 to around 317 kt. As a result, the market depends on the supply of nickel ore from the Philippines, which is forecast to continue at the same rate as in 2020. However, the Tawi Tawi region is no longer shipping any high-grade ore. Tighter ore supply and higher prices will prove challenging to many smelters. Most small NPI producers (<5 ktpa nickel) and those that do not benefit from the cost efficiency gains of hot-metal transfer to a stainless steel melt shop, will be forced to cut back production or close.

The loss of Chinese NPI will make little difference to the global nickel market as there will be an equivalent increase in NPI production in Indonesia. The three producers accounting for most of this output are Tsingshan (at IMIP), Virtue Dragon-Obsidian (VDNi, at Konawe) and Tsingshan, Eramet and others at IWIP, which entered production in 2020. Between these three, 78 RKEF lines (36, 30, and 12 respectively) are operating as of January 2021, each producing approximately 10 ktpa nickel in NPI. However, with VDNi aiming for 50 lines, IWIP now airing the possibility of 44 lines (rather than 24) and more to come at IMIP, the risk to forecast 2021 production is on the upside, which in turn is likely to undermine prices.

The production of more NPI could facilitate the production of more stainless steel and will affect the balance of output between China and Indonesia. The lower costs of the nickel-ore-to-stainless steel process route available in Indonesia will encourage the filling of available melting capacity there. In Wood Mackenzie's base case view, VDNi-Obsidian (owned by Chinese stainless producer Jiangsu Delong) will double capacity to 2 Mtpa, with the potential to expand further to 3 Mtpa. Tsingshan also has 1 Mtpa of spare capacity at IMIP as recent output there has been capped by trade duties, especially in China, against stainless steel semis from Indonesia.

Obsidian has so far produced and exported only long product semis (billet) that are exempt from Chinese duties, and last year Tsingshan followed that lead by switching slab output to billet. Additionally, Tsingshan added more cold rolling (CR) capacity to its flat product operation, so its exports of CR coil (CRC) to China, which are also exempt from duties, started to increase late in 2020. In the short term Tsingshan may be able to ramp up melt production on its spare line, raising output from around 2 Mtpa to 3 Mtpa. Stainless steel exports from Indonesia to China may also increase sharply, which could provoke a reaction from Tsingshan's Chinese competitors, perhaps in the form of duties against CRC or longs, but may also force some of them to reduce output.

LME pricing

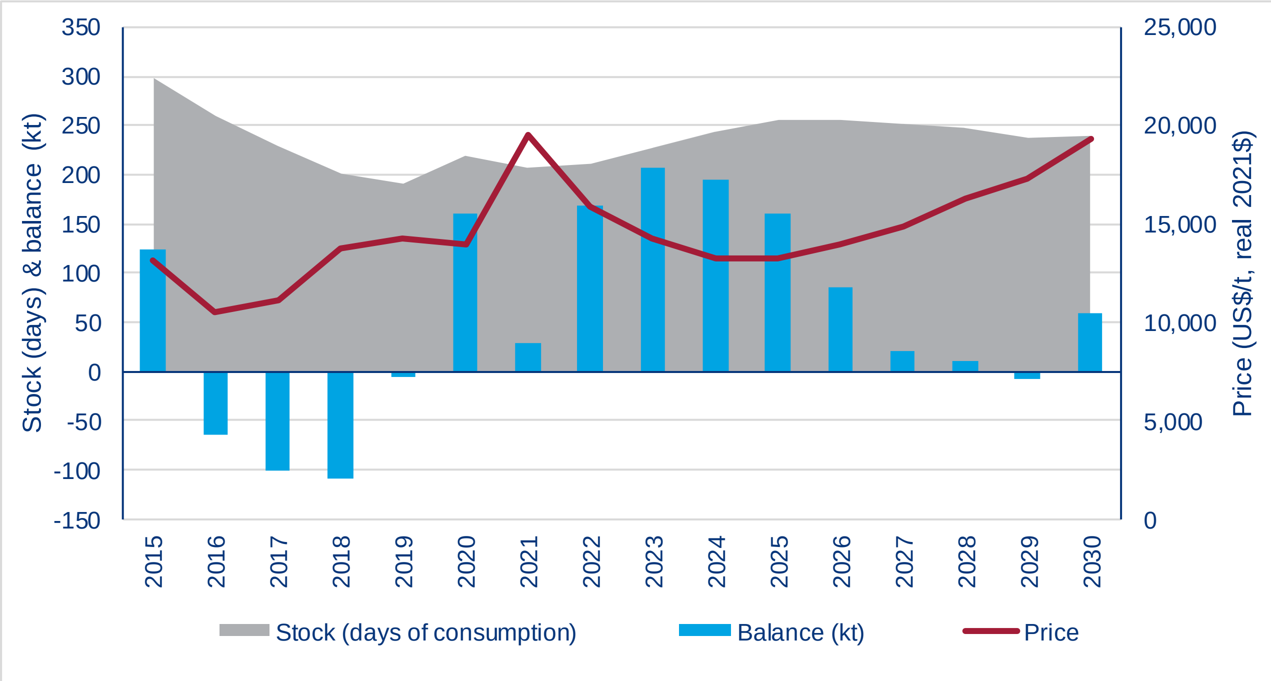
Nickel prices averaged US$13,979/t ($6.34/lb, real 2021 dollars) through 2020, which did not encourage producers to adjust output to counter oversupply. Prices have been supported by optimism linked to the current re-opening of economies from the COVID-19 pandemic, especially in China, and a weak US dollar.

2021 is expected to be a year of rebound with worldwide economic recovery boosting global demand considerably, with the nickel price expected to average US$19,514/t ($8.85/lb, real 2021 dollars). There are risks to this outlook, not least the possibility that the fight against COVID-19 may not be as close to resolution as is perceived from the accelerating inoculation programmes. Additionally, unexpected growth in NPI supply from Indonesia could increase the market surplus and hamper prices.

The global nickel market surpluses increase again from 2022, with mounting surpluses of 169 kt and 206 kt, respectively in that year and 2023. Even with demand continuing to improve towards pre-COVID-19 levels, the optimism associated with the turnaround in economic recovery may decline; and Indonesian supply will still be growing. Thus, nickel prices are expected to decrease with average prices at approximately US$15,907/t (US$7.22/lb) in 2022 and US$14,242 (US$6.46/lb) in 2023, in 2021 dollar terms.

By 2023 consumption of nickel in batteries for electric vehicles is expected to be a more significant factor in the market. Nickel consumption in battery precursors is conservatively forecast to increase by 90 kt between 2020 and 2023, and by another 128 kt by 2025. From 2025 strong demand, particularly from the EV battery sector, is expected to begin moving the market back towards being in deficit. Stock surpluses are expected to begin declining and prices are likely to trend upward. Nickel prices are forecast to increase from US$12,235/t (US$6.00/lb, real 2021 dollars) in 2025 to US$19,275/t (US$8.74/lb, real 2021 dollars) in 2030.

Figure 28 Global nickel supply-demand balance, stocks and price forecast

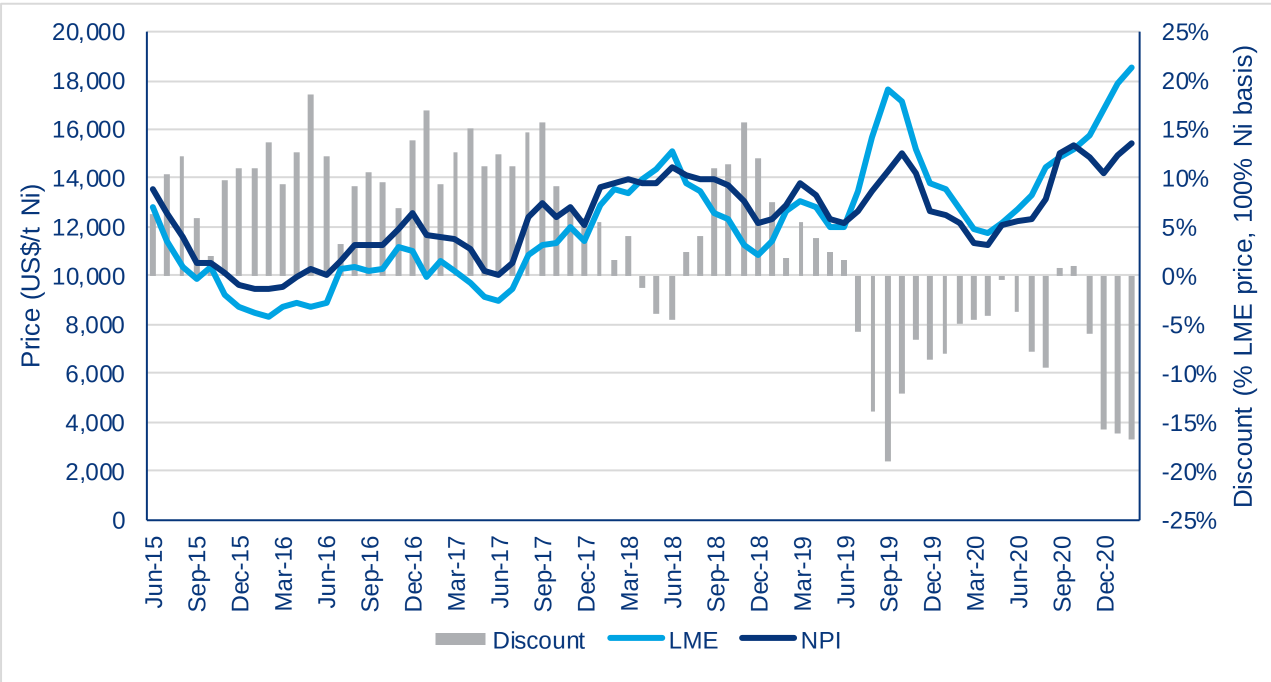


Source: Wood Mackenzie Nickel Market Service

NPI pricing

NPI pricing tends to follow a similar trend to the LME price, as shown in Figure 29, trading at either a premium or discount to this benchmark price. The premium or discount ranges between +15% and -15% for most months between June 2015 and February 2021, with an average of +3.6%. The close relationship between the prices is due to both class 1 nickel and NPI being a nickel source for the production of stainless steel, which is the major demand sector for nickel.

Figure 29: NPI price compared to LME price



Source: Argus Media
Note: NPI price adjusted to 100% Ni basis, with VAT removed

Risk to the forecast

In the short term, there is a risk to the supply-demand balance from the possibility that the recovery from the economic effects of the COVID-19 pandemic may not be as close as is perceived from the accelerating vaccination programmes.

Equally, NPI has been so prolific recently that production could easily turn out to be greater than our base case, thereby increasing the surplus in 2021.

Similarly, declines in Chinese NPI in 2021, due to the re-start of Indonesia's ore export ban in 2020, may not be as pronounced as forecast. Production in 2020 surpassed expectations, presenting the risk that this production could continue instead of being replaced by Indonesian NPI production, resulting in supply being boosted further.

The long-term nickel market is leveraged to the prospects for vehicle electrification and the consensus that most batteries used in the vehicles will contain NCM or NCA cathodes containing nickel. This area of nickel demand starts to become increasingly important after 2025 but if technological evolution continues to accelerate it is possible that the demand for nickel could be both stronger and sooner than forecast. Wood Mackenzie has taken a conservative view of nickel consumption growth from electric vehicles over the coming decade, leaving an upside risk for demand during that period.

Competitive Assessment

IMIP and IWIP overview

Nickel Mines' NPI operations and project are integrated with the IMIP and IWIP industrial parks in Indonesia.

Indonesia Morowali Industrial Park (IMIP)

IMIP started operating in 2013 and was officially opened in 2015. China's Tsingshan Iron and Steel, under the banner of one of its holding groups, Shanghai Decent Investment (Group) Co. Ltd, had invested in the facility to grow its integrated stainless and crude steel operation. The park now contains 36 RKEF lines with a total NPI capacity of around 3 Mtpa. Tsingshan has invested into IMIP through several joint venture agreements and is the operator of the site. The company has also constructed a blast furnace at the site.

In 2019, four lines were constructed in partnership with the Australian based company Nickel Mines Limited through its PT Hengjaya and Ranger Nickel subsidiaries. IMIP is now the largest producer of processed nickel globally, and in 2020 produced more than twice as much as the next largest producer.

The industrial park is powered by coal-fired power stations with a combined capacity of approximately 3 GW, and has its own lime plant, acid plant and port. It has the following production capacities:

- 3.0 Mtpa stainless steel capacity
- 0.5 Mtpa carbon steel capacity (expanding to 3.5Mpta)
- 0.6 Mtpa high carbon ferrochrome capacity
- 480 ktpa coke plant capacity
- 600 ktpa semi-coke capacity

Tsingshan currently purchases all of its ore requirement from nearby Indonesian nickel laterite mines in Sulawesi. Approximately 60% of the ore requirement is sourced from Bintang Delapan's mines, while the remainder comes from other companies including Nickel Mines' Hengjaya Mineralindo mine. In 2020 the IMIP processed around 35.5 Mt of ore.

Indonesia Weda Bay Industrial Park (IWIP)

In June 2017, Tsingshan formed a joint venture with Eramet to develop the Weda Bay nickel deposit. The deposit is located on the sparsely populated island of Halmahera in the Moluccas Province, 2,500 km east of Jakarta and 400 km west of the city of Sorong in Irian Jaya. The mining concession is located at Weda Bay and is a potential deep-water port. The original goal, following a detailed study completed in 1994, was to build a ferro-nickel smelter at Sorong to take advantage of competitively priced local natural gas as the energy source.

In August 2018, following the establishment of the joint venture, construction started on the new industrial park and was akin to that at IMIP in Sulawesi. NPI production at the park commenced in 2020. Huayou Cobalt, another joint venture partner at IWIP, will be producing nickel matte at the site.

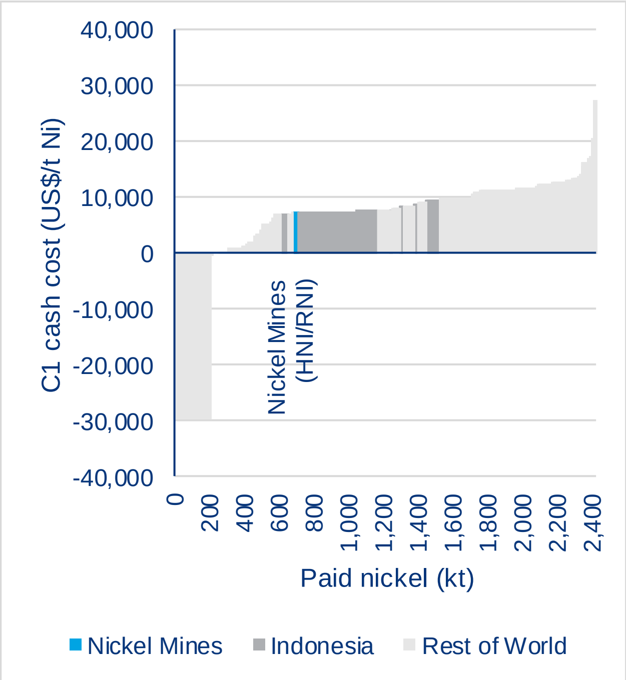
IWIP is still ramping up, and currently has 12 RKEF lines in operation. By 2023 it is expected to be the third largest producer of processed nickel globally, behind IMIP and Virtue Dragon. The industrial park has captive power stations with a capacity of 750 MW.

Nickel Mines operations and project

In 2020, Nickel Mines' Hengjaya and Ranger (HNI/RNI) operations were located at the bottom of the second quartile of the nickel industry cost curve, placing their production in a competitive position against other sources of nickel. The operations in the first quartile benefit from significant byproduct credits that reduce their costs. As a proportion of the costs before credits are removed, the byproduct credits of first quartile operations range from 32% up to 338% of overall costs. Since the operations are integrated with the Tsingshan stainless steel melt facility at IMIP, the HNI/RNI costs are an integral component of the cost structure that allows Tsingshan to produce one of the most competitively priced stainless steels. The stainless steel plant has been set up to use NPI as the input material and HNI/RNI are amongst the most competitively priced of this product. When compared to other NPI and FeNi producers, HNI/RNI is positioned just below the middle of the first quartile of the C1 cost curve.

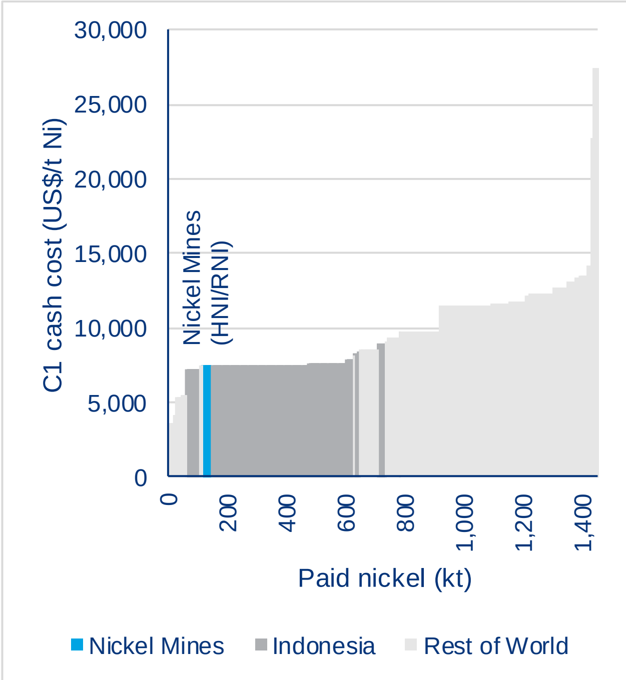
The integrated nature of Tsingshan's stainless steel melt facilities presents two major cost benefits. Firstly, the NPI is transferred from RKEF lines to the melt facility on the same premises, reducing the additional handling and transportation costs associated with moving the NPI to a different location. Secondly, transferring within the same integrated facility allows the NPI to be transferred hot. This removes the time required to cool the NPI and eliminates the energy required to re-heat it before feeding into the stainless steel plant.

Figure 30: Nickel industry cost curve – 2020



Source: Wood Mackenzie Nickel Costs Service Q1 2021

Figure 31: NPI/FeNi cost curve – 2020



Source: Wood Mackenzie Nickel Costs Service Q1 2021

Tsingshan, and Nickel Mines, also achieve cost benefits through the location of their operations in Indonesia:

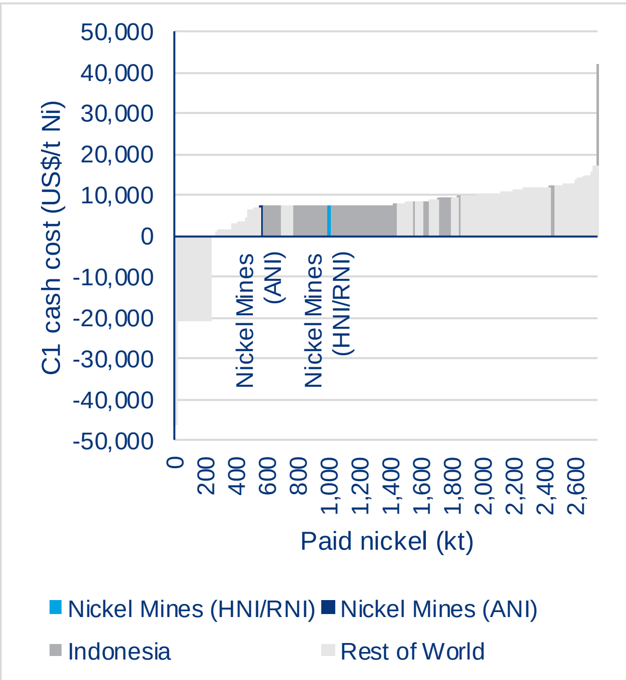
- Low cost domestic laterite feedstock

  With the Indonesian export ban in place, high grade nickel laterite material that might otherwise be exported, is captive to Indonesia and allows the IMIP operations to purchase this higher quality feedstock at lower prices than Chinese steel mills who are largely forced to import (incurring freight costs) lower grade material from the Philippines.

- Captive, low cost power supply

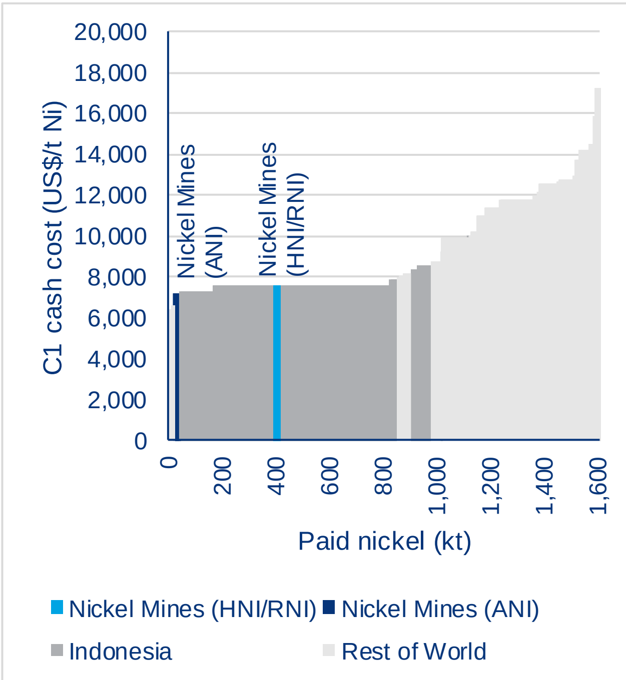
  IMIP has a purpose built, on-site power plant, with access to low cost coal as fuel.

Figure 32: Nickel industry cost curve – 2023



Source: Wood Mackenzie Nickel Costs Service Q1 2021

Figure 33: NPI/FeNi cost curve – 2023

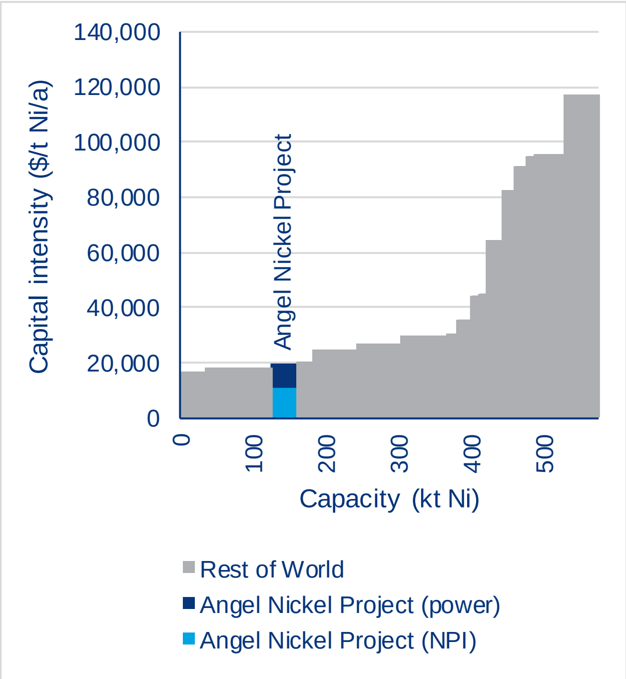


Source: Wood Mackenzie Nickel Costs Service Q1 2021

Moving forward to 2023, the position of HNI/RNI will move up the cost curve, but remain in the second quartile, due to new lower cost production being developed, such as at IWIP. It is worth noting that the production that is higher cost than HNI/RNI is of a similar volume in 2023 compared to 2020. However, Nickel Mines has moved to take advantage of this new lower cost supply through the acquisition of the ANI project. In 2023, ANI will be the third lowest cost producer of NPI/FeNi (first percentile) and the twentieth percentile of the nickel industry cost curve. Only two operations in China will be producing NPI at a lower C1 cash cost.

Importantly, ANI is also in a competitive position on a capital intensity basis when compared to other nickel projects, as shown in Figure 34. The project has the third lowest capital intensity of projects that provide some additional downstream processing of ore. Wood Mackenzie considers the IWIP projects, including ANI, as part of the base case supply forecast with a high likelihood of project development. ANI has a capital intensity of $19,444/t Ni/a, based on the construction cost guarantee of $700 million and a nameplate capacity of 36 ktpa. However, it must be noted that the ANI project differs from Nickel Mines' previous investments in that ANI includes a 380 MW power station whereas HNI/RNI only included the NPI production infrastructure. Based on an estimated capital cost of about $300 million for the power station, the ANI capital intensity can be split into approximately $11,111/t Ni/a for the NPI infrastructure and $8,333/t Ni/a for the power infrastructure (Figure 35).

Figure 34: Nickel projects capital intensity

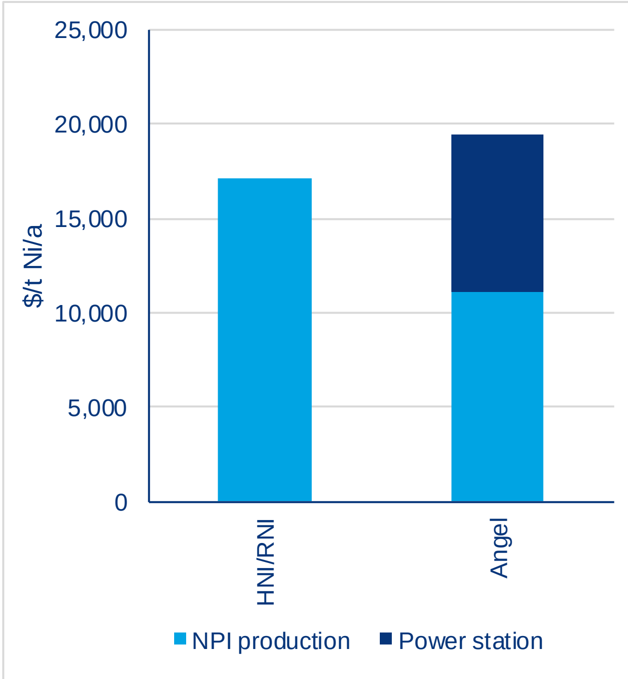


Source: Wood Mackenzie Nickel Costs Service Q1 2021, Nickel Mines Ltd

Note 1: Capital intensity for Angel nickel project provided by Nickel Mines Ltd

Note 2: Excludes projects that are standalone mines with no additional processing other than beneficiation

Figure 35: Nameplate capital intensity comparison



Source: Nickel Mines Ltd

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APPENDIX B –
NICKEL RESOURCES STATEMENT

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PT HENGJAYA MINERALINDO

NICKEL RESOURCE ESTIMATE

Qualified Persons Report
using
JORC Code, 2012

30th June 2020

1.0 EXECUTIVE SUMMARY

1) PT Hengjaya Mineralindo (HM) nickel laterite mine is located in Morowali Regency of Central Sulawesi, Indonesia

2) The company has asked PT Danmar Explorindo to estimate Nickel Resources remaining at the 30 June 2020, using the JORC Code for Estimating Mineral Resources

3) Since 2018 systematic exploration including Ground Penetrating Radar and core drilling has been carried out with the objective of delineating sufficient Nickel Resources to support the nickel mining operation into the future

4) HM have been mining nickel laterite since 2013 and since that time, approximately 2.5 million tons of nickel laterite ore has been produced with an average grade of around 2% nickel

5) HM currently has off-take agreements to supply nickel ore to two Rotary Kiln Electric Furnace plants owned by Hengjaya Nickel (HNI) and Ranger Nickel (RNI), located at Indonesia Morowali Industrial Park (IMIP), 12km from the mine

6) HM's parent company Nickel Mines Australia also has an MOU with Indonesia Morowali Industrial Park (IMIP) to supply limonite ore to two new High Pressure Acid Leach (HPAL) plants with approximately 8 million tons capacity

7) The HM mining license covers 6,249ha and is valid until 2031 and can be extended twice for a period of 10 years

8) Since 2018 exploration using Ultra GPR technology has covered 1047ha of the HM license area and more than 200,000,000 BCM of laterite has been interpreted from the results

9) Validated drill data, used in this Resource estimate totals 1,894 holes with a cumulative total depth of 40,702m.

10) 42,093 XRF analyses have been performed on drill cores to document the grade characteristics throughout the Nickel Resource area at HM

11) Nickel Resource of laterite covering 1,470ha using a cut-off grade of 0.8% nickel is as follows;

Category	Dry Tonnes (million)	Ni (%)	Co (%)	Fe (%)
Measured	20	1.3	0.08	28
Indicated	109	1.3	0.08	29
Inferred	56	1.3	0.07	27
Total	**185**	**1.3**	**0.08**	**28**

12) Exploration Targets, where additional laterite is known to occur, is summarized below. Although at this time it is uncertain if further exploration will result in a Mineral Resource, the historical mapping and wide spaced scout drilling within these areas gives confidence that with further infill drilling and assay results will upgrade at least some of these areas for future estimates.

BLOCK	EXPLORATION TARGET	
	LATERITE Ha	wet metric tons
TOTAL ALL	**1,557**	**60-120**

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LIST OF ABBREVIATIONS

Al_2O_3	aluminum oxide
APL	areal penggunaan lain (Indonesian Forestry status for land with no Forestry restriction)
asl	above sea level
BRK	bedrock
cm	centimeter
Co	cobalt
COA	certificate of analysis
CRM	certified reference material
DA	pulp duplicate sample
DEX	PT Danmar Explorindo
dmt	dry metric tons
DR	coarse reject sample
DSO	direct shipping ore
Fe	iron
GPR	ground penetrating radar
GPS	global positioning system
Ha	hectare
HM	PT Hengjaya Mineralindo
HNI	Hengjaya Nickel Indonesia
HPAL	high pressure acid leach
IDW^2	Inverse distance weighted squared
IMIP	Indonesia Morowali Industrial Park
ISO	international standards organization
IUPOP	Indonesian mining business permit for operation and production
JORC	Joint ore reserve committee
LiDAR	Laser imaging detection and ranging
LIM	Limonite
m	Meters
MC	Moisture content
MgO	Magnesium oxide
NML	Nickel Mines Limited
Ni	nickel
OK	Ordinary Kriging
OREAS	Ore Research and Exploration Australia Limited
QA/QC	quality assurance / quality control
RKEF	rotary kiln electric furnace
REP	replicate sample
RNI	Ranger Nickel Indonesia
SAP	saprolite
SED	sediment
SGS	survey and analysis company
SiO2	quartz/silica
t	metric tons
wmt	wet metric tons
XRF	x-ray refraction

2.0 COMPETENT PERSON'S STATEMENT AND DECLARATION

2.1 AUTHORS AND CONTRIBUTORS

Table 1 Authors and contributors

Position	Name	Qualifications	Signature	Date
Competent Person / Principle Authour	Daniel Madre	MSc MAusIMM MAIG CPI-MIAGI		30th June 2020
Competent Person / Resource Model / Contributing Authour / Peer Review	Tobias Maya	BSc MAusIMM		30th June 2020
Senoir Geologist / Lab analysis Specialist / Peer Review	Charles Watson	BSc FellowAusIMM		30th June 2020
Engineer / Database Validation / Peer Review	Michael Maya	B Eng MAusIMM		30th June 2020
PT Danmar Explorindo Authorization	Daniel Madre	Director		30th June 2020

2.2 REPORT OBJECTIVES

This report was prepared for PT Hengjaya Mineralindo for the purpose of estimating Nickel Resources for the mining project within the PT Hengjaya Mineralindo laterite nickel mine with area code MW 032, in the Regency of Morowali, Province of Central Sulawesi, Indonesia. The report utilizes exploration & mining data until 30th June, 2020.

2.3 REPORTING STANDARD

This report is intended to comply with the 2012 Code, of the Joint Ore Reserve Committee (JORC) of Australia for the reporting of Mineral Resources and Reserves (http://www.jorc.org/docs/jorc_code2012.pdf). All the information used in this report was assessed for compliance with the JORC Code and only information that was considered compliant was included in the estimate of a Nickel Resources as specified in the JORC Code of 2012. The competent persons, contributing to this report, have memberships to the Australasian Institute of Mining and Metallurgy that are current and in good standing.

2.4 AUTHORS QUALIFICATION STATEMENTS

The information in this report that relates to Exploration Results, Mineral Resources based on information compiled by Daniel Madre, member no: 100878, Tobias Maya, member no: 304661, and Charles Watson member no: 313716 of the Australasian Institute of Mining and Metallurgy.

Daniel Madre has a Master of Science degree majoring in geology and more than 40 years of experience as an exploration geologist of which more than 33 years has been working in Indonesia. Since 2003, Daniel Madre has been involved in numerous laterite nickel exploration and mining projects in Indonesia and has held several senior roles in laterite nickel projects, including Director of PT Telen Paser Prima, which opened the first laterite nickel mine in Kalimantan in 2005 and President Director of PT Itamatra Nusantara that discovered laterite nickel in Morowali Regency in Central Sulawesi. Daniel Madre is currently a director of PT Danmar Explorindo and a consultant to PT Hengjaya Mineralindo for the purpose of this study. PT Danmar Explorindo has also been the exploration contractor to PT Hengjaya Mineralindo since April 2019, providing exploration services including geological management, drilling, well site geology and core sample preparation.

Tobias Maya has a Bachelor of Science degree majoring in Spatial Science from Charles Sturt University, Australia. Tobias Maya is a Mineral Resource modeling specialist with more than 15 years of experience in exploration and modelling lateritic nickel resources in Indonesia. Tobias Maya is currently a director of PT Geo Search and a consultant to PT Danmar Explorindo for the purpose of this study. PT Geo Search has also provided Ultra-GPR (Ground Penetrating Radar) survey services to Hengjaya Mineralindo.

Charles Watson is a geologist with more than 45 years' experience in Indonesia, Africa, Australia and New Zealand and has provided a detailed description of laboratory procedures and reliability at the Hengjaya Project. Charles is a consultant to Nickel Mines Limited that owns 80% of the Hengjaya Nickel Project.

Daniel Madre, Charles Watson and Tobias Maya have sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity that they are undertaking Reporting of Exploration Results, Mineral Resources and Reserves. Daniel Madre, Tobias Maya and Charles Watson consent to the inclusion in the report of the matters based on this information in the form and context in which it appears. Resumes for Daniel Madre, Tobias Maya and Charles Watson are attached in Appendix 9.3

.

2.5 STATEMENT OF INDEPENDENCE

Daniel Madre, Tobias Maya, Charles Watson and PT Danmar Explorindo's partners, directors, substantial shareholders and their associates are independent of PT Hengjaya Mineralindo, its directors and substantial shareholders, its advisers and their associates.

Neither Daniel Madre, Tobias Maya and or PT Danmar Explorindo nor any of its partners, directors, substantial shareholders, advisor's and their associates have any interest, direct or indirect in Nickel Mines Limited (NML), its subsidiaries, associated companies, or any related entities in Indonesia or elsewhere in the world. Charles Watson is a private shareholder in NML and has declared this investment while contributing to this report.

Daniel Madre, Tobias Maya, Charles Watson and PT Danmar Explorindo have no potential conflicts of interest that might affect their objectivity in writing this report. PT Danmar Explorindo's fee for completing this report is based on normal commercial terms and the payment is not contingent upon the outcome and findings of this report.

2.6 DISCLAIMER

PT Danmar Explorindo has used the results of exploration programs provided by PT Hengjaya Mineralindo as well as the results of exploration drilling done on their behalf for the purpose of writing this report. In making this Mineral Resource estimation PT Danmar Explorindo has assumed as follows;

1) all the relevant data available was provided without prejudice

2) key assumptions are accepted as described in this report

In view of the above assumptions PT Danmar Explorindo has made reasonable enquiries and exercised their judgment on the reasonable use and validity of the data and found no reason to doubt its accuracy and reliability. For this reason we believe that this report is an objective, accurate and reliable representation of the laterite nickel project at HM nickel mine (IUP) with area code MW 032 based on the exploration results until 30th June, 2020. PT Danmar Explorindo makes no warranty to PT Hengjaya Mineralindo or any third parties with regard to any commercial investment on the basis of this report. The use of this report by PT Hengjaya Mineralindo or any other parties shall be at their own risk. The report must always be read in its entirety so that all the data and assumptions are fully considered and properly understood.

3.0 INTRODUCTION

3.1. BACKGROUND

On behalf of PT Hengjaya Mineralindo (HM), PT Danmar Explorindo (DEX) was asked to provide an assessment of the Nickel Resources, using the Joint Ore Reserve Committee of Australia (JORC) Code, 2012, for the laterite nickel mining project owned by HM, in the Regency of Morowali, Province of Central Sulawesi, Indonesia.

The exploration work has been carried out over various stages since 2007 until 2017, under the direction of experienced nickel laterite geologists. All the historic data, (pre April 2019) relating to the project was obtained from HM for the purpose of this study. Since, November 2018 until July 2020 a new systematic exploration program has been implemented at the HM project with the objective of delineating sufficient Resources of nickel to support the mining operation into the future. The work has been done by PT Geo Search and PT Danmar Explorindo as exploration contractors. The results of this work are documented in this report and combined with the original HM data, to produce an estimation of the remaining Resources in the project area to help optimize its exploitation. During the period November, 2018 until February 2020, all three competent person's for this report worked at the HM site on numerous occasions. During the site work the exploration program was setup, monitored and the sample handling and laboratory operation of the project was reviewed and upgraded. This work is continuing. At the end of each 6month period, reports for exploration and development progress were made to the project owners.

Hengjaya has been mining laterite nickel ore since 2013. Initially, direct ore shipments were made to export markets in China and Japan. A total of 328,000t of nickel ore was produced with an average nickel grade of 1.97% and 38% moisture in 2013. Direct shipping of nickel ore to export markets was banned by the Indonesian Government in 2014. Production resumed in 2015 and nickel ore was barged to the local smelter at Morowali (SMI). More than 2,000,000t of saprolite has been produced until the end of June 2020 with an average grade of 1.99% nickel.

Hengjaya Mineralindo (HM) currently has offtake agreements to supply ore for two RKEF plants owned by Hengjaya Nickel (HNI) and Ranger Nickel (RNI). Both RKEF plants are located 12 kms from the mine site at the Indonesian Morowali Industrial Park (IMIP).

Both RKEF companies and plants are 80% owned by HM's parent company "Nickel Mines Australia". Since early 2019 both RKEF plants have been running at design capacity, each plant consuming approximately 1.5 million tons of nickel ore per year.

From early 2020, Henjgaya mine operations commenced increasing saprolite ore production. Ore supply contracts will increase from 750,000 wmtpa, with production and offtake agreements targeting 3 million tons per year from early 2021.

Nickel Mines Australia has also entered into an MoU with IMIP to supply future limonite ore (from HM) into the two new HPAL processing plants. The two HPAL plants are currently under construction at the same industrial park as the HNI and RNI RKEF plants. Potential offtake agreements for limonite are also targeting circa 3 million tons per year.

3.2. LEASE DETAILS

Mining rights for the area are held under an Operation and Production Mining Business Permit (IUPOP), with Area Code MW032. The area covers 6,249Ha and gives HM the right to mine nickel and its associated minerals. The IUPOP was granted by the Regent of Morowali in 2011 and is valid until 26th May 2031. Table 1 shows the tenement license details of the Hengjaya lease. The Operation Production IUP may be renewed twice, each for a period of 10 years.

Table 2 License details

License holder	Regency (KAB)	License Type	Area (Ha)	Issued (Date)	Area Code	Duration Years
PT HENGJAYA MINERALINDO	MOROWALI	IUP Operation & Production	6 249	16-Jun-11	MW 032	20

The IUP is located in the East Indonesian Ophiolite Belt and for this reason is surrounded by numerous other nickel mining tenements as well as one of Indonesia's largest nickel smelting and industrial hubs known as Indonesia Morowali Industrial Park (IMIP). The concession map for the area is shown in Figure 1.

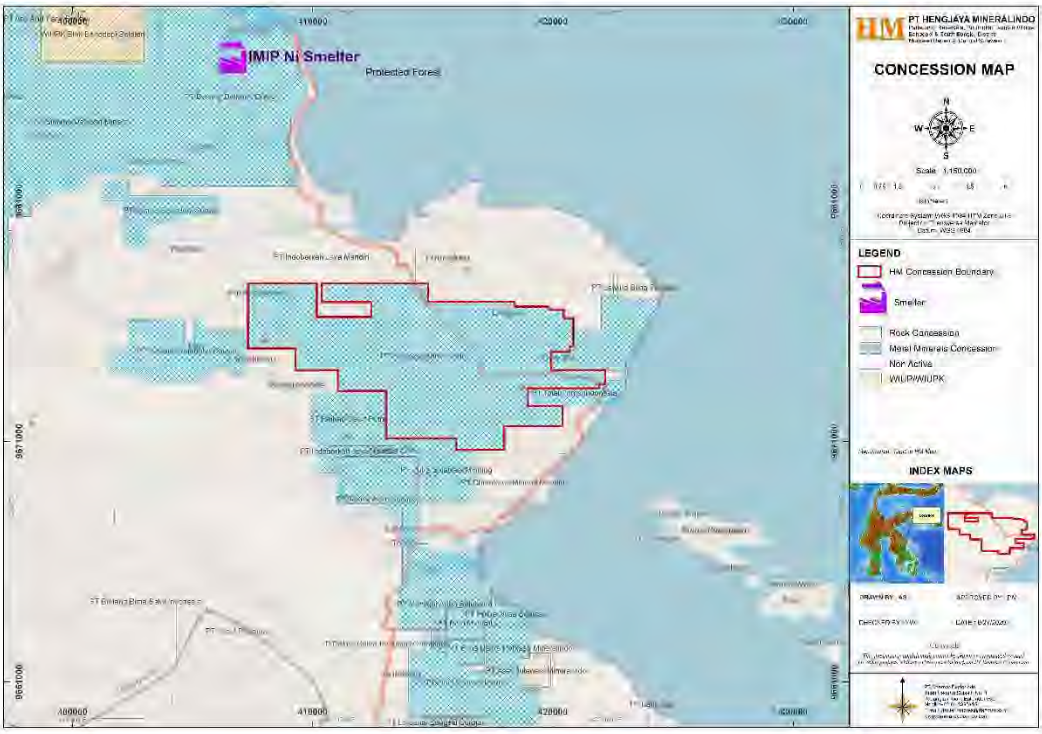


Figure 1 PT Hengjaya Mineralindo concession map

Legal due diligence was not part of the scope of work for this report and no legal due diligence of legal documents was carried out. The IUPOP mining license documents are shown in Appendix 9.2. These include a Clean and Clear certificate No. 008/Min/12/2012 dated 14 May 2012. The Clean and Clear Certificate shows that the Operation Production IUP

(i) is issued in accordance with the correct and valid administrative procedures, and
(ii) does not have any overlapping issues with other concession areas, e.g. mining, plantation, oil and gas, land and/or other concessions areas.

3.3. LOCATION AND ACCESS

The HM lease is within the villages (Desa) of Padaboho, Bete Bete, Puunkeu and Tangofa in the shires (Kecamatan) of Bahodopi and Bungku Selatan, Regency (Kabupaten) of Morowali, in the Province of Sulawesi. The location of the area relative to the borders of Indonesia is shown in Figure 2.

Figure 2 HM project location map Indonesia

Access to the HM concession from Jakarta is as follows;

- From Jakarta by commercial flight (2.0 hours) to Makassar
- From Makassar commercial flight (1.0 hour) to Morowali
- Morowali to the site 3 hours by car via provincial highway

Figure 3 shows the access from Morowali airport to the HM project area.

Figure 3 access to HM area from Morowali airport

3.4. FORESTRY

There are no Protected Forests in the HM project area and there are no other boundaries that prohibit surface mining. Approximately 86% of the concession area is a Production Forest and the remaining 14% of the area is free from any Forestry overlaps. Figure 4 shows the HM lease area plotted on the official Forestry Map of Indonesia published by the Department of Forestry.

Two Forestry permits (IPPKH) to allow open cut mining within a 1845Ha area have been granted by the Minister of Forestry (see table 3) which covers approximately 34% of the Production Forest. Forestry land borrow permits (IPPKH 1 & 2) have been granted to HM to allow mining and these locations are also shown in Figure 4. The IPPKH license (land borrow permit) documents are shown in Appendix 9.2.

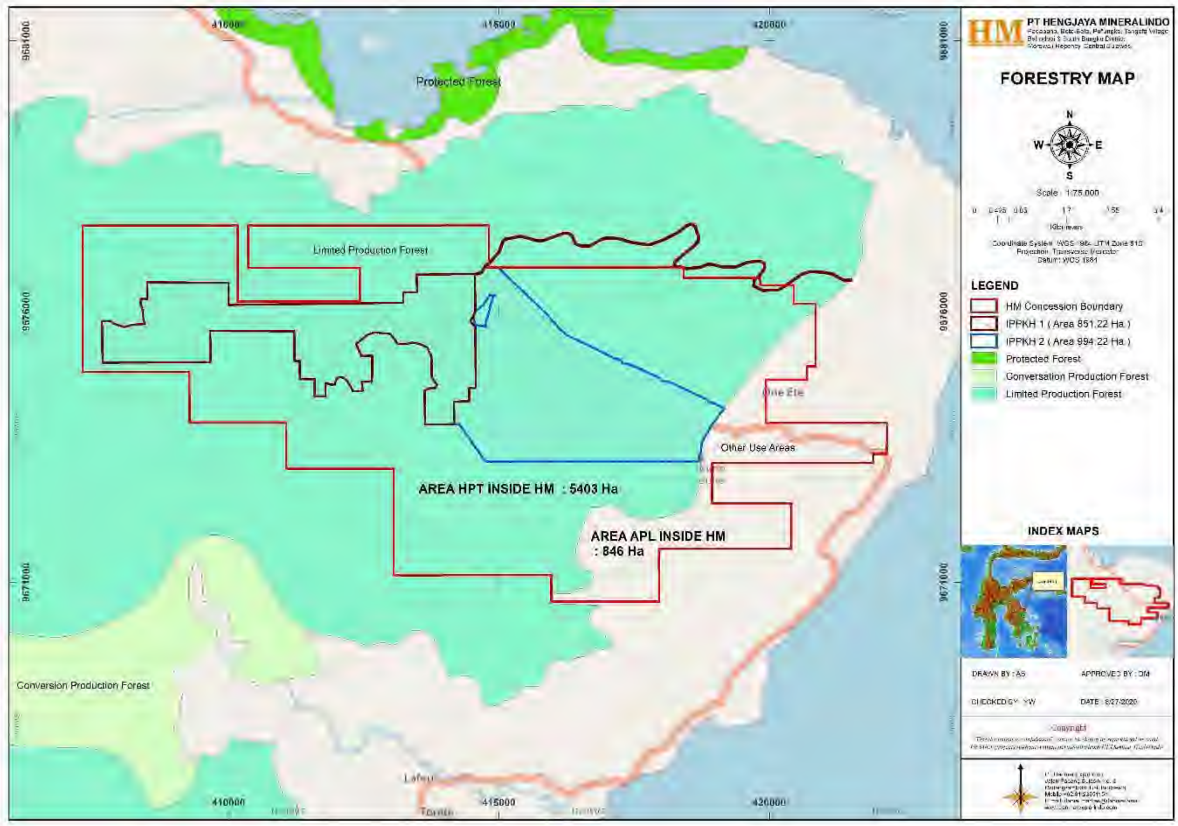


Figure 4 Forestry situation map of PT Hengjaya Mineralindo mining area, including both IPPKH permits already granted

Table 3 Forestry (IPPKH) land borrow permits details

Forestry Permit	Area (Ha)	Issued (Date)	Expiration (Date)
IPPKH 1 SK443/Menhut II/2013	851.22	04-Jan-13	16-Jun-31
IPPKH 2 No 3/1/IPPKH/PMA/2018	994.32	6-Feb-18	26-May-31

3.5. LAND USE

Figure 5 shows a Google Earth image that displays the extent of land clearing in the area. No villages occur within the concession boundaries. Although most of the concession is Government owned Production Forest area, some of the area, surrounding the Provincial road, is cultivated with small, informal pepper plantations while the remaining area is covered in secondary forest regrowth. No formal, commercial plantations occur within the project area.

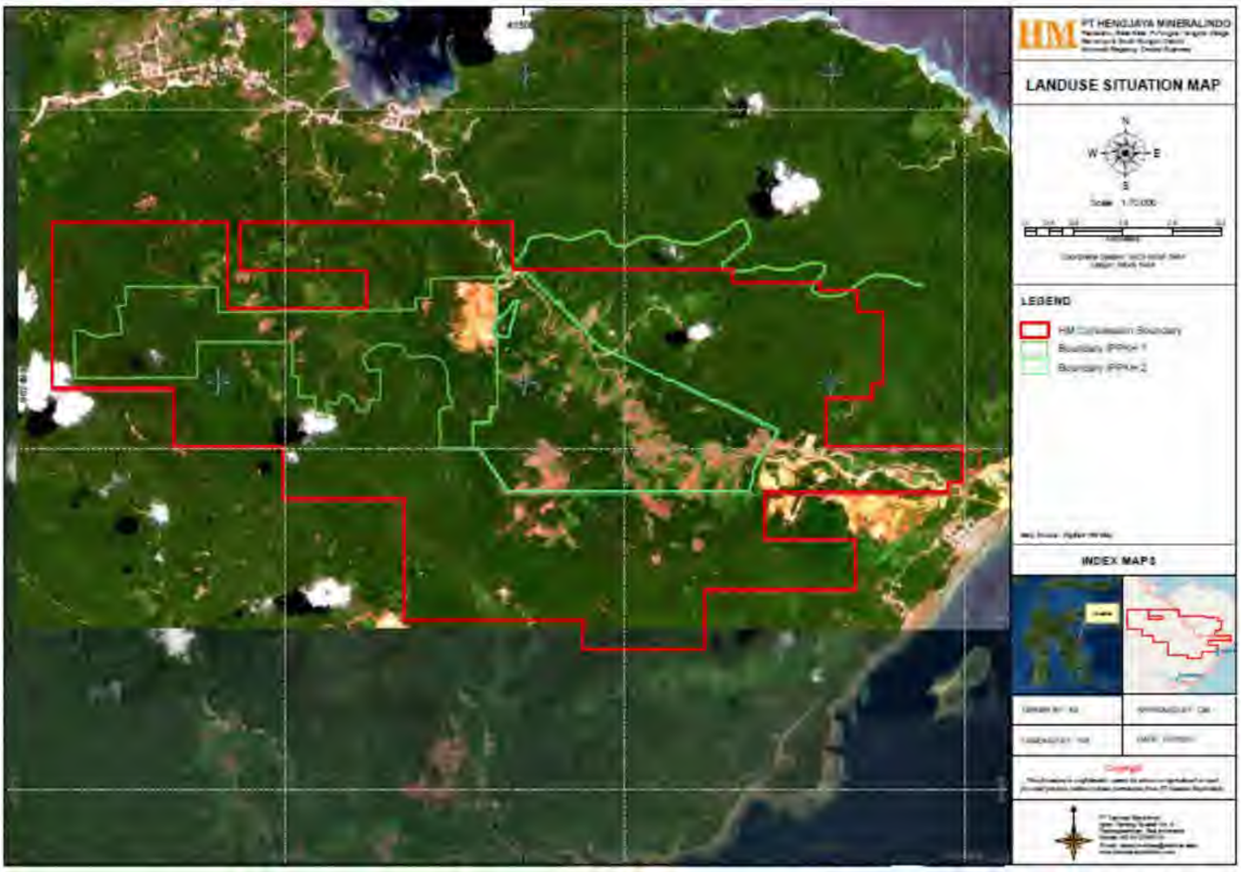


Figure 5 Satellite map depicting land clearing status of the HM concession

3.6 REGIONAL GEOLOGY

The regional tectonic setting for Central Sulawesi is the result of a complex collision between 3 of the earth's major crustal plates namely; the Australian plate, the Pacific plate and the Eurasian plate. The collision between these three plates is the likely cause of marine rocks to be uplifted and deposited on the Sulawesi mainland. This is the origin of the East Indonesian Ophiolite Belt which is one of the largest ophiolite regions in the world and the source of laterite nickel deposits in Sulawesi. Ophiolites are the result of the process of overthrust of marine crust and mantle to a position on top of continental rocks. This intense structural geological setting is also the reason major geological structures such as the Palu, Matano and Lawanopo faults dissect the region and control the distribution of rocks in the area. Hot springs, nearby, east of the HM concession, provide evidence for faulting that runs through the HM area.

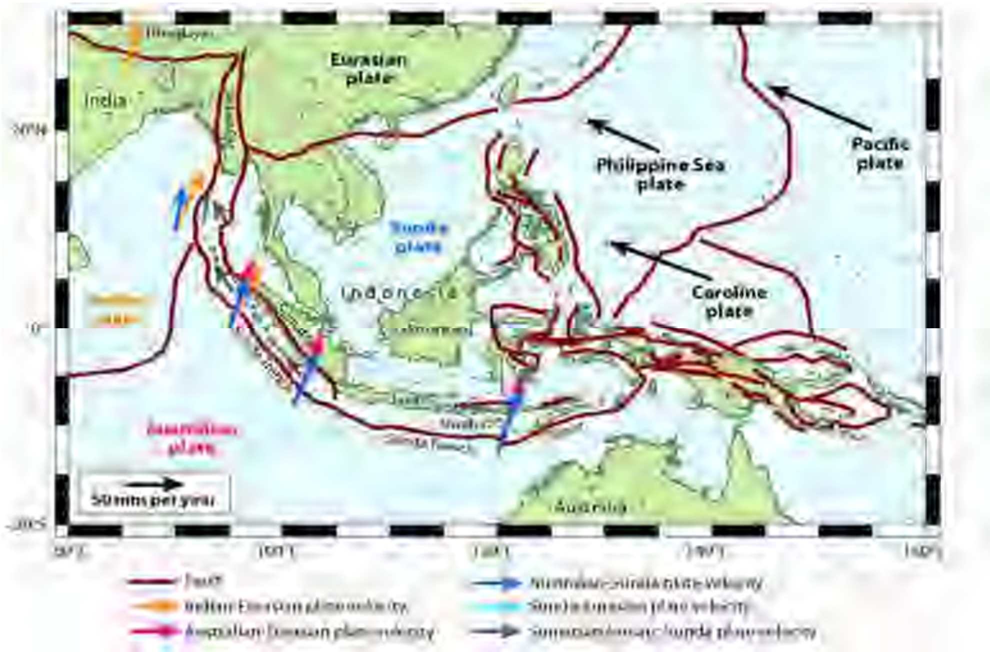


Figure 6 regional tectonic geology map of Sulawesi (R McCaffery 2009)

When ophiolite rocks are exposed to humid, tropical climates over a long period of time laterization can occur as the rocks are weathered. In the process of weathering by rain, nickel can be leached downward to be concentrated in the lower parts of the weathering profile. This laterization process is influenced by climate, geological structure, rock type, permeability and topography over long periods of time to form a soil profile in which minerals containing nickel and other elements can be depleted in some places and concentrated in other areas. Within the ground the leaching process is enabled by the permeability of the bedrock often as a result of faulting causing fracturing and shearing creating conduits for the flow of mineral rich solutions leached from above. Enrichment of minerals can occur under certain physical and chemical conditions in the ground and in particular in traps where flow of water is interrupted and mineral rich solutions accumulate and minerals eventually accumulate.

Figure 7 shows the naming and correlation of rock units on the published Regional Geology Map of the HM project area. According to the 1:250,000 scale Bungku Geology Map Sheet, most of the HM concession area is covered by the Tokala Formation which is marine in origin and dominated by limestone, sandstone and shales (see figure 8). The Tokala Formation underlies and is much older than the Ultramafic Complex of the East Sulawesi Ophiolite Belt.

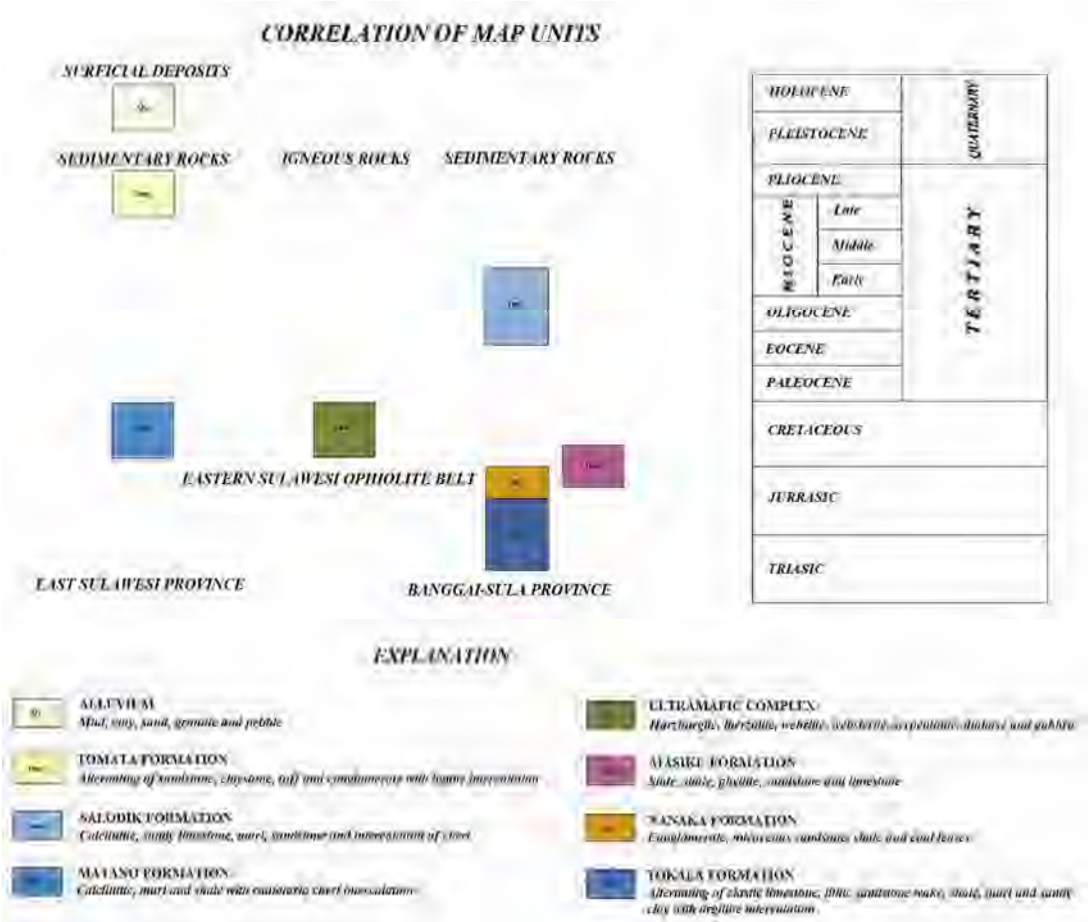


Figure 7 Regional stratigraphy in the PT Hengjaya Mineralindo area on the published 1:250,000 scale Bungku Geology Map Sheet

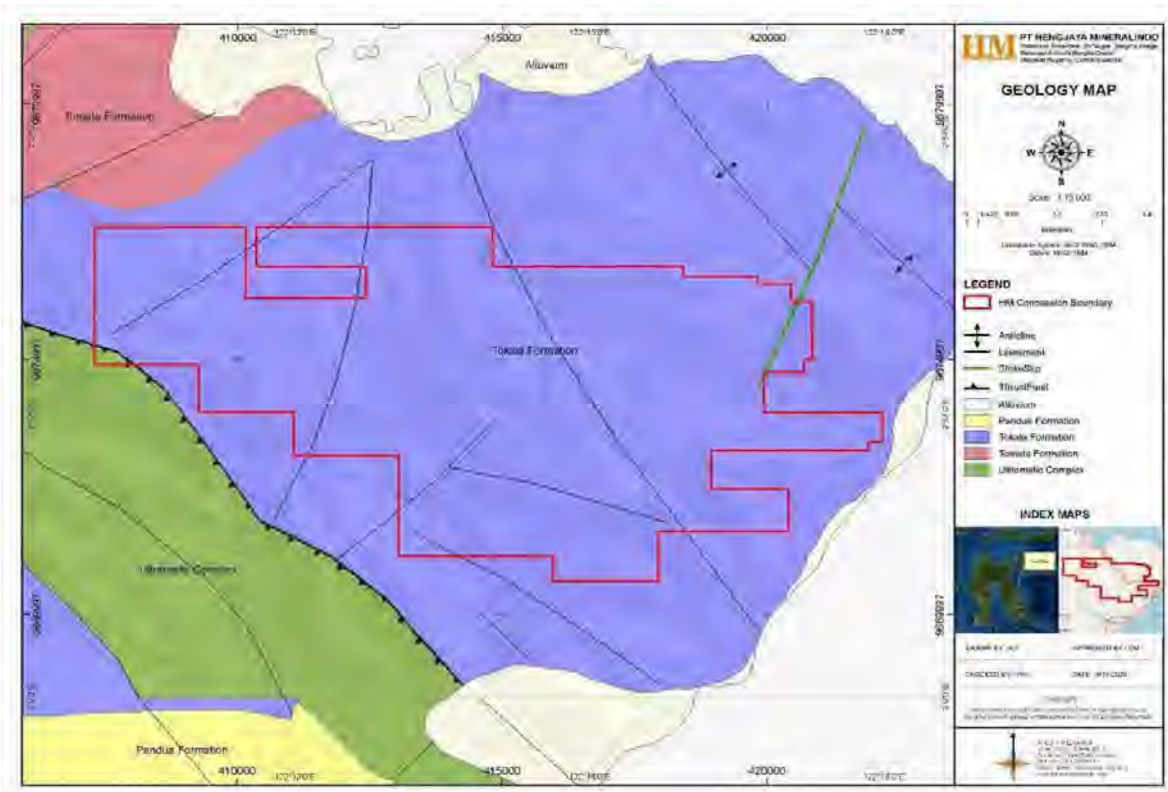


Figure 8 published regional geology of the PT Hengjaya Mineralindo project area

3.7 LOCAL GEOLOGY

A geology map produced by HM has been used as a guide to the surface geology at HM during the most recent exploration program. The basic geology map is shown in Figure 9. The reliability of this data has been confirmed in December 2019, during mapping of the area by Danmar geologists in the search for limestone and aggregate for future road building projects. The map is in sharp contrast with the published Regional Geology Map of the area (see figure 8) which shows the HM concession area to be covered entirely by the Tokala Formation. In reality, ophiolite is the dominant rock type at the surface in the HM area and extends over more than 60% of the concession area. The Tokala Formation is older and lies underneath the ophiolites.

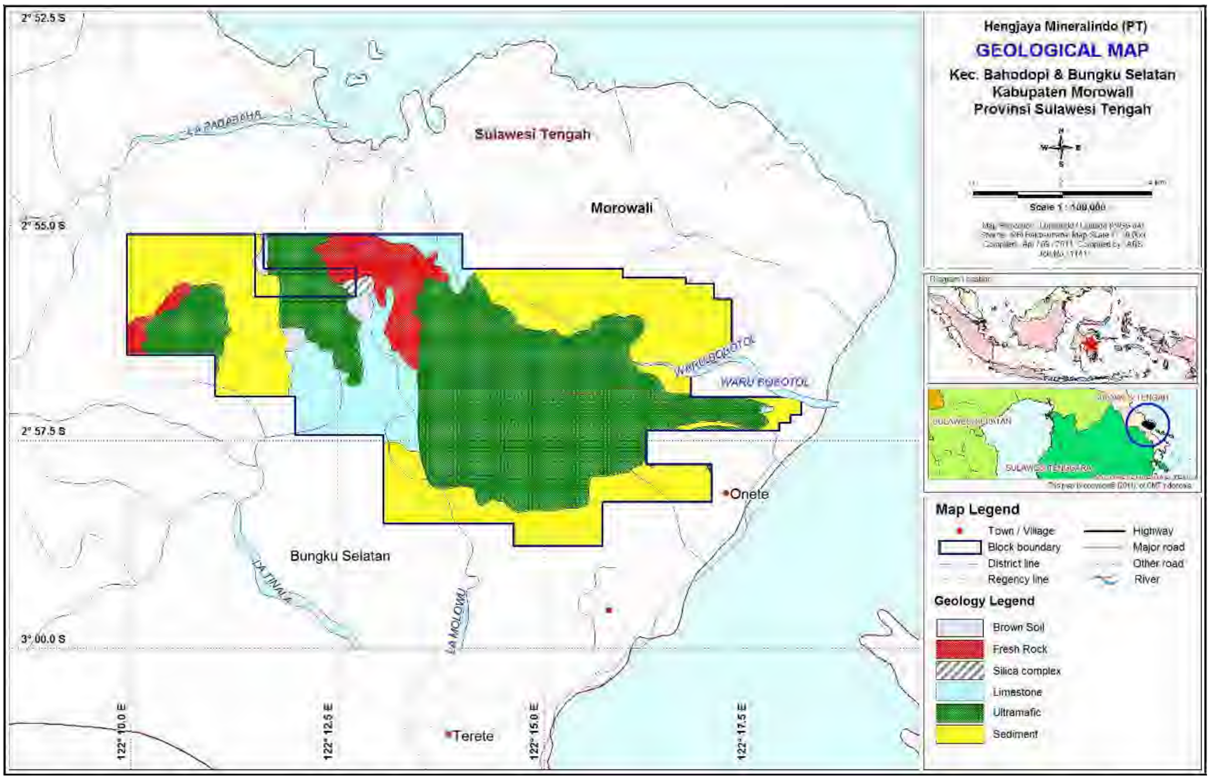


Figure 9 surface geology map

3.8 PREVIOUS NICKEL EXPLORATION, RESOURCE STUDIES AND REPORTS

According to the residents of local villages surrounding the HM project, exploration of the area began in 2007 when the state owned minerals company, PT Aneka Tambang, explored the nickel potential of a broad area which included the location of where the HM project is located today. The work included mapping and wide spaced drilling. The data is poorly documented with many holes having ambiguous hole identification, coordinate location and or no analysis information.

HM started drilling in 2010. At least 3 separate phases of drilling were implemented. Initially wide spaced drilling on a 400m X 400m grid was conducted followed by 100 X 100m spacing and eventually 25 X 25m grids. From 2013 onwards, drilling operations had standard operating procedures implemented (see GMT Hengjaya Mineralindo Resource Report dated 2018) that included the following procedures for drilling operations;

- drilling was full core using HQ (76mm) diameter core bit
- drill holes penetrated 3m of bedrock before final depth
- core recoveries were >80% on each 1m run and re-drilled if <80%
- core was transferred to core boxes and logged by geologists
- core was transported to a core facility and split, with one portion used for lab analysis and the other stored as a reference sample
- logging and sampling were in 1m intervals unless there were intervening lithological zones, which were sampled separately
- samples were weighed, labelled and sent to PT Intertek Utama Services in Jakarta

In 2015 sample splits were transported to PT Geoservices in Kendari for preparation of pulps and sent on to Jakarta for fused bead XRF analysis. Table 4 summarizes the drilling history at HM until 2019.

Table 4 Drilling history at Hengjaya

DRILLING COMPANY	DATE	MACHINE TYPE	CORE SIZE	TYPE	TOTAL HOLES	METERS	ANALYSES
ANEKA TAMBANG	2007-8	JAKRO 200	NQ	FULL CORE	423	7 730	unknown source
SARANA JAYA	2010-12	JAKRO 200	HQ	FULL CORE	183	4 789	INTERTEK ISO 17025
SARANA JAYA	2012	JAKRO 200	HQ	FULL CORE	69	2 882	INTERTEK ISO 17025
NICKEL MINES LIMITED	2013-15	JAKRO 200	HQ	FULL CORE	728	17 441	INTERTEK ISO 17025 / GEOSERVICES XRF (fused bead)
DANMAR EXPLORINDO	2019-20	DEXDRILL 200	HQ	FULL CORE	1100	21 824	HM laboratory with extenal lab checks
			TOTAL DRILLING		2503	54,666	

Prior to 2015, topography used was based on Landsat data which has low accuracy. During 2015, LiDAR topography survey was carried out producing a topographic map of the IUP that has high accuracy. Details are summarized in Table 5.

Table 5 Topography survey history

COMPANY	DATE	TOPO (Ha)	SURVEY TYPE
PT SURTECH	2015		4 BENCHMARKS
PT SURTECH	2015	6 740	LIDAR TOPOGRAPHY
Total Area Survey		6,740	

Exploration progress and subsequent Resource estimations are documented in the following reports;

Table 6 PT Hengjaya Mineralindo reports and Resource studies

REPORTING COMPANY	ISSUE DATE	REPORT TITLE	AUTHORS
PT GMT INDONESIA	May-12	TECHNICAL REVIEW AND RESOURCE ESTIMATION FOR HENJAYA MINERALINDO CONCESSION AREA	BRET GUNTER & KRISJNA ALIMOEDDIN
PT GMT INDONESIA	Aug-15	TECHNICAL REVIEW AND RESOURCE ESTIMATION FOR HENJAYA MINERALINDO CONCESSION AREA	BRET GUNTER & KRISJNA ALIMOEDDIN
PT GMT INDONESIA	Apr-18	TECHNICAL ASSESSMENT REPORT FOR NICKEL MINES LIMITED	BRET GUNTER & KRISJNA ALIMOEDDIN
PT GMT INDONESIA	Dec-18	RESOURCE ESTIMATE REPORT FOR NICKEL MINES LIMITED	BRET GUNTER & KRISJNA ALIMOEDDIN

4.0 CURRENT EXPLORATION PROGRAM METHOD

4.1 GROUND PENETRATING RADAR SURVEY

Groundradar's, Ultra GPR technology is a geophysical technique that can be used to detect subsurface geological layering and structure in nickel laterite. Relatively quick and easy to apply in the field, Ultra GPR enhances the exploration process for laterites by detecting laterite thickness and bedrock morphology. The use of the Ultra GPR survey is designed to increase the confidence of geological interpretation, provide a guide to thickness and depth of the target layers and help to optimize drill programs to focus on the best areas. As with all geophysical methods, Ultra GPR provides supportive data for points of observation provided by drilling for Resource estimation.

Photo 1 Example survey acquisition using Ultra GPR equipment (*source: Groundradar.com)*

At HM Ultra GPR has been a great exploration tool to identify the lithological contact between limonite (massive clays) and the saprolite (weathered rocks) as well as the bedrock. Results provide indicative volumes of potential limonite and saprolite located within the survey area. Results combined with drilling data can give greater confidence of nickel/iron laterite ore body structure, dimensions and distribution. Figure 10 shows the close correlation of the interpreted GPR zones to the commonly named weathering profiles of Nickel laterites

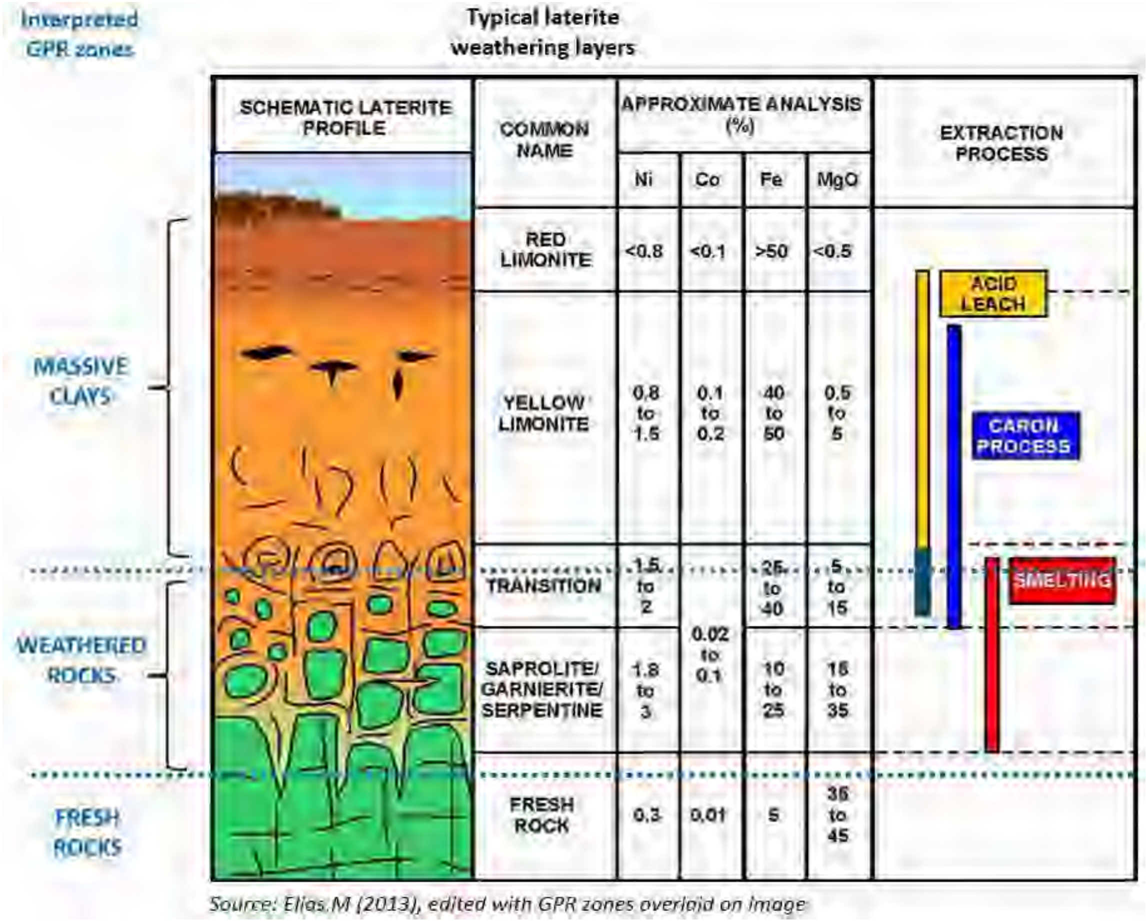


Figure 10 Diagrammatic representation of a typical laterite profile in Sulawesi

Highly weathered laterite zones are typically structurally controlled. Geological structure may influence the distribution of where higher grade limonite and saprolite can be found. Although these structures can often be interpreted from the topographic surface relief, with the help of Ultra GPR, these structures can be delineated with relative confidence providing excellent drill targets to optimize drill programs towards the thickest and most prospective locations. Figure 11 shows an example of typical survey results using Ultra GPR technologies on laterite deposits of Sulawesi

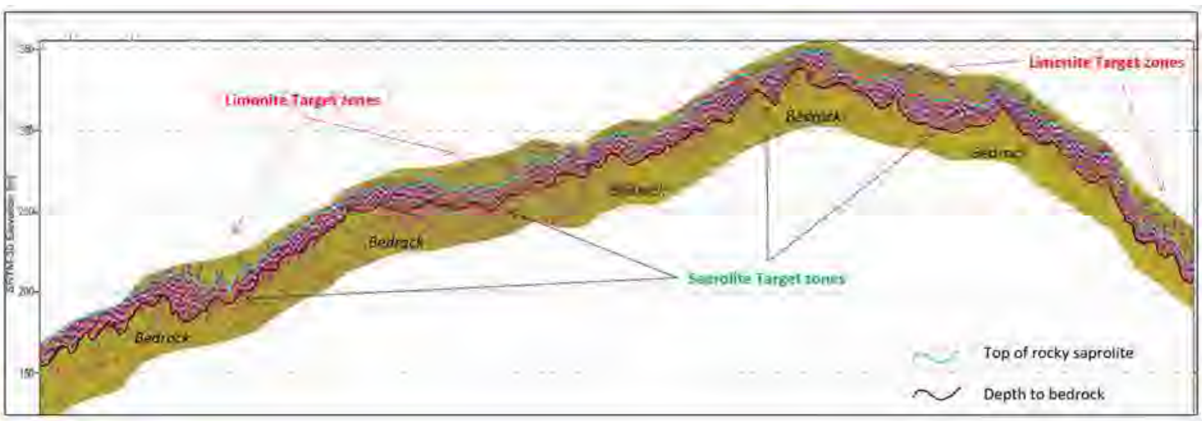


Figure 11 Example UltraGPR survey of a typical laterite profile in Sulawesi

Figure 12 shows diagrammatic section of typical laterite deposit features and geological controls that can be used to identify areas of increased weathering around possible structures.

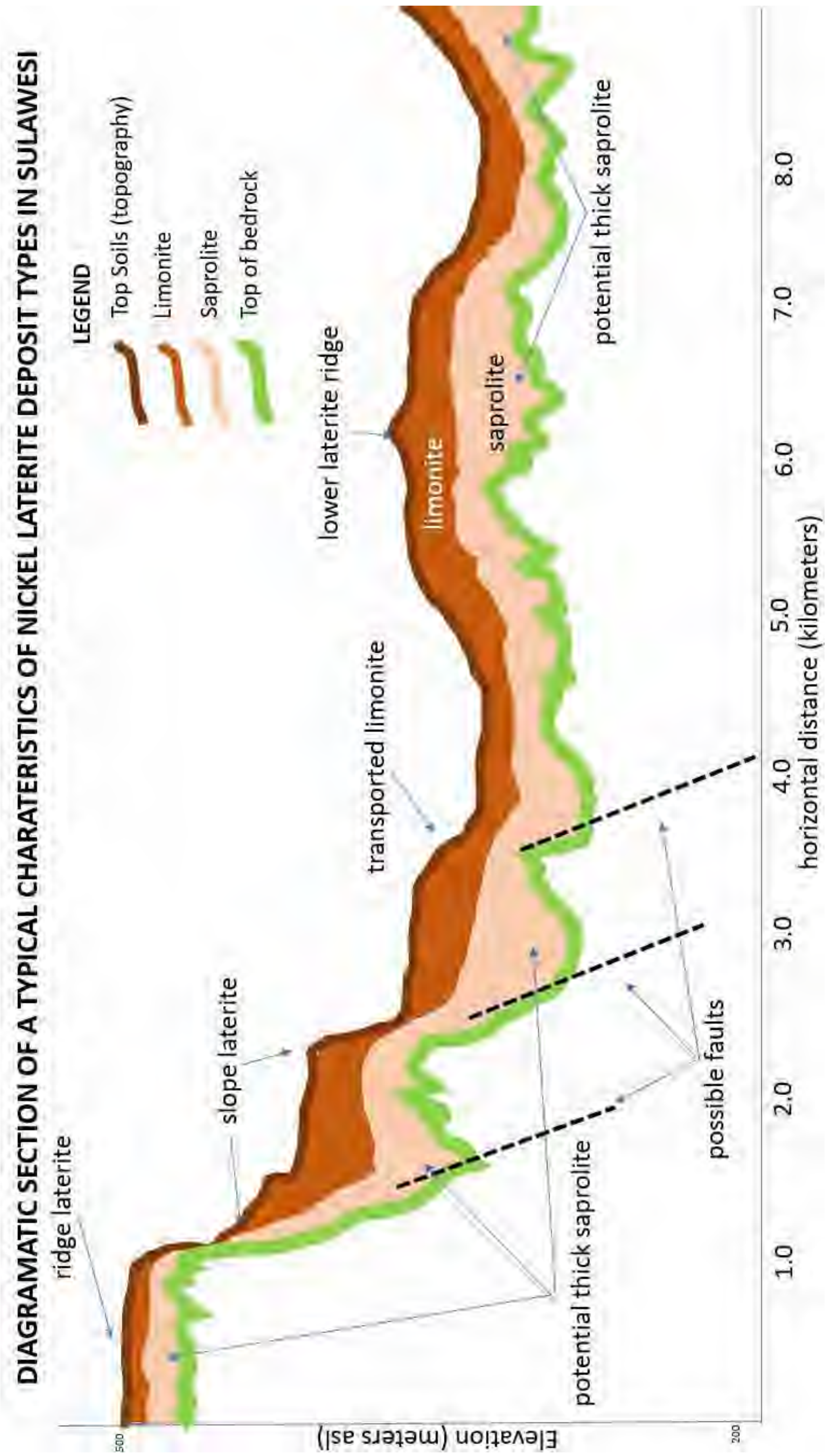


Figure 12 Typical laterite deposit of Sulawesi, structurally controlled geology

4.2 DRILLING

Since April 2019 three units of Dexdrill 200 have been used to drill the HM nickel laterite project. These drills are ideally suited to laterite core drilling as they are quick, lightweight and man portable. They have the added advantages of providing local labour employment and also have low environmental impact with no need for road access or dozer support. The drills use HQ triple tube core barrel.

Photo 2 Dexdrill 200 at HM

4.2.1 CORE RECOVERIES

In the current drill program core runs are restricted to 1meter intervals so that core swelling and losses are easily measured. Core is extracted from the inner tube and directly transferred to the core box core based on the core run and measured for length to determine core recovery and or swelling. Core is arranged in maximum 1 meter runs inside the core box with each run filling a new row in the core box. Consecutive core runs are also arranged in new rows starting on the left side of the core box to avoid any mixing or contamination from other core samples. The bottom of each core interval is labeled for its depth so that the depth of the core is clearly displayed. Core boxes that are filled at holes that are not yet completed are carefully covered so that the samples are kept free from contamination, rain and or damage while drilling of the hole is completed.

4.2.2 DRILL COLLAR SURVEY

The topography of the Hengjaya IUP has been surveyed using LiDAR to produce a digital terrain model of the ground surface in the area. The accuracy of the LiDAR is within 15cm vertical and 40cm in the horizontal plan which is sufficient to support Resource estimates. Ground survey has been used to tie the drill hole collar locations to the LiDAR survey data.

4.2.3 GEOLOGICAL LOGGING OF CORES

Once drilling the hole is complete, wherever possible, the full core boxes are positioned in a level place in consecutive order. In this way the full hole section to be viewed for ease of describing each run and determining the geological boundaries. The description starts at the surface and follows each 1meter core run until the total depth is reached. The core description is recorded in a standard format which has been provided by HM so that the data is easily usable and recognizable at the mine. Core that contains more than 20cm of solid rock is recorded as a geological boundary. The core length is checked against the actual depth recorded in the core box. The detailed description is completed as required in the logging form. The well site geologists follow a standard operating procedure for the core logging process so that all geological logs are standardized.

Photo 3 core boxes of a completed hole arranged in consecutive order in preparation for geological logging

4.2.4 CORE PHOTOGRAPHY

With the core boxes in position, in a level place, with no cover, in consecutive order core photos can take place. Checks are carried out to make sure that the depth labels are clearly visible and in position at the bottom of each core run. Cores with swelling or core loss are clearly marked as well as labels showing where density samples have been removed or will be taken. The well site geologist checks to make sure the core box label shows the correct the Hole Identification, sequential arrangement, depth interval, date of start and finish drilling, EOH (end of hole), initials of the wellsite geologist and the rig identification number. When this is ready photos are taken in good light conditions making sure to minimize shadows and reflections.

Photo 4 core photo example

4.2.5 DRILL CORE SAMPLE HANDLING

Plastic sample bags are always double layered to protect the integrity of the samples against accidental contamination, damage or loss. Samples are bagged according to the geological horizon from which they belong and or in 1 meter intervals if there is no geological boundary and the plastic identity label placed inside. After each core box is emptied the outer layer sample bag is tied with string in a bow so that it can easily be undone at the camp for rechecking and final labeling. During the sampling process, the sample form is continuously filled out so that as samples are bagged every sample is recorded. Checks are made to ensure the sample intervals and label are correct. Rechecks are done so that the sample intervals can be reconciled and there are no gaps in the depth intervals. Samples are then packed in sacks and tied with flagging tape showing the hole identification. If stored in the field the sacks are covered for protection from the weather. Samples are transported to the field camp on a daily basis and immediately given a sample identification number provided by Hengjaya laboratory. Sample numbers are determined by Hengjaya and provided for Danmar to use. Sample numbers and the depth interval labels are recorded on sampling forms which are photographed and sent to Danmar head office for recording in the Hengjaya database. During this sample labelling process the condition of the sample bag is checked and changed if damaged. The total number of samples are rechecked against the total number of samples logged in the field at the wellsite. As a quality control protocol for every 92 exploration core samples submitted 4 sample standards (OREAS) are provided and 4 blank samples. Samples now labelled with Hengjaya sample numbers, including QA/QC samples, are repacked into the sacks tagged with the individual hole numbers ready for delivery to Hengjaya sample store. Samples are delivered to HM core store, laid out in rows per hole and recorded in a formal sample receipt which is jointly signed by Danmar and HM.

Photo 5 sample packing at the well site

Photo 6 sample recheck and re-labelling at drill camp office

4.3 LABORATORY SAMPLE AND ANALYSIS PROCEDURES

PT Hengjaya Mineralindo (HM) has two separate facilities at the mine site for processing and assaying samples collected in the exploration drilling program and mining production operations at the site. These two facilities are the Sample Preparation Laboratory (Prep Lab), where the samples are converted from raw samples into 200# (75 micron) pulp samples, and the Assay Laboratory, where the 200# pulp samples are assayed using XRF Spectrometers to provide the elemental composition of the drill and mine samples, in particular, the weight percent of nickel, iron, cobalt, silica dioxide, magnesium oxide and calcium oxide, and the grade of the valuable elements, nickel, iron and cobalt.

4.3.1 SAMPLE PREPARATION

A) Wet Sample Preparation

Exploration samples from the drill program are delivered to the PT Hengjaya Mineralindo Sample Preparation Laboratory (prep lab) in batches of 100 samples, accompanied by a Job Sheet (Consignment Note), detailing the consignment number and the numbers of each sample contained therein. The sample bags, each containing a sample representing a 1 m advance in the drill hole, are laid out in sequence on the floor of the prep lab and the Laboratory Foreman checks each sample against the Job Sheet, and once all is in order the processing commences. Each 1 m drill sample weighs approximately 8 kgs, wet, on arrival at the prep lab.

Photo 7 drill core samples delivered to HM sample store

The drill sample is emptied from the poly-weave bags and placed on the floor, where it is broken down into smaller thumb sized pieces and built up into a cone. A metal quartering tool is then placed on top of this cone and pushed down to the floor and moved to separate the original cone of sample into four separate unconnected heaps of sample. A trowel then takes one complete quarter portion of sample and places this into one stainless steel tray, and then a further quarter sample from the opposite side of the quartered cone is then placed into the same tray and a ticket placed into this tray. The remaining two quarters are then placed into a second tray, another sample ticket with the same number added to the second tray. The two sample trays are then weighed, using a digital balance, and the weight of the trays and “wet” sample recorded, and the trays stacked on a trolley to be taken through for drying.

The trolleys containing the trays of drill samples are then placed into drying ovens and the samples dried at different durations and temperatures depending on the source material:

Exploration samples - 8 – 12 hours at 105° to 110° C
Mining samples - 6 – 8 hours at 105° to 115° C
Moisture Content - 24 hours at 105° C

B) Dry Sample Preparation

Once the drying process has been completed, the sample trays are removed from the ovens and then weighed, and the weights recorded. The difference between the wet weight of the sample and tray and the dry weight of the sample and the tray is recorded as the moisture content. With the dry weight of the drill sample and the moisture content of the sample now recorded, the sample is ready to move to the next stage, the dry sample processing stage.

The preparation of drill samples at the HM sample prep lab follows the JIS Method for Sampling and Method of Moisture Content of Garnierite Nickel Ore - JIS M 8109 – 1996, which is a manual incremental reduction method for reducing the size of the drill sample for assay purposes, using scoops of different sizes to obtain representative samples at each of the different stages of sample preparation. The objective is to reduce the particle size of the sample by crushing and pulverizing and the size of the sample through incremental splitting, while maintaining the representativeness of the medium being sampled.

The first stage in the processing of the dried exploration drill sample is crushing, and the two sample trays of dried sample are poured into a Jaw Crusher which reduces the dried sample to a – 10 mm product which is collected in a bin underneath the jaw crusher.

Photo 8 jaw crushing to -10mm

In the second stage, the jaw crusher product is poured into a Jones Riffle splitter which produces two similar sample products, one which is discarded, and the other bin of riffle splitter product is passed to the next stage in the processing operation.

In the third stage, the bin of Jones Riffle split product is poured into a Double Roll Crusher which reduces the -10 mm jaw crusher product into a – 3 mm product which is collected beneath the double roll crusher. This double roll crusher product is then presented to an operator for the next stage of incremental splitting.

Photo 9 -3mm sample, manual incremental reduction JIS M 8109-1996

Following the manual incremental reduction method described in the JIS M 8109 – 1996 standard, the fourth stage consists of the - 3 mm double roll crusher product being first levelled with a small metal backing plate and then 10 approximately identical increments are delineated in the tray, 5 increments along the long side of the tray, and 2 increments along the short side of the tray to produce a 2 x 5 matrix. Using a backing plate and a 5 d sized scoop, the scoop is thrust into the bottom of the sample in one increment and this material is removed and placed into a plastic bag. The 5 d scoop is then thrust into the remaining adjacent sample and this is then placed into a separate steel tray. Two smaller samples have now been collected from the original one increment. This process is repeated with the remaining 9 increments in the original tray until one plastic bag has been filled with ten scoops of the original sample and another 10 scoops have been collected from the same original sample and placed into a separate tray. Each of these two incremental split samples weighs approximately 500gm each, and one will be labelled and sent to sample storage, while the other sample will be sent to the next stage in the processing cycle, the pulverizer.

In addition to the above, before discarding the remaining double roll crusher product, a further sample is collected, approximately every 20 samples, and placed in a brown paper envelope and numbered with a DR suffix, this being a Double Roll Crusher product sample that will be sent for assay to test the performance of the two crushing and splitting stages, often referred to as the Course Reject sample, or at HM or the Double Roll (DR) sample.

The fifth stage consists of the 500 gm -3 mm double roll sample being placed into a pulverizing bowl, a puck added, the lid is replaced and this unit placed inside the Essa Pulverizer using a cradle. The cradle is removed and the machine turned on and run for 5 minutes, after which the pulverizer bowl is removed from the machine using the cradle, the lid removed, the puck taken out, and the pulverized sample, the “pulp”, placed onto a tray, and passed on to the next stage of incremental splitting.

Photo 10 sample placed in pulverizer

In the sixth stage of sample preparation, the pulp sample is then carefully mixed, flattened and cut into a 4 x 5 matrix to produce 20 increments in a similar way as for the double roll crusher product. Using the smallest sized 0.25 D scoop, and a metal backing plate, the scoop is thrust into one side of the increment, removed and placed in a brown paper envelope. The scoop is then thrust into the adjacent portion of the increment and then emptied into a second brown paper envelope. This process is continued until all 20 increments have been scooped and the pulp from each of the 20 increments have been transferred into two brown paper envelopes, one of which goes to the Assay Lab, and the second sample goes to storage. Any residual pulp remaining from this second incremental splitting is discarded as waste.

As part of the monitoring of the sample preparation process a particle sizing test is undertaken on one in ten of the pulverized product, the pulps, to ensure the pulverization has been done properly. This is undertaken after the pulverized product has been taken from the pulverizing bowl and prior to the incremental splitting stage. A small sample of material is weighed and then placed on a 200# (75 micron) stainless steel screen and screened until all the sample that can pass the 75 micron screen has passed, and the weight of the -75 micron material and the weight of the -75 micron products are both weighed and recorded. If the weight of the -75 micron product is more than 95% of the total pulp sample weight, then the pulverization process is acceptable. If the weight of the -75 micron product is less than 95% of the total weight then this is not acceptable and the sample will be returned to the pulverizer for further pulverization to ensure more than 95 % of the sample passes the 200# screen.

Photo 11 pulverized sample sieve analysis

Photo 12 sieve analysis results measurement

In addition to the standard sample processing procedures described above, two further sample processing techniques are performed at the PT HM sample preparation laboratory to provide additional information for the geological and mining databases, these being Specific Gravity (density) testing and the measurement of the Moisture Content of selected samples.

4.4 SPECIFIC GRAVITY MEASUREMENT

During the drilling of each drill hole, samples are collected from each of the four geological lithologies encountered in the hole, namely soil or overburden, limonite, saprolite and bedrock. These density samples are collected at the drill site, with a small section of unbroken drill core, at least 20cm long, being weighed and recorded. The average weight of these specific gravity samples is generally between 700gms and 800gms. Following weighing, each sample is then wrapped in plastic cling wrap and sealed with masking tape to maintain the insitu moisture and sent to the sample preparation laboratory as a priority.

Photo 13 density samples delivered to sample store

Upon arrival at the prep lab the samples are carefully unwrapped and placed in a sample tray containing each separate lithology sample from that drill hole, including; soil or overburden, limonite, saprolite and bedrock. The samples are then trimmed, weighed and placed back into a tray. A plastic measuring cylinder is then filled with a known volume of water, and the original level of water in the cylinder measured. The lithological sample is carefully lowered into the measuring cylinder and the displaced water level rises, and this second water level is measured and recorded. The mass of the lithological sample is then divided by the water displaced in the measuring cylinder to give the specific gravity, the density, of that particular lithology.

Photo 14 core samples ready for density measurement

Photo 15 weighing density samples at the sample preparation lab

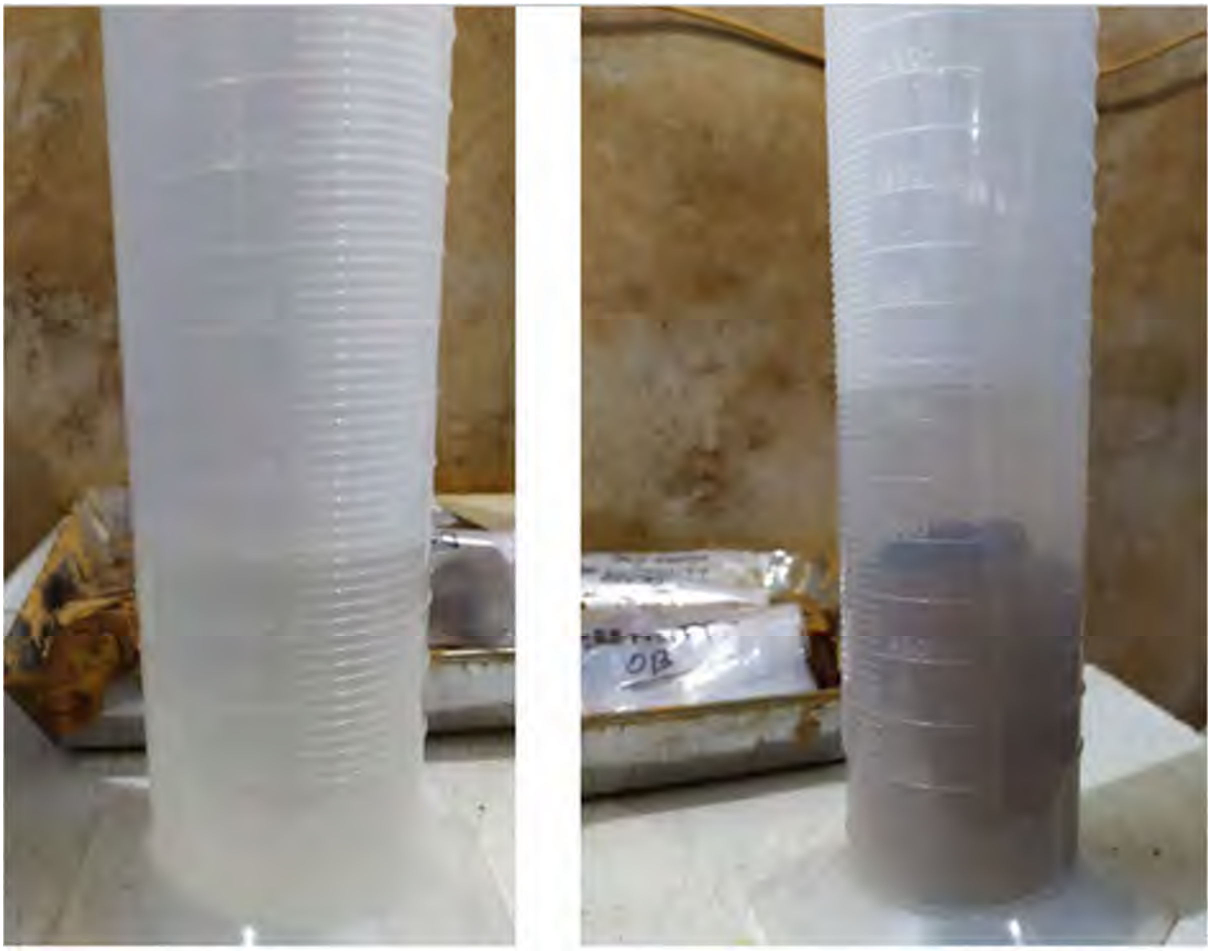


Photo 16 density sample volume measurement by the displacement of water

Finally, the results are recorded and density is calculated by volume divided by the weight.

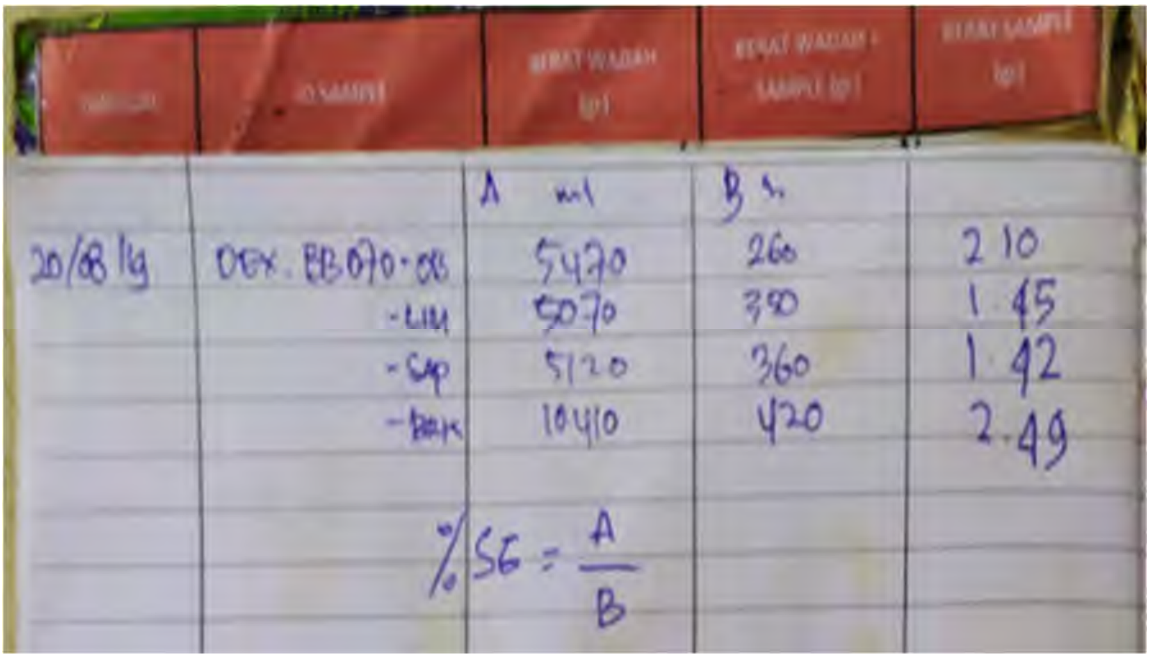


Photo 17 density data record

4.5 MOISTURE MEASUREMENT

Moisture content is an important property of nickel laterite ore samples, saprolite being a hygroscopic mineral, absorbing water in its natural state. This can affect its behavior during smelting, which can result in a lower price received per ton of smelted ore.

The Moisture Content of the drill samples is calculated through weighing the drill samples wet, before they are placed in the ovens for drying, and again when they have been removed from the ovens and prior to the first stage of crushing. The difference in weight between the weights of the samples before and after drying, divided by the original wet weight of the sample gives the Moisture Content as a percentage figure, as per the equation below:

Moisture Content: $$MC = \frac{w - d}{w} \times 100$$

w = wet weight
d = weight after drying

Photo 18 drill core sample delivery to HM preparation lab and wet sample weight measurement

Wet exploration samples for Moisture Content measurement are placed in drying ovens and dried at 105^{o} for 8-12 hours.


Photo 19 wet samples are placed in oven Photo 20 dry samples removal from oven

Photo 21 dry sample weight measurement

4.6 ANALYTICAL METHODS AND STANDARDS

The pulp samples of 50 – 60gm from each consignment completed at the sample prep lab are sent to the Assay Lab at the HM Camp where they are recorded into the production register and then placed into an oven to protect the samples from absorbing atmospheric moisture.

Photo 22 sample pulp storage in desiccating oven and pressed pellet preparation

A new assay lab number is assigned to each pulp sample packet, this is undertaken at the same time as Certified Reference Materials (CRMs), pulp duplicate samples, coarse rejects, blank check and replicate check samples are inserted into the sample streams as part of the Quality Control procedures. After checking that the renumbering of these samples has been completed correctly, the samples are then taken through to the preparation room and placed in a desiccator to await the production of pressed pellets.

The sample numbers are written on the base of a Chemplex pellet cup and a 10gm sample of pulp is carefully taken from the envelope containing the pulp sample, weighed and placed inside the Chemplex cup. This is then placed inside a 15 ton Hydraulic Press and the press pumped to a load of 12 tons, before the pressure is released, the die removed and the pressed powder pellet released. The pressed powder pellets are then placed in pyrex dishes, 9 pellets per dish, and returned to the desiccator before being taken through to the XRF Spectrometer Room.

Photo 23 pressed pellet production from sample pulp ready for XRF analysis

HM presently have two Malvern Panalytical X-ray fluorescence (XRF) Spectrometers operating at the HM assay lab, an Epsilon 3 and an Epsilon 4 unit. These are compact energy dispersive spectrometers that are capable of undertaking elemental analysis configured with dedicated software specifically for the nickel laterite suite of elements. The Epsilon 4 uses a Nickel XRF 12 Element Suite for Ni, Fe, Co, MgO, SiO_2, CaO, Al_2O_3, Cr_2O_3, MnO, P_2O_5, SO_3 and TiO_2 while the older Epsilon 3 unit uses a Nickel XRF 9 Element Suite for Ni, Fe, Co, MgO, SiO_2, CaO, Al_2O_3, Cr_2O_3 and MnO. At the HM assay lab, mining samples are generally analyzed using the Epsilon 3, while exploration drilling and barge samples are analyzed using the Epsilon 4, 12 element suite XRF. XRF is regarded as the preferred method for assaying nickel laterite ores, and iron ores, because of its superior accuracy and precision.

HM has used pressed powder pellets in the XRF analysis of samples to date, but with lithium borate fusion the preferred method of sample preparation, an XRFuse 6 Electric Fusion Machine has been purchased for installation in a special facility for the production of fused beads for XRF assay and HM hopes to have this operational shortly. As part of an upgrading of the assay facilities at HM, a Bruker Puma S2 XRF has been purchased and sent to site for use to the replace the older Epsilon 3, and to handle the increased production of exploration and mine samples. The Puma S2 XRF will allow for 20 samples to be processed in a run, double the present 10 samples processed in the Epsilon 3 and Epsilon 4 units.

The sample tray is removed from the spectrometer and each pressed pellet sample is placed sequentially into the sample holders in positions two to ten. An Oreas CRM Ni standard is placed into the first sample holder of each run as part of the Quality Control procedures. The pellet sample numbers are then checked to ensure that the correct samples are in the correct positions on the carousel and the spectrometer lid is closed. The machine operator checks that the sample consignment information and sample numbers have been entered correctly onto the software program and the machine switched on, and the assaying run begins.

Photo 24 pressed pellets being loaded into XRF machine

Each pressed powder pellet is subjected to a beam of X-rays which are reflected onto a detector which determines and records the elemental composition of the sample being assayed. Each sample is subjected to this procedure for approximately 4.5 mins each, and each run of ten samples takes approximately 45 min to complete. While the assaying is taking place, the information showing which numbered sample holder is being assayed, and the results of the samples assayed in that run appear on the computer screen, and the data is recorded. At the end of the run the machine stops, the lid is opened and the sample holder removed, the pressed pellets are removed from their sample cups and the equipment readied to receive a further ten pellets for the next run. The results from the analysis of the previous pressed powder pellets are then passed to the QA/QC lab staff for monitoring and printing of the assay results.

4.6.1 QUALITY ASSURANCE / QUALITY CONTROL

The Quality Assurance and Quality Control program at HM consists of four different aspects, these being:

i) Quality Assurance

Quality assurance (QA) is a proactive approach to ensure that the chemical analyses of samples are correct and accurate. Quality assurance systems and procedures occur before a batch of samples is sent to the laboratory for analysis. Quality assurance usually involves the addition of check samples including blanks, duplicates, replicates and standards.

ii) Quality Control

Quality control (QC) is a reactive process of analyzing the data returned from the lab. This is crucial for determining the quality of the data and revealing any deviations from the norm. This step should be conducted during the sampling campaign to ensure any issues are identified and quickly rectified.

A comprehensive quality control program will monitor the different stages of the sampling, preparation and assaying stages with the aim of controlling and minimizing any possible measurement error. This is done at the sample collection and splitting stage through controlling the sampling precision. It continues through the sample preparation and sub-sampling stages through controlling the sub-sampling precision and contamination during preparation. The final stage is controlling the analytical accuracy, analytical precision and contamination during assaying.

iii) Reporting and Review

Continuous reviewing and reporting is important to ensure that processes are monitored for quality in order to identify problems and improve systems, and when identified should be incorporated into protocols for staff to follow.

iv) Continuous Improvement

Quality data management should be dynamic, with protocols, procedures and sampling practices undergoing regular examination for continual improvement with the aim of removing sources of error and quality degradation. It is an ongoing process. Current international mining standards such as JORC Code 2012, require that a program of data verification is included with any exploration program to confirm the validity of the exploration data, and this is normally done by inclusion of JORC Code , 2012 Edition – Table 1 Report Template, a copy of which is attached to this section.

By implementing a Quality Assurance/Quality Control (QA/QC) program, it is possible to identify and measure any errors within the system, with the objective of reducing uncertainty within our ore Resource estimates, and adding value to our project, the company and all its stakeholders.

4.7 SAMPLE SECURITY, AUDITS AND REVIEW

Sample core store at the mine office can be locked when unattended and is located in front of security post which operates 24 hours per day.

A Sample Dispatch Form SOP and construction of a special purpose sample storage facility, adjacent to the Sample Prep Lab at the port, ensures samples are properly recorded and duplicates stored for future reference if required. Sample store at the port is locked when unattended and is adjacent to a security post that has 24 hour security.

5.0 RESULTS

5.1 GPR SURVEY

Ultra GPR surveys to date were carried out in 5 phases and the results are summarized as shown in Table 7.

Table 7 Ultra GPR survey summary

PROSPECT AREA	GPR coverage area (Ha)	Total Lines	Total Length(km)
BETE BETE	254	98	60
BETE WEST (MIA)	136	36	26
BETE SOUTH	195	72	35
CENTRAL WEST	262	85	48
CENTRAL EAST	214	57	34
Total	**1061**	**348**	**203**

The survey lines shown on Figure 13 below. The GPR survey data from the all areas were of good quality and were easily interpretable. Maps were created showing the interpreted thickness of limonite, saprolite and depth to bedrock. The total area surveyed was approximately 1,061Ha. The nominal spacing between radar lines was approximately 100m with some 50m spacing in the Bete Bete mining area. The GPR survey grid, where possible, is in the same location as the drill lines. Table 8 shows the resulting interpretation for laterite volumes using the Ultra GPR data.

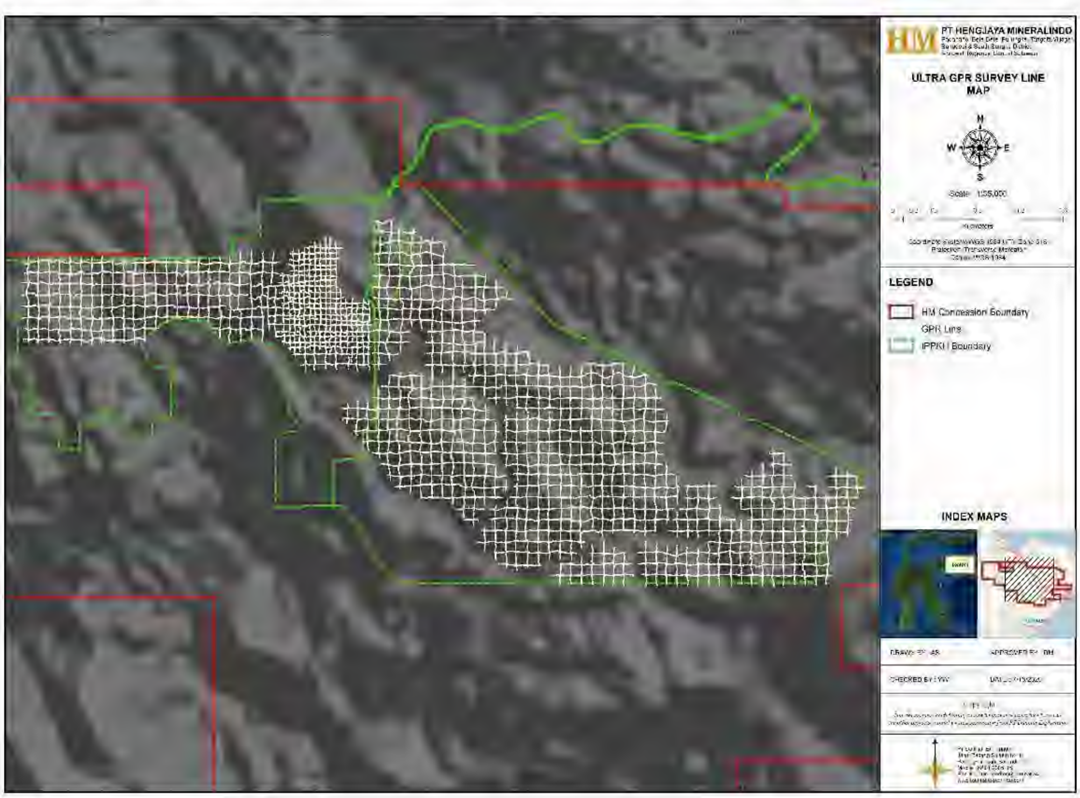


Figure 13 Ultra GPR survey lines on topographic map

Table 8 Ultra GPR survey results interpretation

Domain-ID	Block size (Ha)	Material Type	Laterite Volume (bcm)
BETE BETE	254	MASSIVE CLAYS	12,387,881
		WEATHERED ROCKS	15,608,569
Sub Total		TOTAL LATERITE	27,996,450
BETE WEST (MIA)	136	MASSIVE CLAYS	6,514,738
		WEATHERED ROCKS	12,338,413
Sub Total		TOTAL LATERITE	18,853,151
BETE SOUTH	195	MASSIVE CLAYS	19,653,901
		WEATHERED ROCKS	29,244,788
Sub Total		TOTAL LATERITE	48,898,689
CENTRAL WEST	262	MASSIVE CLAYS	20,898,169
		WEATHERED ROCKS	39,153,956
Sub Total		TOTAL LATERITE	60,052,125
CENTRAL EAST	214	MASSIVE CLAYS	18,824,713
		WEATHERED ROCKS	30,981,850
Sub Total		TOTAL LATERITE	49,806,563
ALL DOMAINS	1061	MASSIVE CLAYS	78,279,402
		WEATHERED ROCKS	127,327,576
Grand Total Laterie Volumes from GPR intrepretation			**205,606,978**

An example of an Ultra-GPR section interpretation covering 400m in the Central East area is shown in Figure 14.

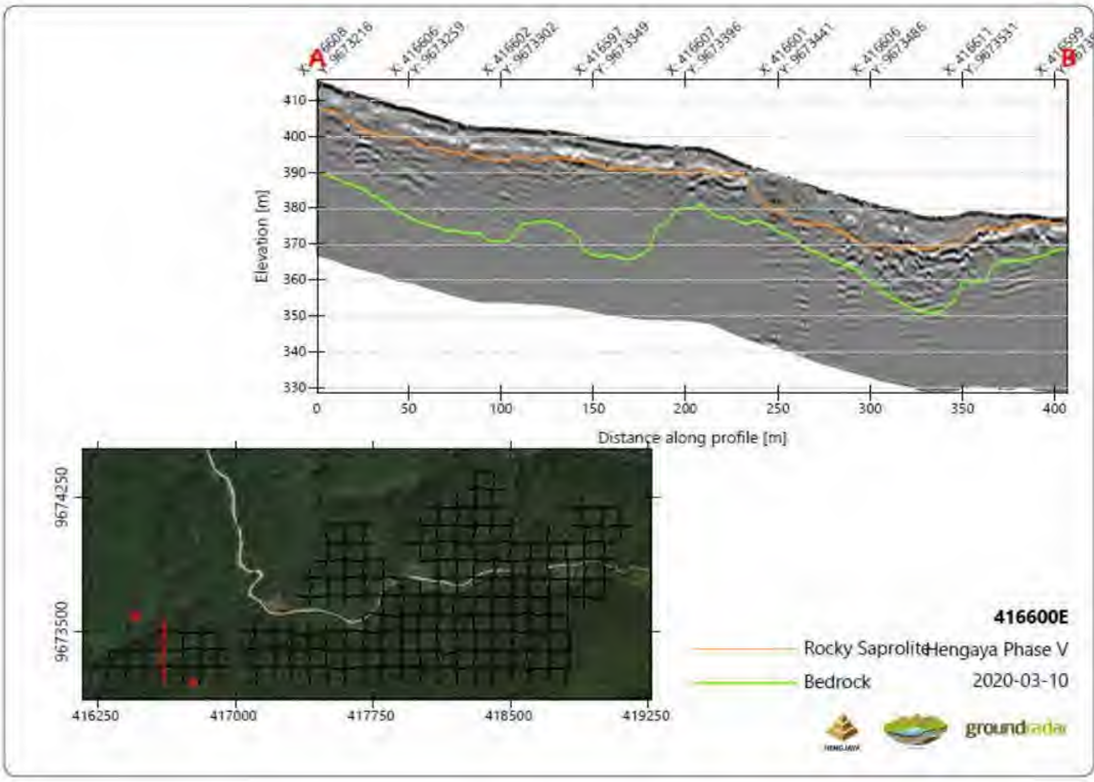


Figure 14 Ultra GPR section line interpretation example from Central East

Figure 15 shows the Limonite thickness interpreted from the UltraGPR survey data. Figure 16 shows the Saprolite thickness interpreted from the UltraGPR survey data

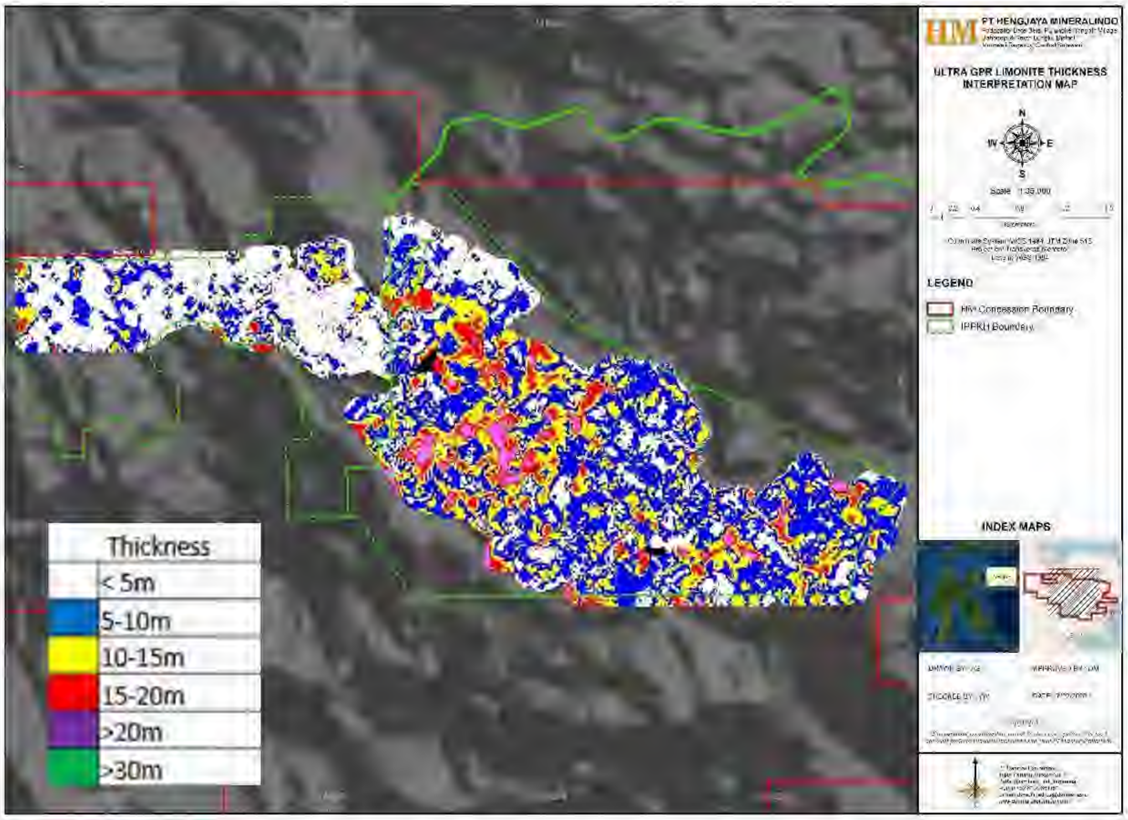


Figure 15 limonite thickness interpreted from the Ultra-GPR survey

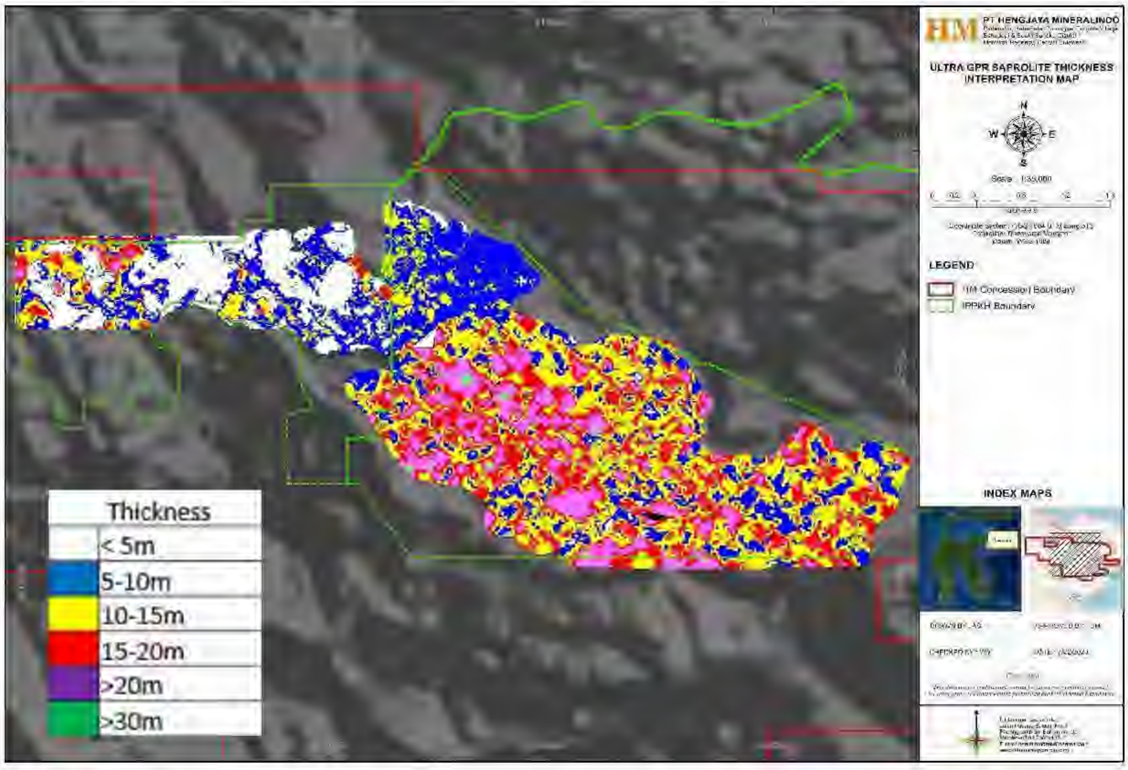


Figure 16 saprolite thickness interpreted from the Ultra-GPR survey

5.2 DRILL RESULTS

Validated drill data used in this study is summarized below in Table 9

Table 9 Drill data statistics

DOMAIN		DRILLING USED IN RESOURCE			DRILLING EXCLUDED FROM RESOURCE		
NAME	Area (Ha)	Drillholes	Cumulative Meters	Sample Assay completed	Drillholes	Cumulative Meters	Sample Assay completed
BETE BETE	324	416	7,240	7,754	42	556	67
BETE SOUTH	325	297	5,953	6,175	58	1,050	63
BETE WEST	247	49	703	704	27	308	156
BETE FAR WEST	305	-	-	-	7	60	60
CENTRAL WEST	529	329	7,313	7,599	109	2,110	563
CENTRAL EAST	764	447	10,017	10,302	108	2,181	1,182
CENTRAL NORTH	151	-	-	-	9	137	103
APL	178	356	9,477	9,559	192	4,283	3,967
OUTSIDE IUP	n/a	-	-	-	40	498	407
TOTALS	**2,822**	**1,894**	**40,702**	**42,093**	**592**	**11,183**	**6,568**

For the purpose of this Resource estimate a database of validated drilling data including 1894 drill holes with a cumulative total depth of 40,702m and 42,093 analyses results has been constructed. Most of the drilling is on a systematic grid giving a regular spread of drill data over most of the laterite target areas with Forestry permits. The drilling locations used in this study are displayed in Figure 17. Other drill data excluded from the Resource data base has only been used for Exploration Target determination.

Most of the recent drilling has been done at 100m spacing on Ultra-GPR targets with the objective of Resource definition in these areas. The distribution of drilling in each Resource block area is summarized in Table 10.

Table 10 Drilling distribution per domain

BLOCK - ID	BLOCK SIZE (Ha)	MINED OUT (Ha)	AVERAGE DRILLING SPACING (Ha)			
			<50m	50-100m	>100m	Exploration targets
BETE BETE	324	32	51	142	52	46
BETE SOUTH	325	-	13	158	120	33
BETE WEST	247	-	-	-	67	181
BETE FAR WEST	305	-	-	-	-	305
CENTRAL WEST	529	-	5	250	73	201
CENTRAL EAST	764	2	52	94	50	566
CENTRAL NORTH	151	-	-	-	-	151
APL	178	24	16	63	-	75
TOTAL ALL BLOCKS	**2,822**	**58**	**138**	**707**	**363**	**1,557**
% OF TOTAL AREAS DRILLED		**2%**	**5%**	**25%**	**13%**	**55%**

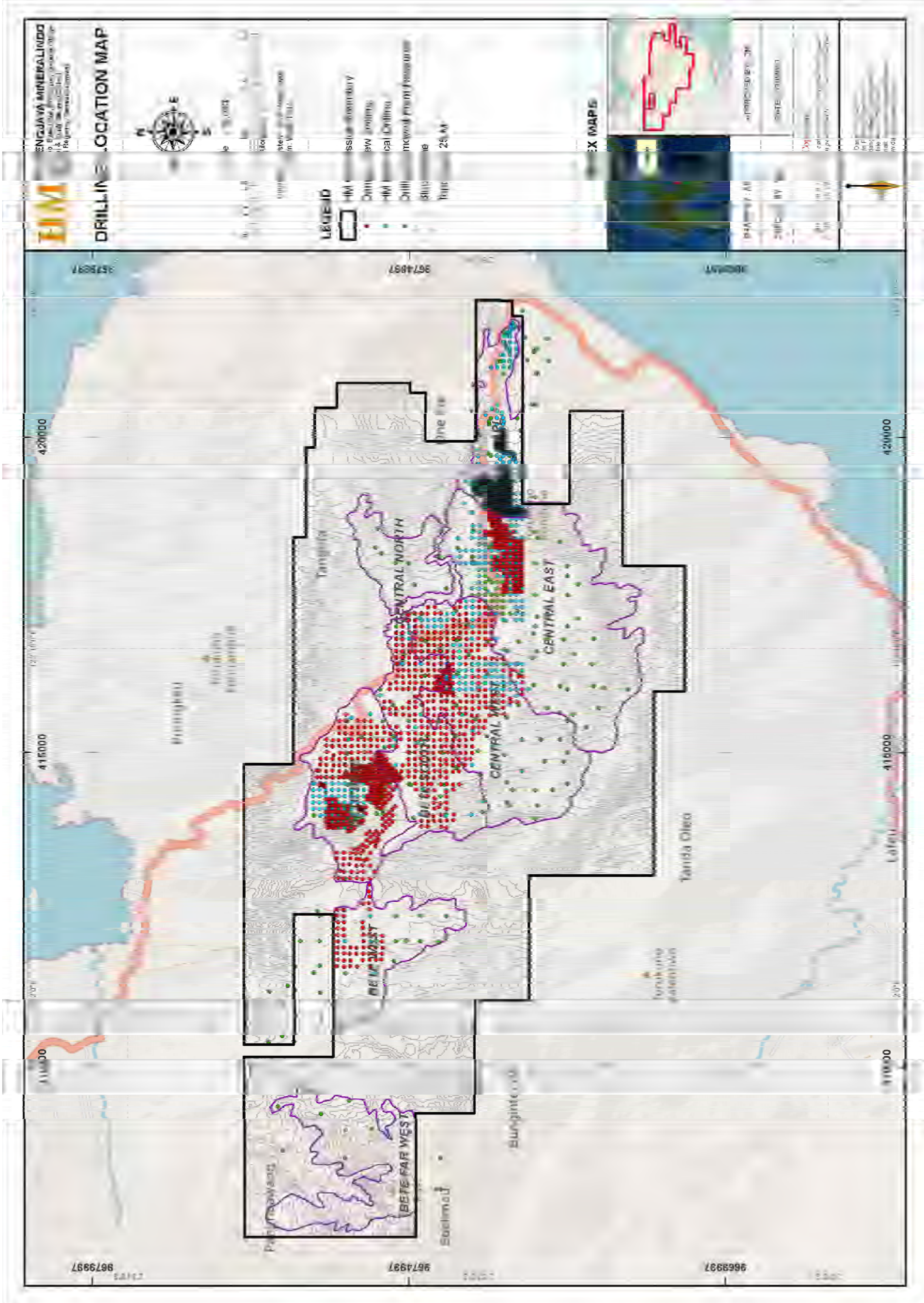


Figure 17 drill hole location map

Core recovery data is summarized below. Data from the latest drilling programs was systematically recorded and includes core recovery measurements supported by core photography. Some of the older data did not include core recovery information but was used in the Resource because it had complete geological log and sample analysis data which was similar to the results found in the surrounding holes that had core recovery information. It is therefore considered unlikely that any bias was introduced to the Resource because of the inclusion of these holes. Core recovery data is summarized in Table 11.

Table 11 Core recoveries

DATA SOURCE	LITHO ZONE	Recorded Core Recovery				
		≥ 95%	95% - 90%	90% - 85%	< 85%	Unavailable Records
DANMAR EXPLORINDO	SOIL	99.4%	0.2%	0.1%	0.2%	0.1%
	UM	99.2%	0.2%	0.1%	0.3%	0.1%
	SAP	96.6%	1.0%	0.6%	1.7%	0.0%
	BRK	95.4%	1.6%	0.9%	2.2%	0.1%
	AVERAGE	97.6%	0.8%	0.4%	1.1%	0.1%
HENJAYA MINERALINDO	SOIL	67.9%	4.8%	0.3%	0.1%	26.9%
	UM	71.6%	4.6%	0.3%	0.2%	23.3%
	SAP	66.6%	15.6%	0.9%	1.0%	15.9%
	BRK	70.5%	15.4%	1.0%	1.5%	11.5%
	AVERAGE	69.2%	10.1%	0.6%	0.7%	19.4%

Core swelling was also observed and carefully measured. The length of the core run from each core was also recorded as a reference to measure the amount of swelling that had occurred. Swelling data was composited for each layer for each hole and built into the geological model so that the distribution could be plotted in each domain. By far the most effected layer by swelling is the limonite. Table 12 summarizes the results.

Table 12 Core swelling data summary

DOMAIN SWELL AVERAGE (INCLUDE NON SWELL CORES) - (cm/m)					
Lithology Zone	BETE_BETE	BETE_SOUTH	BETE_WEST	CENTRAL_EAST	CENTRAL_WEST
SOIL	10	12	10	9	6
LIM	14	20	12	15	12
SAP	3	4	5	5	3
BRK	1	1	2	3	1

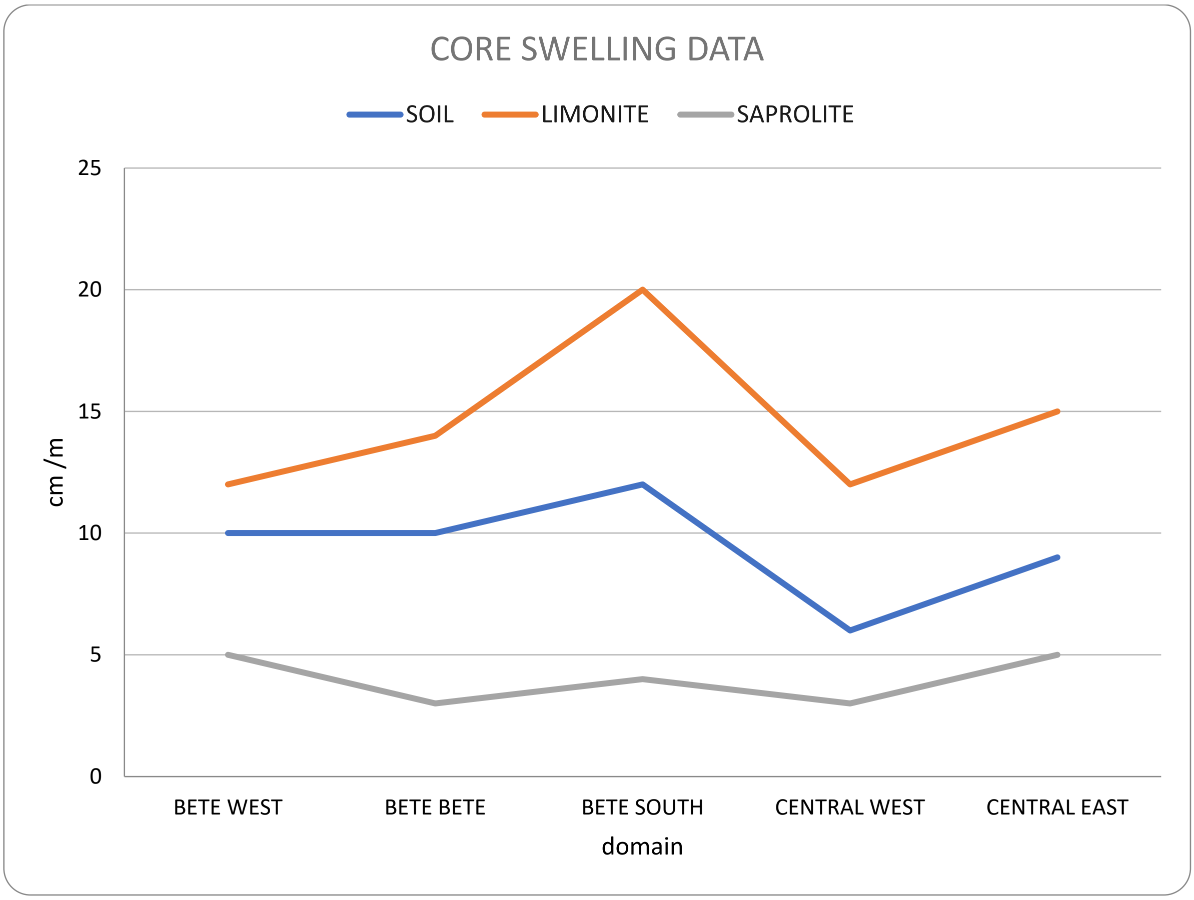


Figure 18 Core swelling measurement averages for each domain

5.3 SURVEY RESULTS

LiDAR topography survey covering the HM, IUP was completed in 2015. The resulting topographic map is shown in Figure 19. Ground survey drill hole collar mis-close with LiDAR topography is shown in Table 13.

Table 13 Survey mis-close between drill collars and LiDAR survey

SURVEY METHOD VALIDATED			COLLAR SURVEY MISCLOSE WITH LIDAR TOPOGRAPHY					
TOTAL STATION	GPS	COLLAR (%)	MINIMUM (m)	MAXIMUM (m)	AVERAGE (m)	STANDARD DEVIATION (m)	(-1) ST.DEV (m)	(+1) ST.DEV (m)
1736	158	92%	-12.45	11.07	-0.05	1.15	-1.20	1.10

The data is considered sufficiently accurate and appropriate for use in this Resource estimation.

158 holes used in the model had only GPS coordinates available. 76 of these holes are located in the mined-out areas. The holes with GPS coordinates were used because they had complete drill log, analysis data, GPR data supporting laterite thickness and were surrounded by other holes with similar quality and depth with surveyed coordinates. It is considered appropriate to use these holes as the drill intersections match the surrounding holes and the analysis data does not introduce a bias to the nickel grades. Figure 20 shows the included drillhole collars with GPS locations in red.

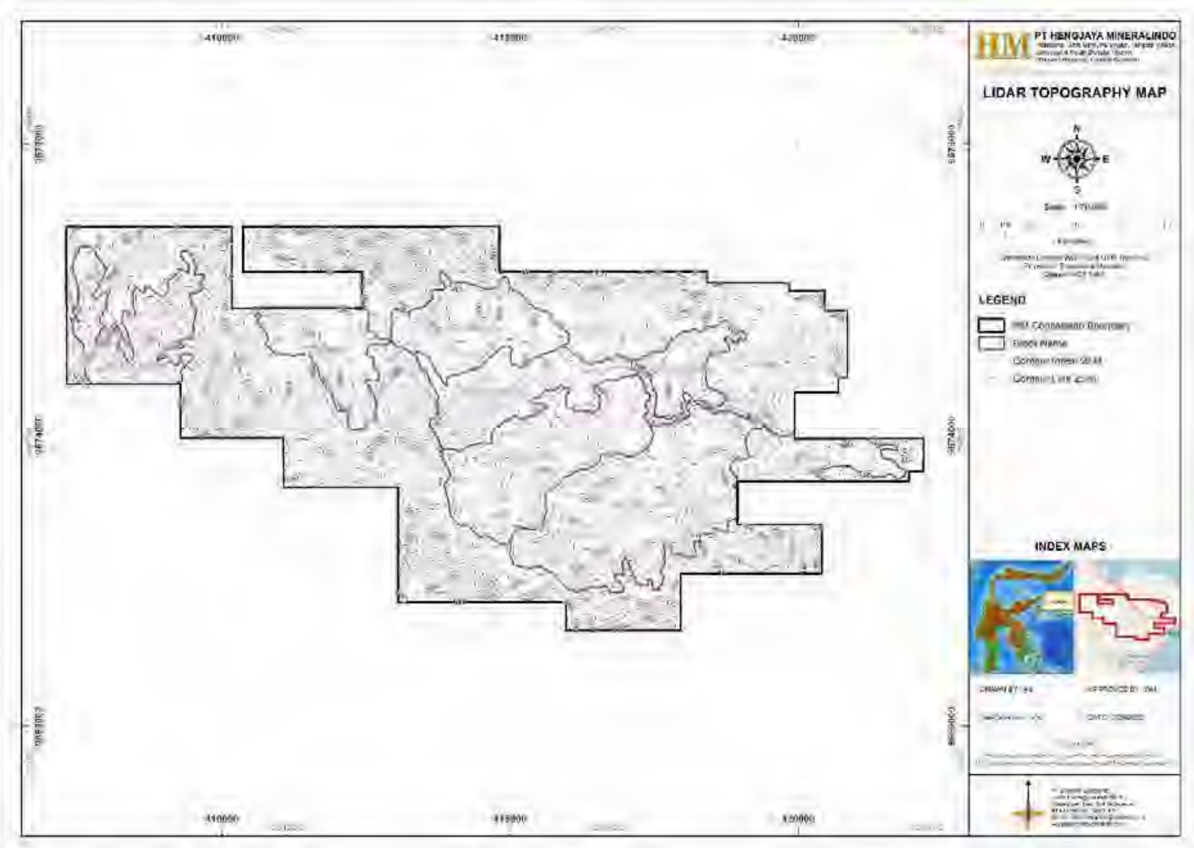


Figure 19 LiDAR topography map of the HM, IUP

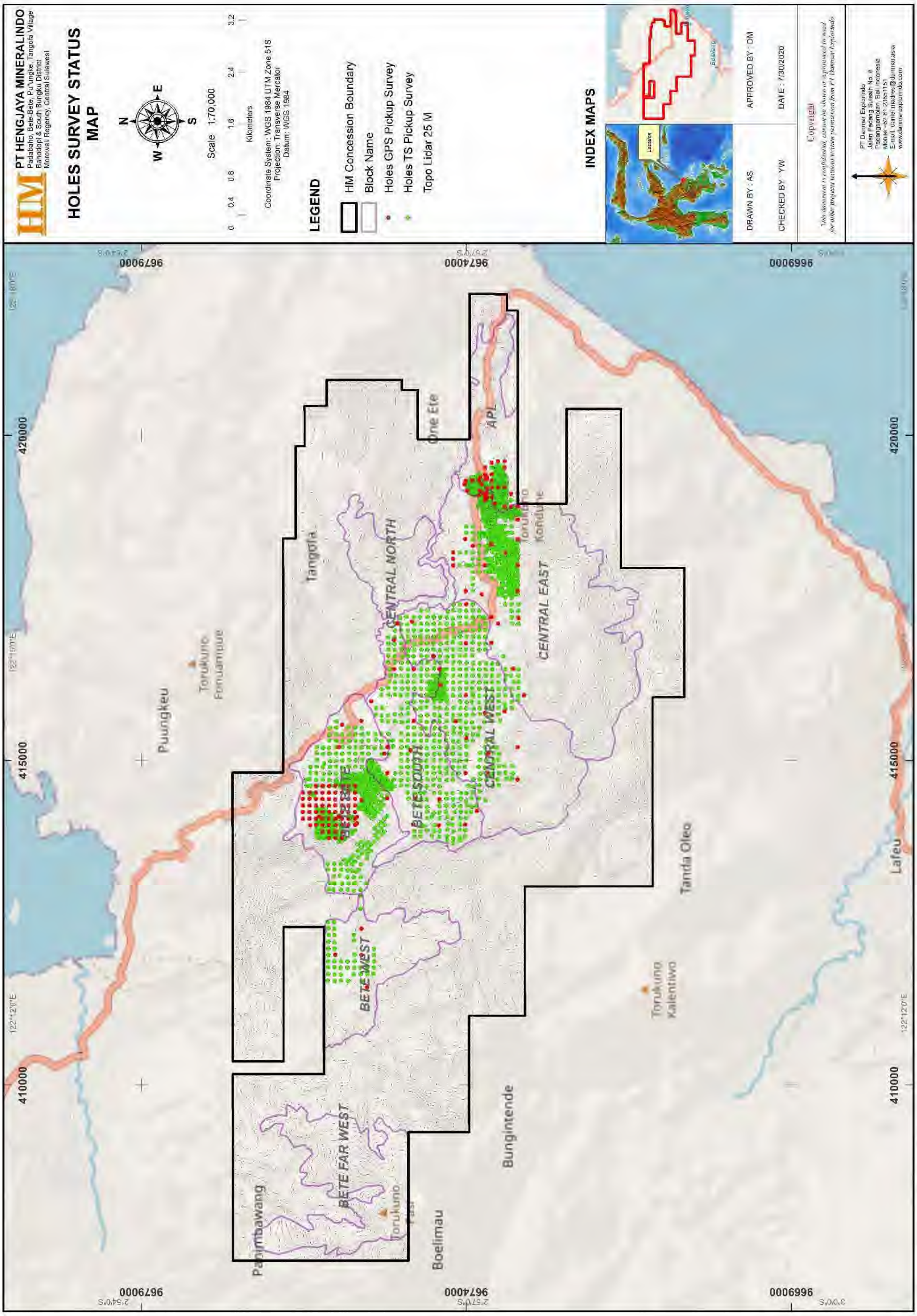
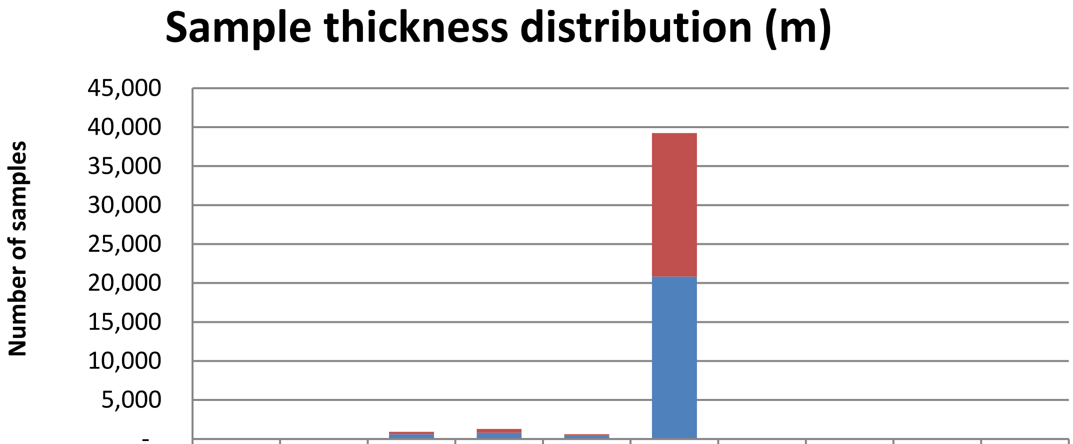


Figure 20 Included Drill Hole collar locations with GPS coordinates used

5.4 ANALYSIS RESULTS

42,093 XRF sample analyses have been performed on drill core samples to document the grade characteristics throughout the nickel Resource area at HM. Sample interval has been predominantly 1m as per each core run. Where sample interval has been less than 1m the analysis result has been weighted for the interval it represents. Figure 21 displays the sample interval data and Table 14 shows the sample interval statistics.



	0.00	0.20	0.40	0.60	0.80	1.00	1.20	1.40	1.60	1.80
HJM Historical data	-	67	308	500	188	18,415	13	11	5	-
Danmar Explorindo	-	19	617	791	412	20,831	-	-	-	1

Figure 21 sample interval distribution

Table 14 Sample interval statistics

Drilling Program	DEX	HJM
mean	0.96	0.97
median	1.00	1.00
mode	1.00	1.00
Standard deviation	0.14	0.13
sample variance	0.02	0.02
kurtosis	11.12	18.95
skewness	-3.49	-4.36
range	1.63	1.50
minimum	0.01	0.05
maximum	1.64	1.55
sum	21737	18951
count	22671	19507
confidence	0.0019	0.0018

Since April 2019, the analysis of exploration samples has been largely in house at the HM mine site lab. During this time a QA/QC protocol at the mine was operating at the sample preparation laboratory following the procedures described in the JIS Method for Sampling and Method of Determination of Moisture Content of Garnierite Nickel Ore, JIS M-8109-1996, of Japanese Industrial Standard. In addition, a Quality Assurance program was also in place, involving the addition of check samples including blanks, duplicates, replicates and CRM Standards into the sampling stream to monitor and control analytical accuracy and precision and contamination during the assaying process. This rigorous and systematic Quality Control program ensures that the assay data is precise, reliable and appropriate for use in the Resource model using the JORC Code 2012. The sample preparation and analysis procedure is described in Detail in Appendix 9.4 of this report as well as summarized in section 5.4.3 of this report.

5.4.1 SPECIFIC GRAVITY MEASUREMENTS

Insitu density measurements on drill core were made for each stratigraphic layer in each of hole drilled since April 2019. A total 3,477 density measurements on drill core samples have been performed. The results are summarized in Table 14. These are apparent density measurements that do not allow for core swelling that can occur when cores are extracted from drill holes in nickel laterite.

Table 15 lab specific gravity

Lithology Zone	BETE WEST	BETE BETE	BETE SOUTH	CENTRAL WEST	CENTRAL EAST
SOIL	1.83	1.94	1.93	1.97	1.9
LIM	1.77	1.85	1.73	1.77	1.73
SAP	1.5	1.53	1.61	1.59	1.61
BRK	2.28	2.49	2.75	2.68	2.62
total analysis	212	950	684	548	572

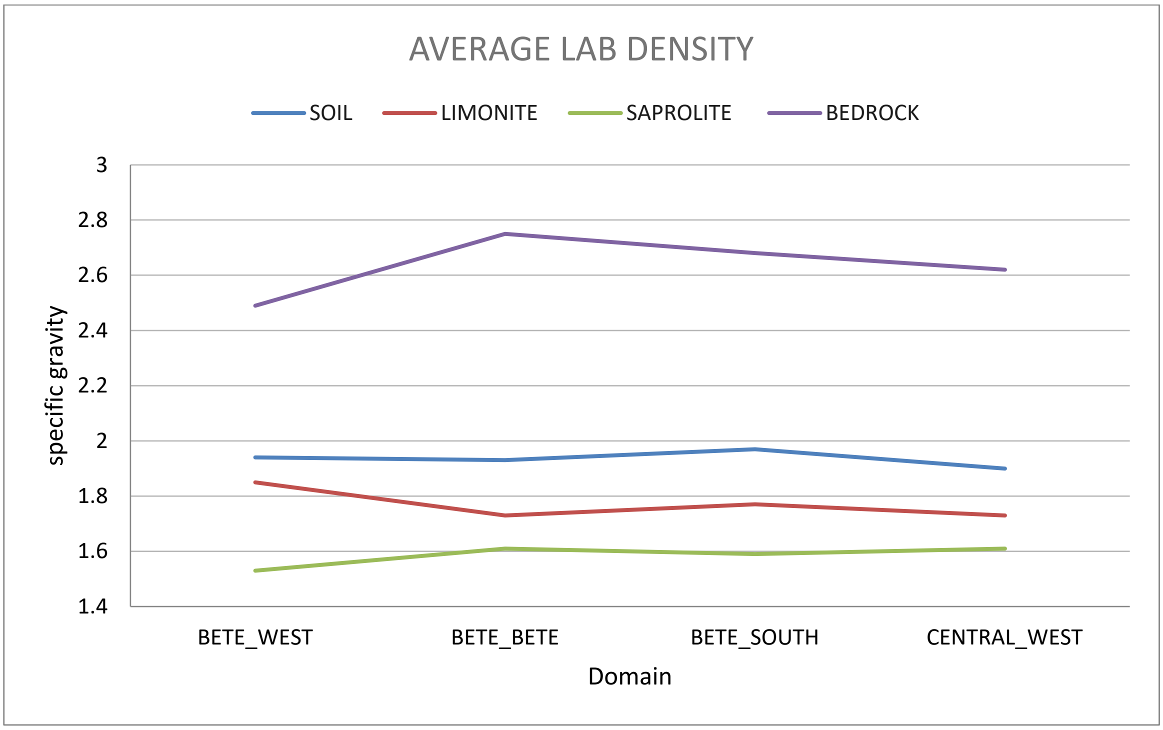


Figure 22 average density measurement from cores not adjusted for swelling

Core swelling data has been carefully measured and recorded since April 2019. To compensate for core swelling, the swelling data was composited for each laterite layer for each hole and was then deducted from the core sample volume used to measure the lab density. This data includes where no swelling was observed as well as where swelling did occur. The adjusted insitu density results are shown in Table 16. Limonite is the most effected horizon by swelling.

Table 16 Core density adjusted for swelling

Lithology Zone	BETE WEST	BETE BETE	BETE SOUTH	CENTRAL WEST	CENTRAL EAST
SOIL	2.07	2.14	2.06	2.06	2.12
LIM	2.00	2.13	2.02	2.00	2.00
SAP	1.56	1.54	1.66	1.65	1.69
BRK	2.30	2.48	2.71	2.67	2.70

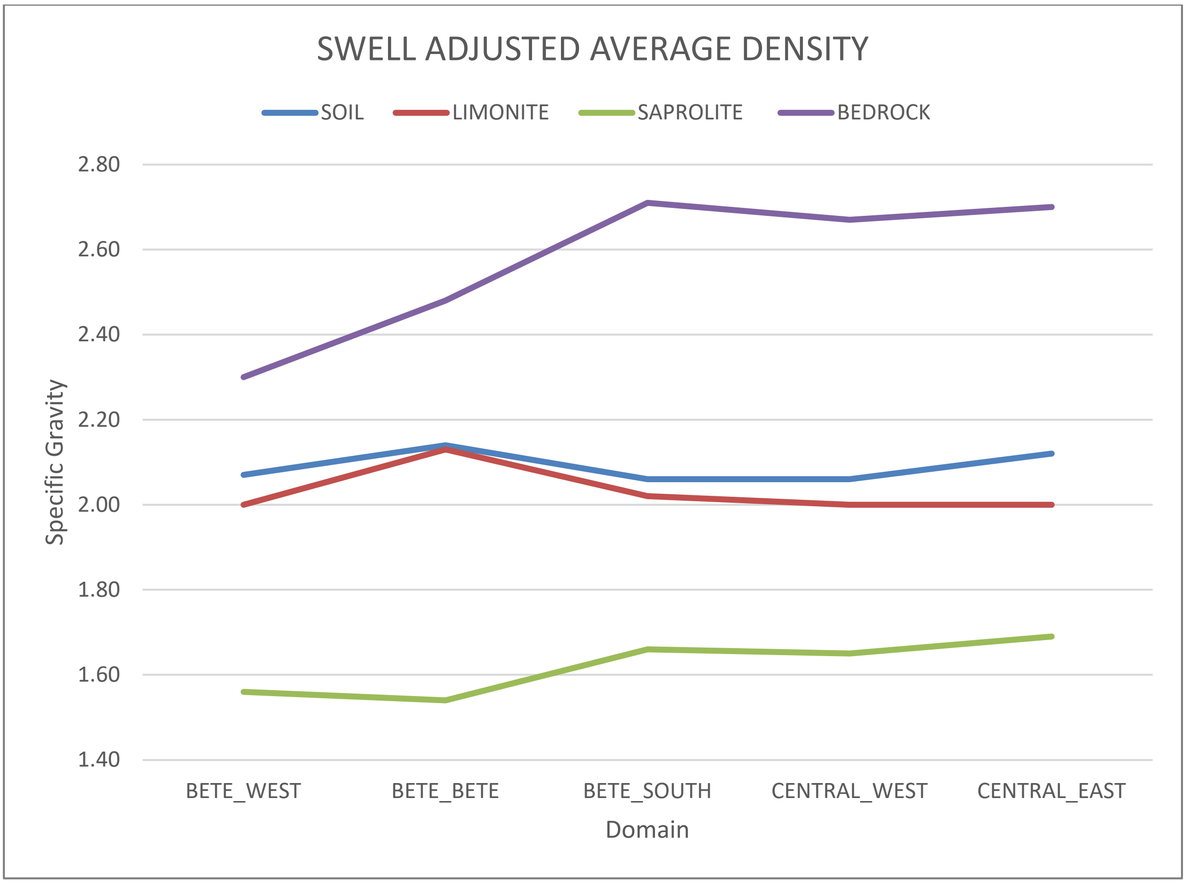


Figure 23 Core density adjusted for swelling

A scatter plot of density with % Fe content for all core measurements adjusted for swelling is shown below (figure 24). Limonite is particularly variable in terms of its density. Saprolite displays a more homogenous density distribution.

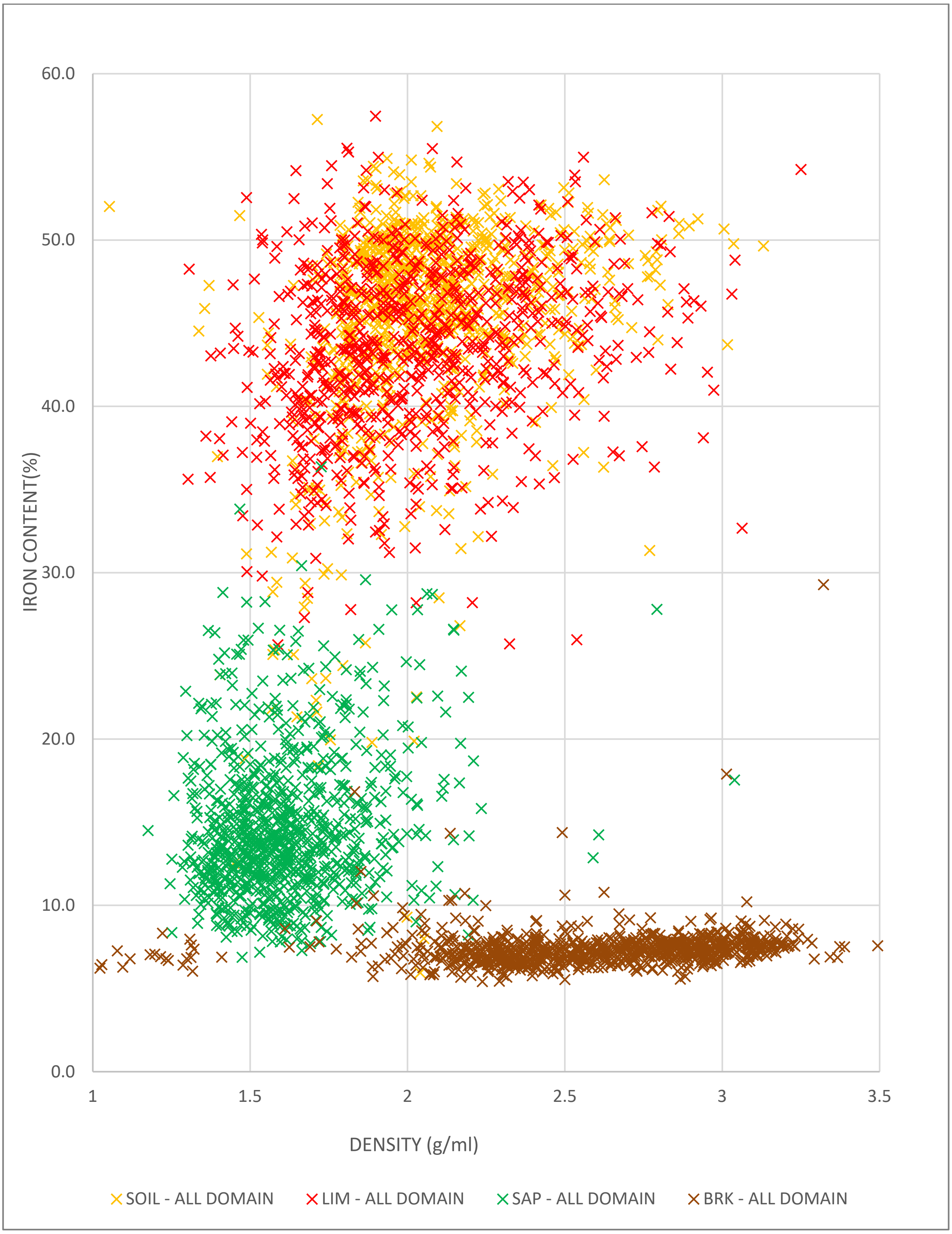


Figure 24 scatter plot for adjusted core density measurements at HM

5.4.2 MOISTURE MEASUREMENT

Since April, 2019 every 1m drill core sample was measured for Moisture using the Japanese Industrial Standard (JIS). A total 33,544 Moisture measurements were performed. The results are summarized in Table 17. Figure 25 shows the average moisture content for each layer compared by domain

Table 17 Moisture content

Lithology Zone	BETE WEST	BETE BETE	BETE SOUTH	CENTRAL WEST	CENTRAL EAST
	Average Mositure content %				
SOIL	35.53	32.45	35.78	33.79	33.87
[illegible]	41.43	40.67	43.51	42.02	40.94
SAP	35.17	30.46	31.87	31.55	29.97
BRK	24.90	14.73	12.86	13.62	12.46

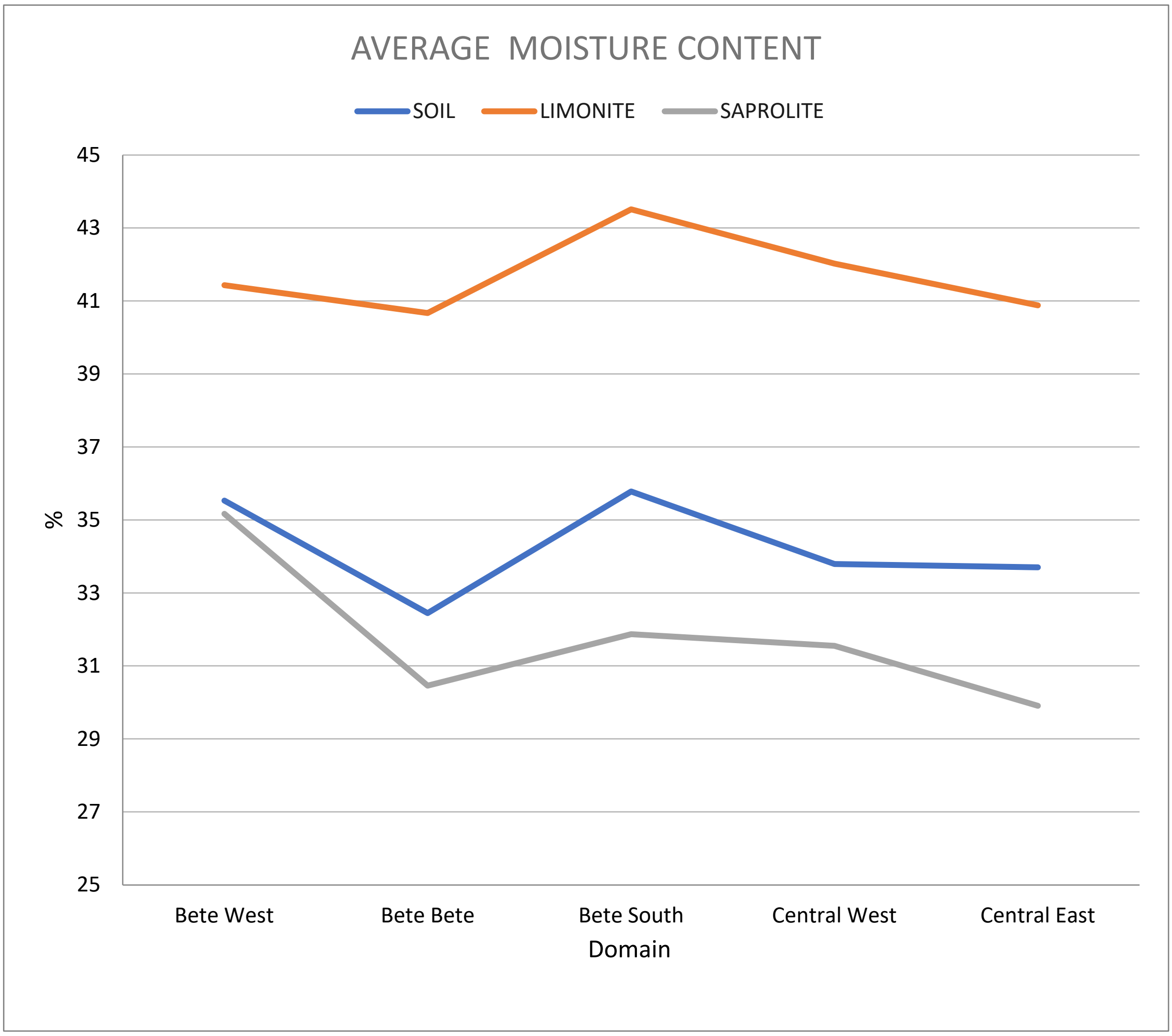


Figure 25 average moisture content

5.4.3 SAMPLE ASSAY QUALITY CONTROL

a) Coarse Duplicates

Coarse duplicate samples, often referred to as coarse rejects, and by HM QA/QC staff as DR samples, are collected from the Double Roll crusher product, during the incremental splitting of this product, at the same time as the sample is split to provide material for pulverizing, and a representative sample of material is collected for storage.

Coarse duplicate samples are used to test the sub-sampling precision, testing the homogeneity of the pulverized sample. If the sample is insufficiently pulverized the precision will be poor. The samples are inserted into the sample batch stream under a different number to ensure the pulverization and assaying follow the same procedures.

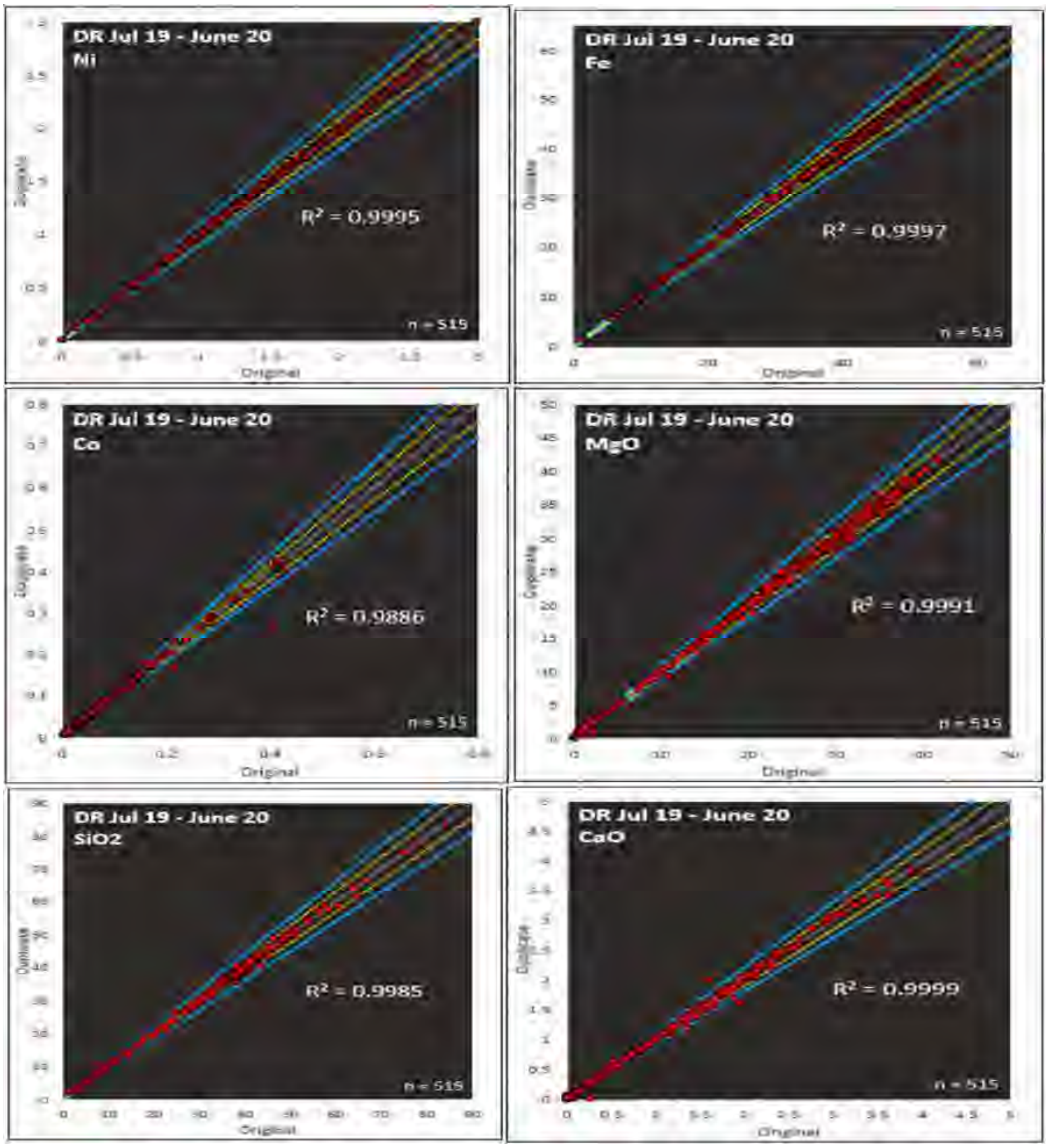


Figure 26 Scatterplots showing results of 515 Coarse Reject original vs duplicate assays

Table 18

Coarse Reject Comparative Statistics						
	Ni	Fe	Co	MgO	SiO_2	CaO
Variance From Assay	0.05%	0.75%	-0.05%	-9.37%	-11.11%	0.03%
Abs Variance From Assay	0.03%	0.02%	-0.56%	-3.31%	-0.29%	-1.04%
Coarse Rejects = Assay	192	25	197	14	12	27
Coarse Rejects < Assay	169	245	142	215	221	234
Coarse Rejects > Assay	154	245	176	286	282	254
n	515	515	515	515	515	515

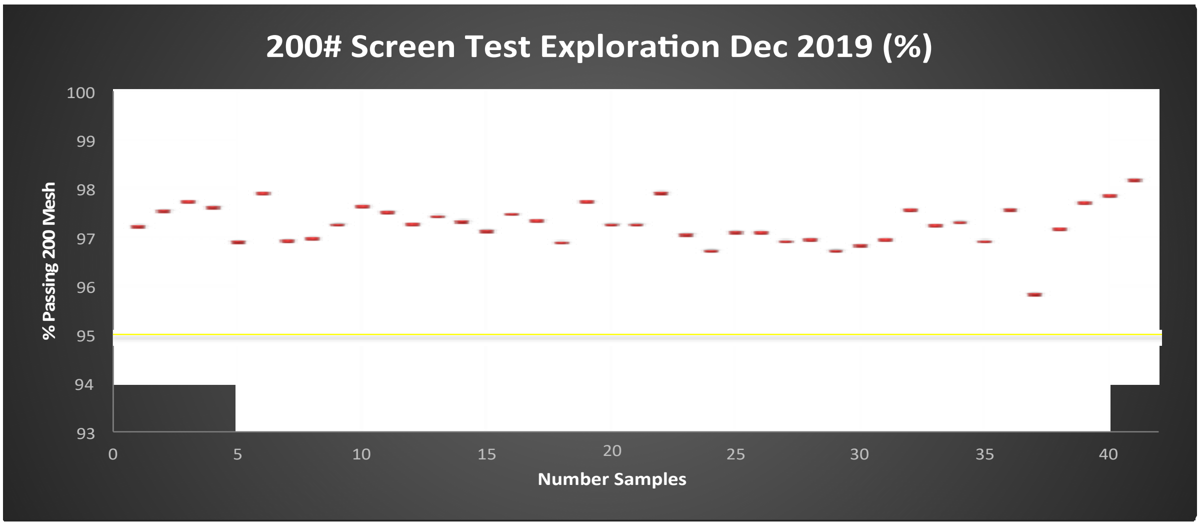
Figure 27 shows that with all six elements the analysis results (red dots) plot within the +10% or -10% variance lines, with some outliers occurring in Co, Cao and MgO scatterplots. This shows that there is a high correlation between the original and the duplicate assay values and is further confirmed with the correlation coefficient values of > 0.99 for the major elements being assayed.

The table of Comparative Statistics shows the variance from assay values ranging from -11.11% for SiO_2 through to 0.75% for Fe, Ni is 0.05 %. Values less than 10% variance are considered excellent for nickel laterite deposits, indicating high precision repeatability for Ni, Fe, Co and CaO and lower precision for MgO and CaO. The assay results show the number of samples having a higher and lower assay value than the original assay to be very similar to identical, showing the results are varying normally above the mean, and that there is no bias in the coarse duplicate assays.

The results for the coarse duplicate assays confirm the high precision of the pulverization stage and supports the use of the assay data for resource estimation purposes.

b) Particle Sizing Test- -200# Screen Test

The particle sizing test was undertaken on one in ten samples. This test is done to check the quality of the sample crushing and pulverizing stages. If the result for the material passing a 75micron screen is more than 95%, then the quality of the pulverizing is considered acceptable. If less than 95% of the sample passes through the 75micron screen, the sample is returned for further pulverizing.



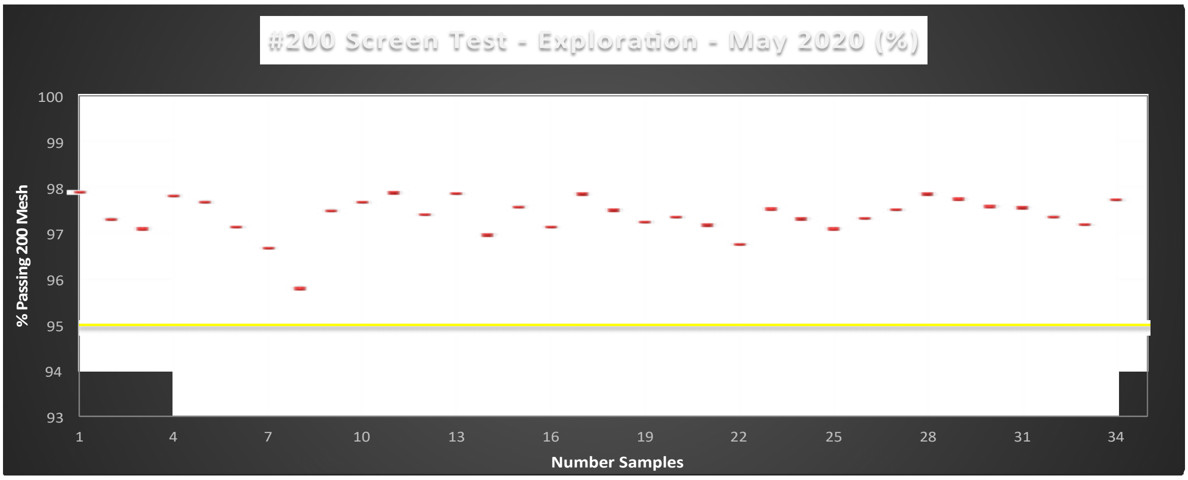


Figure 27 : Screen Test Results - December 2019 and May 2020

These graphs show that in the tests undertaken during December 2019 and May 2020 97% of the tests return results of between 96% and 98% of the sample passing the 200# screen. These graphical representations illustrate that the repeatability precision of the pulverizing process in reducing the sample size at the HM Prep Lab is high.

c) Pulp Duplicates, or Duplicate Assay

The pulp duplicates are indicators of the analytical precision, which can be affected by the quality of the pulverization process and the homogenization of the sample.

Figure 28 shows scatterplots for the elements Ni, Fe, Co, MgO, SiO_2 and CaO from original and duplicate assays from 515 pulp samples analyzed between July 2019 and June 2020. The scatterplots are similar to those shown in Figure 26 for the Coarse Reject assays, but with one difference. The Duplicate assays, DA's, are analyses undertaken on – 75 micron material passing a 200 # screen, much finer than the – 3 mm material taken as Coarse reject, or Double Roll Crushed product. The finer particle size of this material results in better homogenization which in turn results in better accuracy in the assay process.

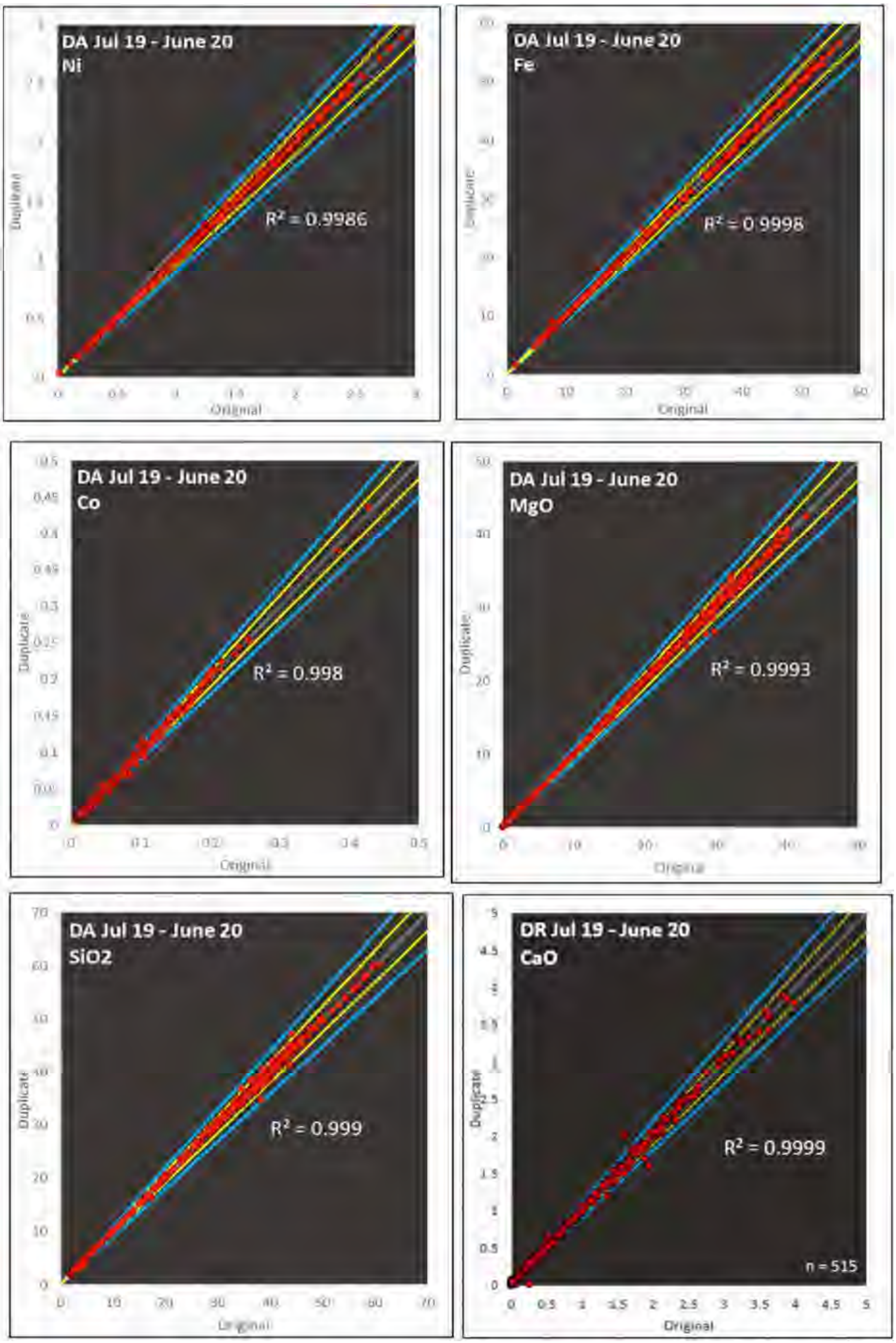


Figure 28 Scatterplots showing results of 515 plots for Pulp original vs duplicate assays

Table 19

Pulp Duplicate Comparative Statistics						
	Ni	Fe	Co	MgO	SiO_2	CaO
Variance From Assay	-0.13%	-1.06%	0.00%	0.90%	3.16%	0.49%
Abs Variance From Assay	-0.28%	-0.17%	-0.12%	-0.12%	-0.02%	-1.63%
Pulp Duplicate = Assay	202	23	186	19	14	38
Pulp Duplicate < Assay	133	216	168	246	253	254
Pulp Duplicate > Assay	180	276	161	250	248	223
n	515	515	515	515	515	515

The scatterplots for the pulp duplicates show that the majority of the plots for Ni, Fe and Co fall within the two yellow lines representing a +/- 5% variance from the assay, a high precision, which is reflected in the correlation coefficients of 0.998, 0.998 and 0.997 respectively.

The Pulp Duplicate Comparative Statistics show variance values range from -1.06% to 3.16% for the six elements, with variance values of less than 10% (either negative or positive) considered excellent with samples from Nickel laterite deposits, and shows high precision repeatability and a high correlation of the duplicate assay with the original assay. The absolute variance shows a range from -1.63% to -0.02% which indicates a very good repeatability of the pulp duplicate and original assays

As with the case for the Coarse Reject duplicate assays, the pulp repeatability is considered excellent and supports the use of the results from the primary assays for resource calculations.

d) Check Standards, or Certified Reference Materials (CRM's)

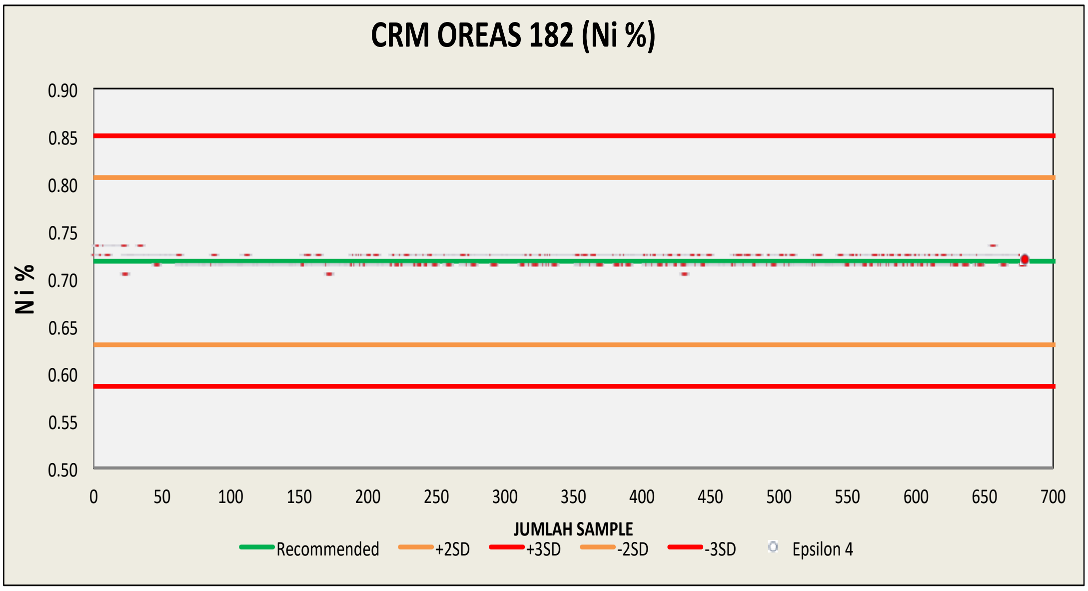
Certified Reference Materials, CRM's, are samples with certified grades, prepared under specially controlled conditions and have a certified mean value for the contained elements in that standard, along with associated confidence and tolerance limits. They are used in Quality Control to monitor the values of the standard against those of the unknown samples being assayed and allow the accuracy of the assay process to be monitored.

HM use CRMs produced by OREAS (Ore Research & Exploration P/L, from Victoria, Australia. OREAS CRMs currently used are Standards 182, 187, 192, 193, 194 and 195. These standards have certified Nickel values, certified standard deviations and state the 95% Confidence Limits with low and high values.

CRMs are generally placed into the sample stream at a frequency of one in 20 samples with mine samples and higher frequency of one in 10 exploration samples. This higher frequency for exploration samples is a standard described in the Standard Operating Procedure, allowing a higher level of confidence in the accuracy of our exploration sample assay results.

Figures 29, 30 and 31 are Shewart Control Charts for the results of assays using the OREAS standards 182, 187 and 192 (used for exploration samples) over a six month period. The assay results obtained over a period of time are plotted on a chart of showing certified values against the number of samples assayed, with one line showing the certified mean value, and two green lines showing the expected value plus/minus two standard deviations, also referred to as Upper and Lower Warning Limits, and two red lines representing the Upper and Lower Control Limits.

The probability of a +/- 3 standard deviation failure is only 0.3% and should be a rare event. For normally distributed data, approximately 5% of the results are expected to breach the +/- 2 standard deviation warning limits. The assay results should plot out as random, with no pattern or trends. They should be distributed "normally" and fit a Gaussian Bell curve. Acceptable accuracy will be shown when 68% of the results lie within one standard deviation of the mean, and 95% of the results lie within two standard deviations of the mean and 99.7% of the results should plot within three standard deviations of the mean.



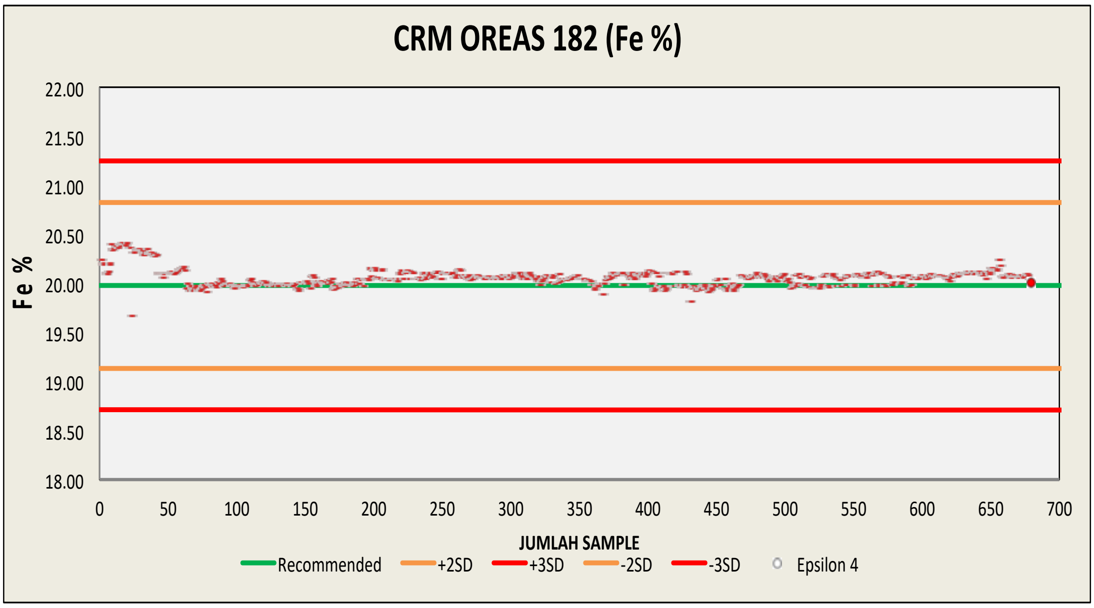
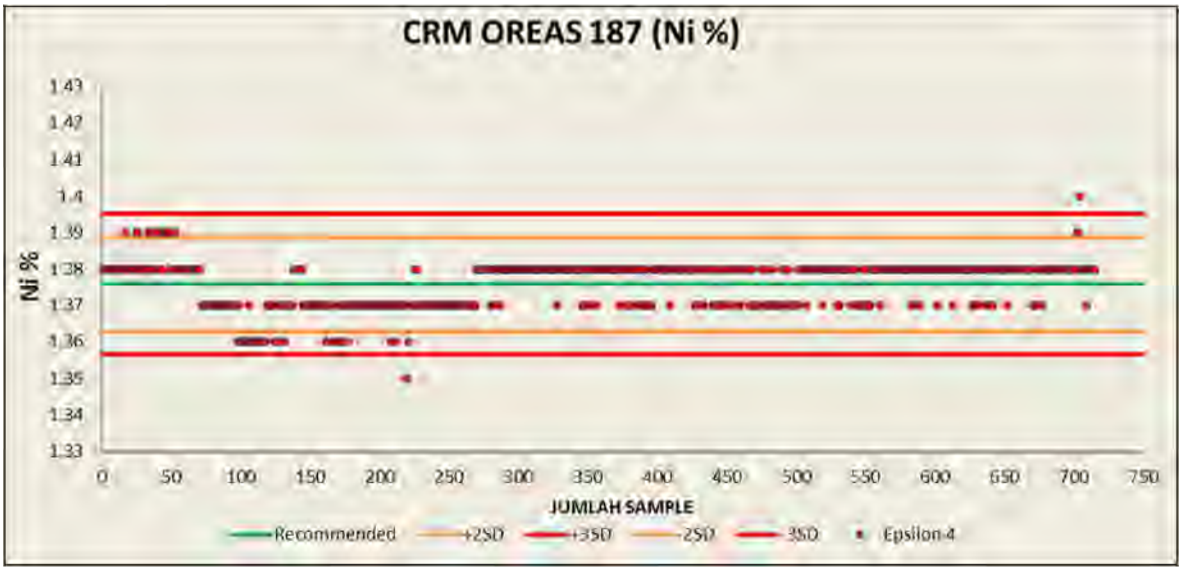


Figure 29: OREAS Standard 182 – 679 analyses

Figure 29, the OREAS Standard 182 shows the results plotting tightly along the line representing Ni value of 0.71 wt % and Fe value of 20.58 wt %, equally distributed above and below these figures. Figure 29, using the OREAS 182 standard in 679 analyses, shows an acceptable accuracy with 95% of the assays plotting within two standard deviations of the mean, and equally distributed about the mean, showing excellent precision and accuracy.



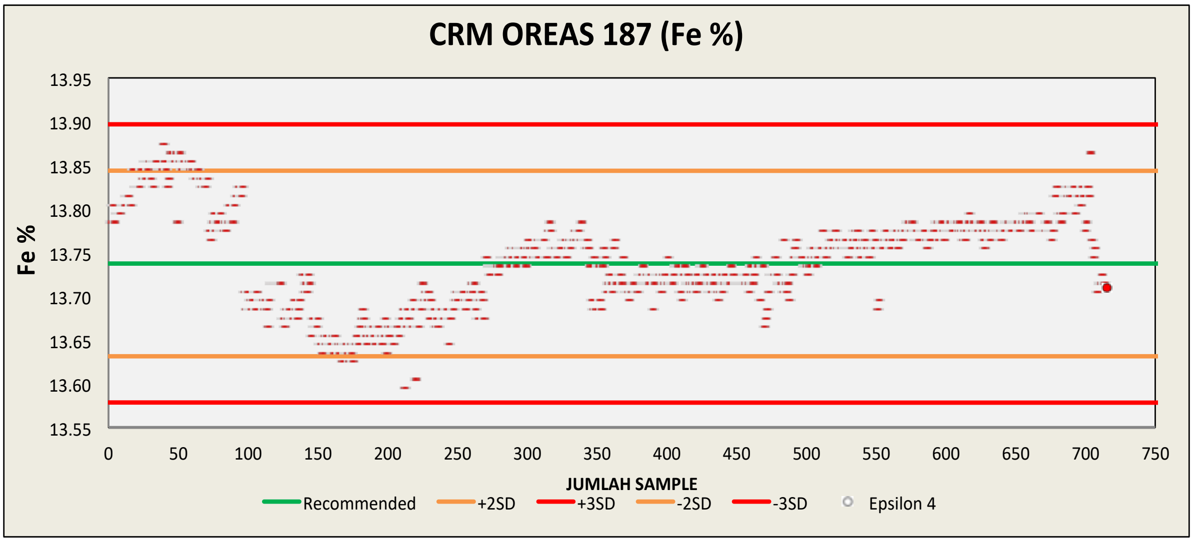


Figure 30 OREAS Standard 187 - 729 analyses

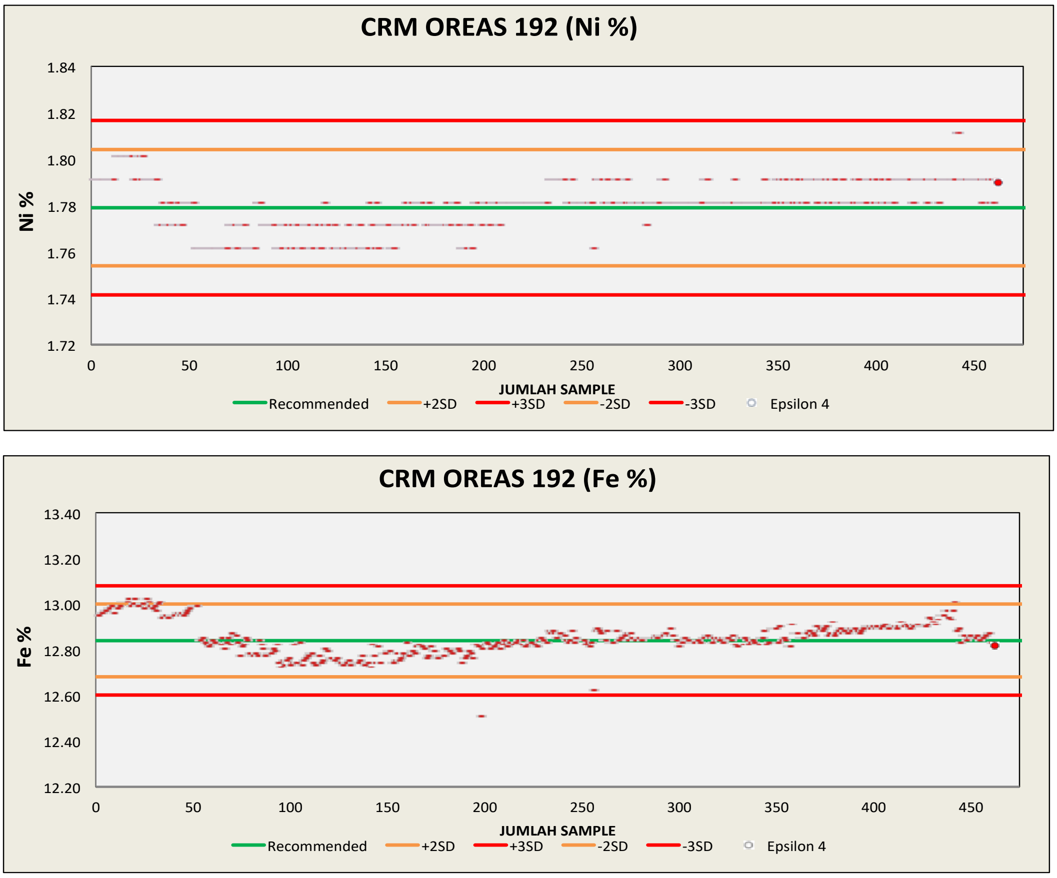


Figure 31 OREAS Standard 192 – 462 analyses

Figure 30, the OREAS Standard 187 Ni value 1.37 wt % and Fe value 13.62 wt %, Figure 31, OREAS Standard 192 Ni value 1.77 wt % and Fe value of 12.67% do not exhibit excellent accuracy and precision. Although these figures show acceptable accuracy, with 95% of the analyses plotting within two standard deviations of the mean, and approximately similar numbers plotting above and below the mean value, these figures show poorer accuracy in the left of the charts. This is considered the result of poor calibration in the initial weeks following commencement of XRF analysis in July 2019, and was monitored by technicians from the supplier during Q4 2019 and resolved with the introduction of the accurately calibrated Epsilon 4 unit in January 2020.

e) Replicate Samples

These are two portions of the same pulp samples that are used to produce two separate pressed pellets that are given different sample numbers and inserted into the same batch, or Job Sheet. At HM they are taken as part of the standard package of check samples, these being one DA or pulp assay, one DR or coarse reject assay, one REP or replicate sample and one CRM. Assay data from these replicate samples is used to monitor the assay error, allowing action to be taken should this error be high.

Figure 32 shows scatterplots for the Ni, Fe, Co, MgO, SiO_2 and CaO for 846 analyses undertaken during the period July 2019 to June 2020. The format of the scatterplots is the same as for the previous scatterplots for the Coarse Rejects (DR) and the Pulp Duplicates (DA).

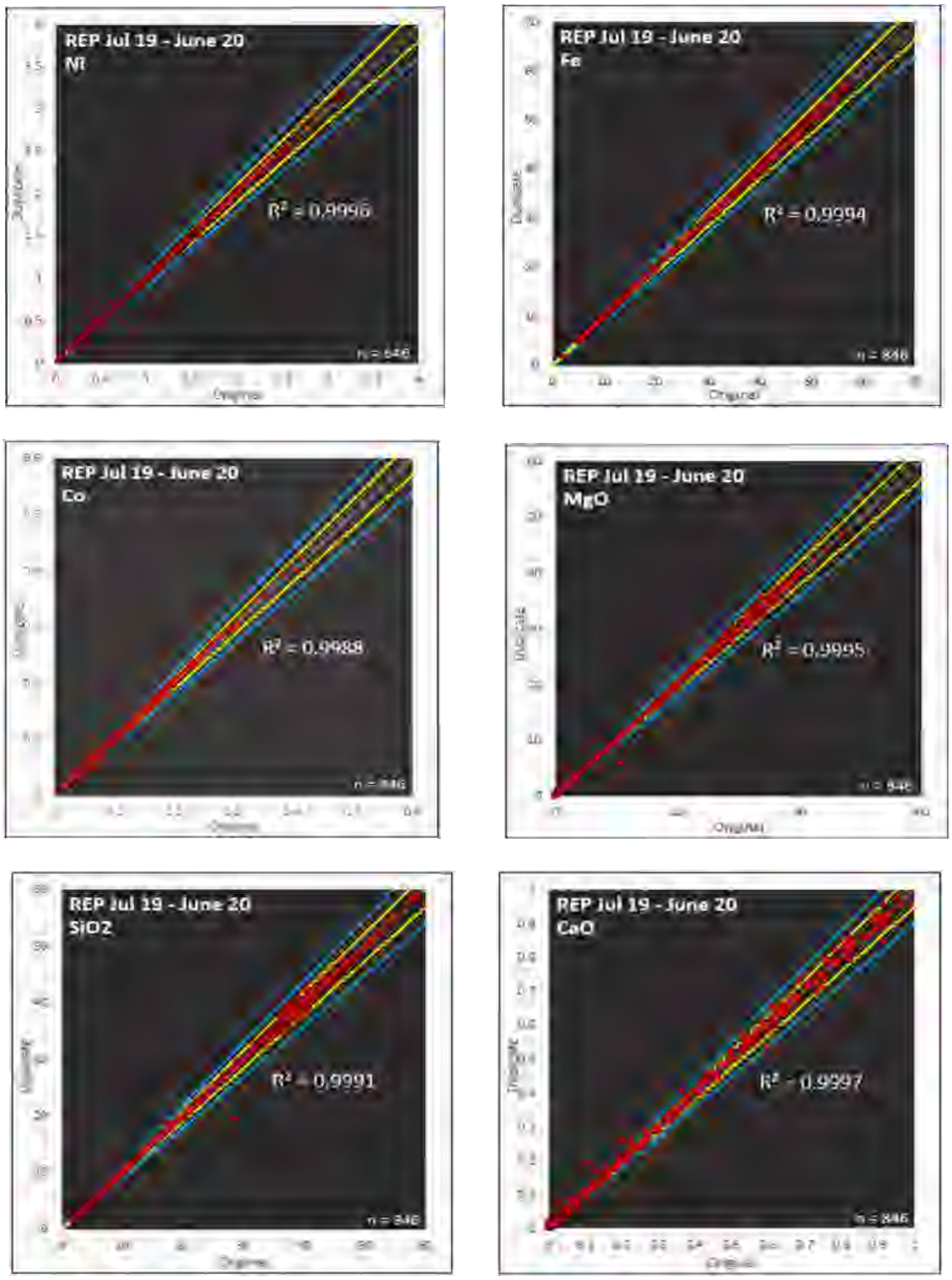


Figure 32 Scatterplots showing results of 846 plots for original vs replicate assays

Table 20

Replicate Comparative Statistics						
	Ni	Fe	Co	MgO	SiO_2	CaO
Variance From Assay	0.00	0.01	0.00	-0.02	-0.03	0.00
Abs Variance From Assay	-0.06%	0.02%	-0.03%	0.32%	-0.13%	1.77%
Replicate = Assay	424	52	302	46	41	70
Replicate < Assay	223	400	279	395	380	390
Replicate > Assay	199	394	265	405	425	386
n	846	846	846	846	846	846

The scatterplots for replicate sample assays show the majority of the results plotting within the two 5% variance lines for the six elements, all, except Co, show correlation coefficients of more than 0.999, indicating high precision.

The Replicate Comparative Statistics table shows a variance of between -0.03% to 0.01% which at less than 10% variance is considered excellent, and consistent with high precision repeatability. There is also an even spread of the duplicate assay being both similar to , higher than, and lower than the primary assay in the case of Ni and Co, whilst for Fe, MgO, SiO_2 and CaO, the duplicate assay is similar to the original assay in a lesser amount, with the remaining values are split almost identically between values higher than and lower than the original. This confirms a normal distribution of assay values for these elements and indicates there is no systematic bias occurring in this check analyses program.

f) Check Samples, Interlaboratory Checks

HM and PT Geoservices

Check samples are second splits of both the coarse reject samples and the finer 200 # pulp samples that are routinely assayed at the HM Assay Lab and submitted to second, commercial laboratories under a different sample number. These samples are used to assess the assay accuracy of the HM laboratory relative to the secondary, Geoservices Laboratory, and for the mining, a comparison between the pulps collected by the Intertek Laboratory at the IMIP smelter, and then returned to the mine site where they are assayed using the Epsilon 4 XRF Spectrometer for comparative purposes.

Batches of samples are sent to the Geoservices Laboratory in Kendari on a periodic basis where the coarse reject samples undergo pulverizing and incremental splitting, to be sent for XRF assay at the Geoservices Analytical Laboratory in Bandung. Geoservices forward the HM pulp sample checks to their analytical lab as a different consignment, and once assayed, the results are returned to the Assay Laboratory at the mine site.

Figure 33 shows the results of the inter laboratory check sample tests comparing the results of 335 split 200# pulp samples assayed at the original HM assay laboratory with samples sent to the Geoservices assay Laboratory.

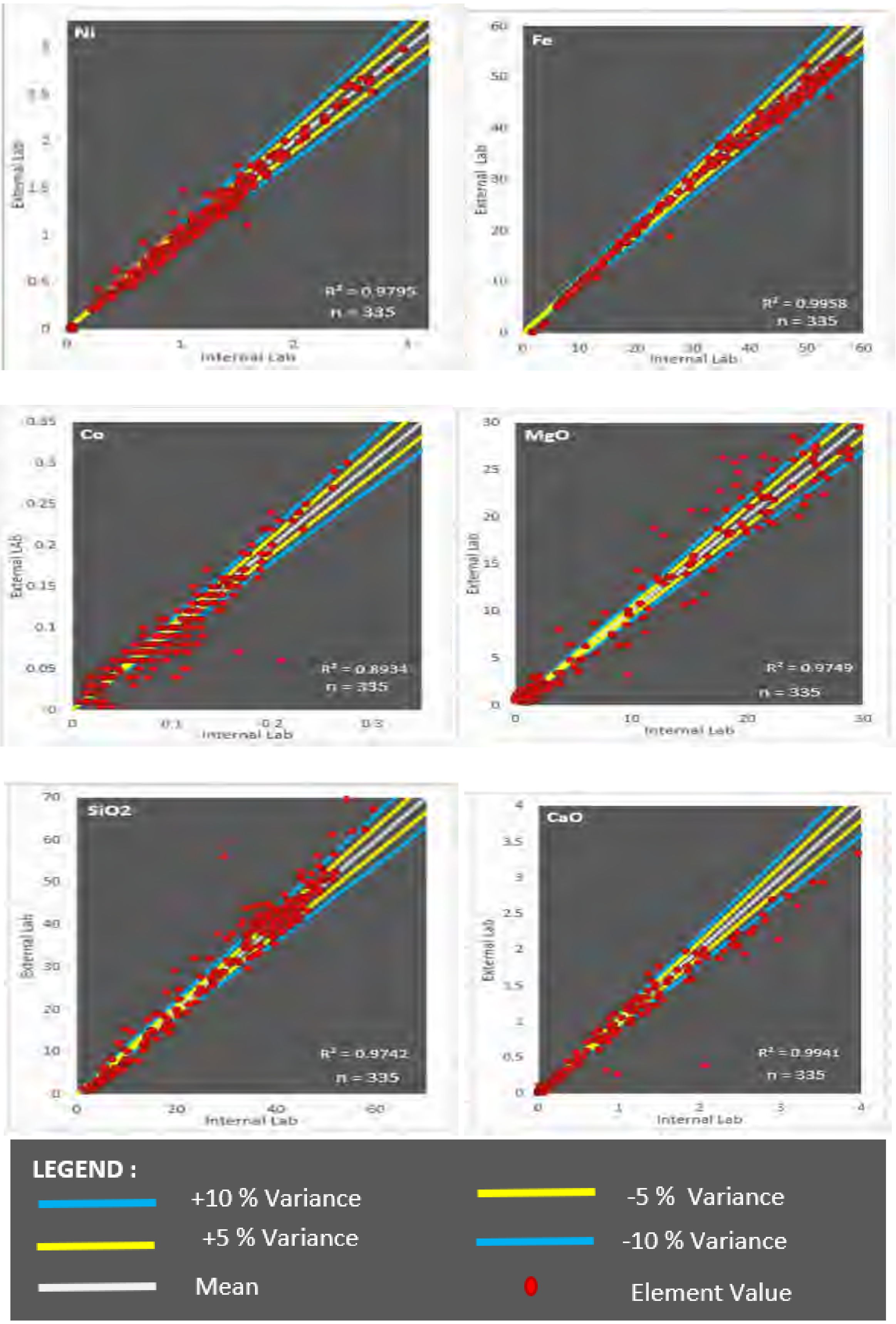


Figure 33 Scatterplot results of 335 plots of HM original vs Geoservices duplicate assay

Table 21 200# comparative statistics

#200 Comparative Statistics						
	Ni	Fe	Co	MgO	SiO_2	CaO
Variance From Assay	0.02	1.02	0.00	-0.37	-0.49	1.22
Abs Variance From Assay	3.79 %	6.37%	10.05%	-40.09%	8.89%	-17.11%
#200 = Assay	20	0	23	1	0	4
#200 < Assay	218	273	132	182	178	210
#200 > Assay	87	52	170	142	147	111
n	325	325	325	325	325	325

The scatterplots show differing precision for the different elements, with good correlation between the results for Fe and CaO, 0.9958 and 0.9941 respectively, Ni, MgO and SiO_2 have lower correlations at 0.9795, 0.9749 and 0.9742, while Co has the lowest correlation at 0.9166.

Reasons for the differences in these results are; HM assays undertaken using pressed powder pellets where Geoservices use Borate Fusion XRF and Loss of Ignition (LOI) gravimetric determination at 1000° C; using commercial laboratory XRF equipment gives more accurate assay results; also calibration issues with the Epsilon 4 during Q4 2019 when it was newly installed. HM have recognized these issues and taken action to upgrade and improve the equipment, sample preparation and assay facilities and staffing through recruitment and undertaking ISO 9001:2015 Certification with SGS.

Whilst the scatterplots for Ni and Fe are similar to the previous scatterplots for the coarse rejects, pulp duplicate and replicates, those for MgO, SiO_2 and CaO show less precision than before, and the Co scatterplot is difficult to explain. Whilst all other elements are measured in weight percent, Co is reported in ppm and as such has a significantly lower concentration.

Ni values show the best variance at 2.34% and absolute variance of 3.79%. Ni and Co are the only elements where 20 and 23 external lab checks repeat the original assay. An approximately even spread of assay values both higher and lower than the primary assay are shown for Co, MgO and SiO_2, while with Ni and Fe more assays show a lower value than the original assay.

HM and PT Intertek Utama Services

When the barges carrying ore to the IMIP smelter arrive, samples are collected from the saprolite ore and assayed at the Intertek Facility at IMIP, and these results used to determine the price paid for the nickel laterite ore. These results are provided in a Certificate of Assay (COA) and Certificate of Quality by PT Intertek Utama Services, Indonesia, and duplicate pulp samples are returned to HM for assay at the HM laboratory, to provide a comparison check with the COA's from Intertek.

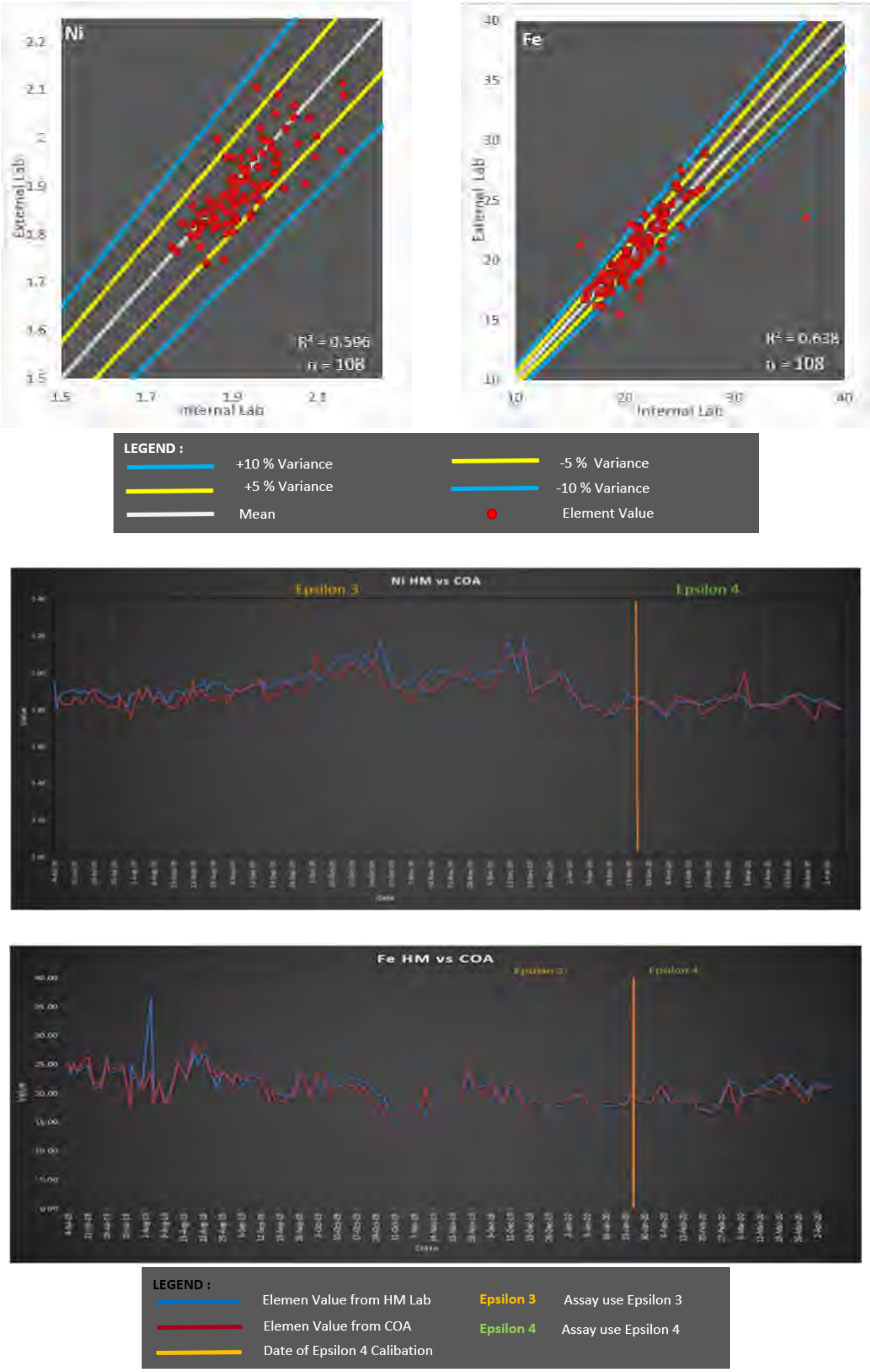


Figure 34 Scatterplots and charts show a comparison of 108 assays at PT Intertek and HM

The scatterplots for Ni and Fe show the majority of the sample assays plotting within the +5% and -5% variance lines, and minor assays plotting within the +10% and -10% variance lines. The Fe scatterplot shows more assay results plotting outside of the +10% and -10% lines, indicating better accuracy for the Ni than the Fe.

The two charts below the scatterplots show the results for Ni and Fe from July 2019 to April 2019 and show both higher and lower assay values for these two elements during this time, but an improved accuracy from the comparative assays once the Epsilon 4 commences production.

Because of the Covid-19 lockdown at HM and regional travel restrictions in place in Central Sulawesi from March to June 2020, no consignments of check samples were sent for Interlaboratory Checks and no samples sent out for checking have been returned to site. To better understand these non-nickel results, once pulps have been returned to site, a vigorous re-checking of these samples will be undertaken and samples from work completed during March to June carefully selected and sent out to different commercial laboratories to resolve these issues. A revised Standard Operating Procedure is being prepared and HM will accelerate the introduction of fused beads for the XRF analysis, replacing pressed powder pellets, and bringing an additional XRF unit into production are expected to improve the accuracy and precision of our results across all areas.

g) Control Sample Insertion Rates

Prior to April 2019, all exploration samples were sent to Geoservices in Kendari for sample preparation and assay. Since April 2019, exploration samples have been analyzed in house at the HM mine site assay lab. Table 22 shows the insertion frequency of control samples used at HM during the period November 2019 to May 2020.

Table 22

Assay Lab Quality Control

Nov 2019 to May 2020

Exploration Samples

Month	Consignments			Sample Type				Total	Danmar		Total
	No	EXP Nos.	Samples	DA	DR	Rep	CRM	HM Checks	Blank	Pulp	Checks
Nov-19	22.5	74 - 96	2,149	56	56	81	255	2,597	93	93	2,783
Dec-19	24.5	96 - 122	2,250	49	49	98	290	2,736	98	98	2,932
Jan-20	18.5	123 - 141	1,702	37	37	74	222	2,072	74	74	2,220
Feb-20	18.5	141 - 159	1,702	37	37	74	222	2,072	74	74	2,220
Mar-20	21.5	160 - 181	1,992	43	43	86	258	2,422	86	86	2,594
Apr-20	25.0	181 - 205	2,045	45	45	91	268	2,494	88	88	2,670
May-20	17.5	205 - 222	1,608	35	35	70	210	1,958	69	69	2,096
Total:	**148**		**13,448**	**302**	**302**	**574**	**1,725**	**16,351**	**582**	**582**	**17,515**

Table 22 shows the number of samples submitted for assay, and the number of Coarse Rejects (DR), Pulp Duplicates (DA), Replicates and CRMs inserted into the sample stream to monitor the precision, accuracy and contamination in the sample preparation and assay program during the period November 2019 to May 2020.

The Coarse Reject and Pulp Duplicate samples comprise 2.2% and 2.2% respectively of the samples submitted. Replicate samples and CRMs comprise 4.3% and 12.8% respectively of the samples submitted. This allows an additional measurement of the Assay Quality at the HM labs. The CRM total presently used is worthwhile, allowing HM to introduce new equipment and personnel to the Quality Control operations whilst maintaining precision and accuracy in the sample preparation and assay. Table 22 also shows the four blank and 4 pulp duplicate samples that drill contractor submit with each batch of 92 original samples equates to a control sample insertion frequency of 4.3% for each control sample sub-type.

5.5 DOMAINS AND MINERALIZATION

Historically the Hengjaya mine project has been divided into separate blocks based on their geographical position. As the exploration results have accumulated it appears that several distinct geological domains can be identified where exploration work has been concentrated. These domains can be defined based on the following;

a) laterite thickness and Ni grade
b) mineralogical characteristics
c) distinct statistical population
d) geological environment

At this time 8 separate domain areas have been proposed. The first 4 areas have been well explored and distinct characteristics identified. The other 4 areas have less data but are likely to be distinct from the other blocks because of their location, elevation morphology and geology. The proposed domains are;

1) Bete Bete
2) Bete Bete South
3) Central West
4) Central East
5) Bete Bete West
6) Bete Bete Far West
7) Central North
8) APL

Figure 35 shows the location of these domains within the IUP.

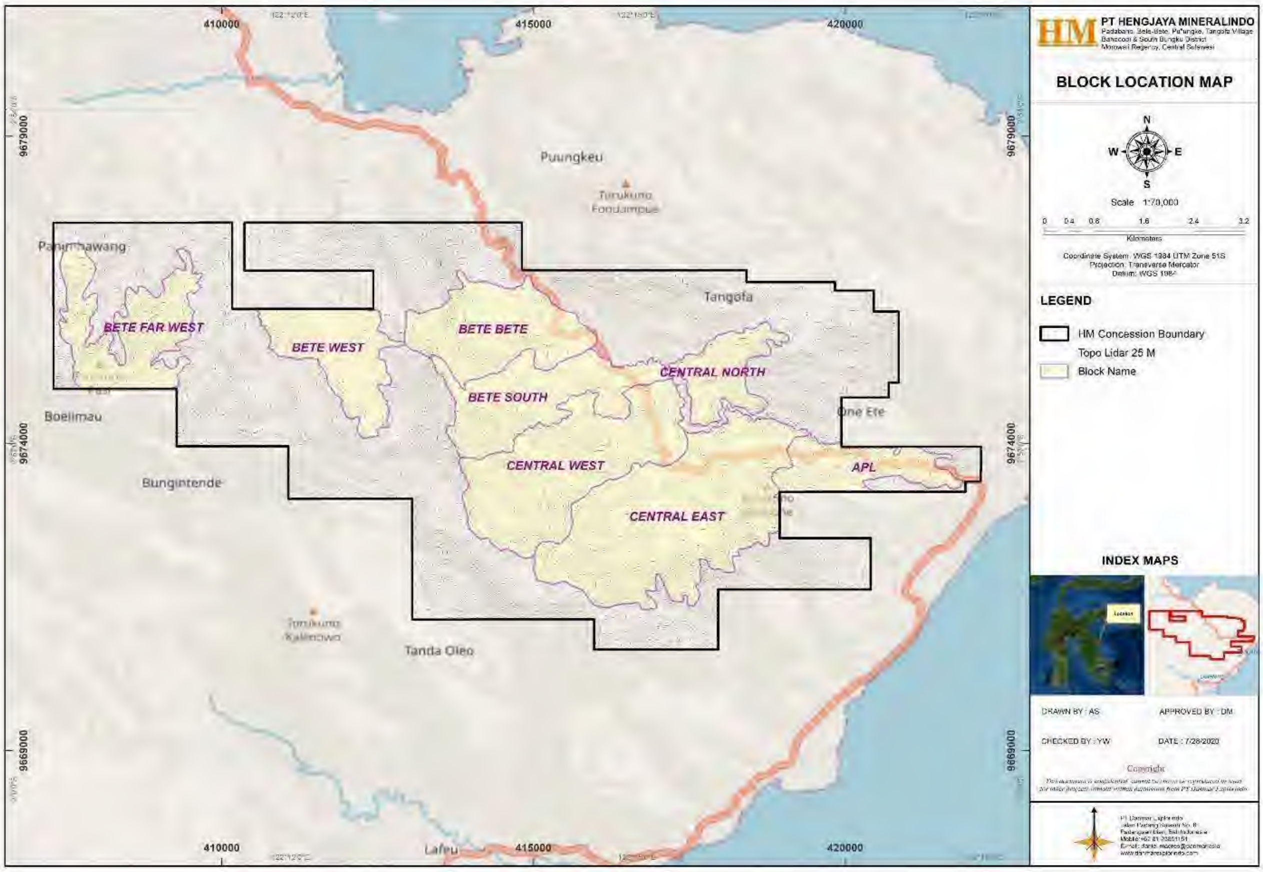


Figure 35 domain location map

Diagrammatic sections through the 4 main domain areas have been constructed based on the geological model used in this report to show the location and characteristics of the laterite and bedrock morphology (see figure 36).

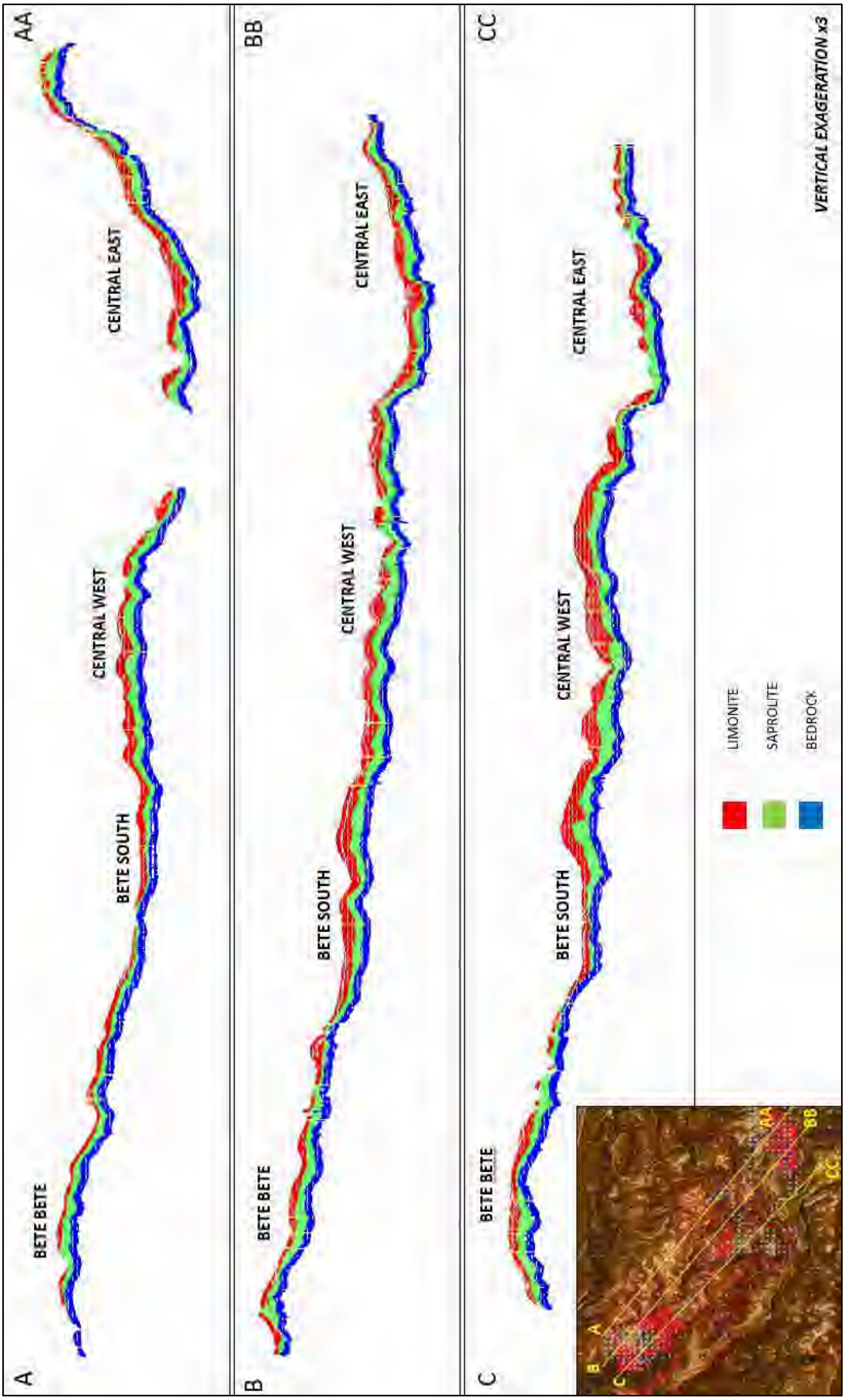


Figure 36 Diagrammatic section through HM laterite nickel deposit

Laterite thickness characteristics from the current model is shown in Figure 37.

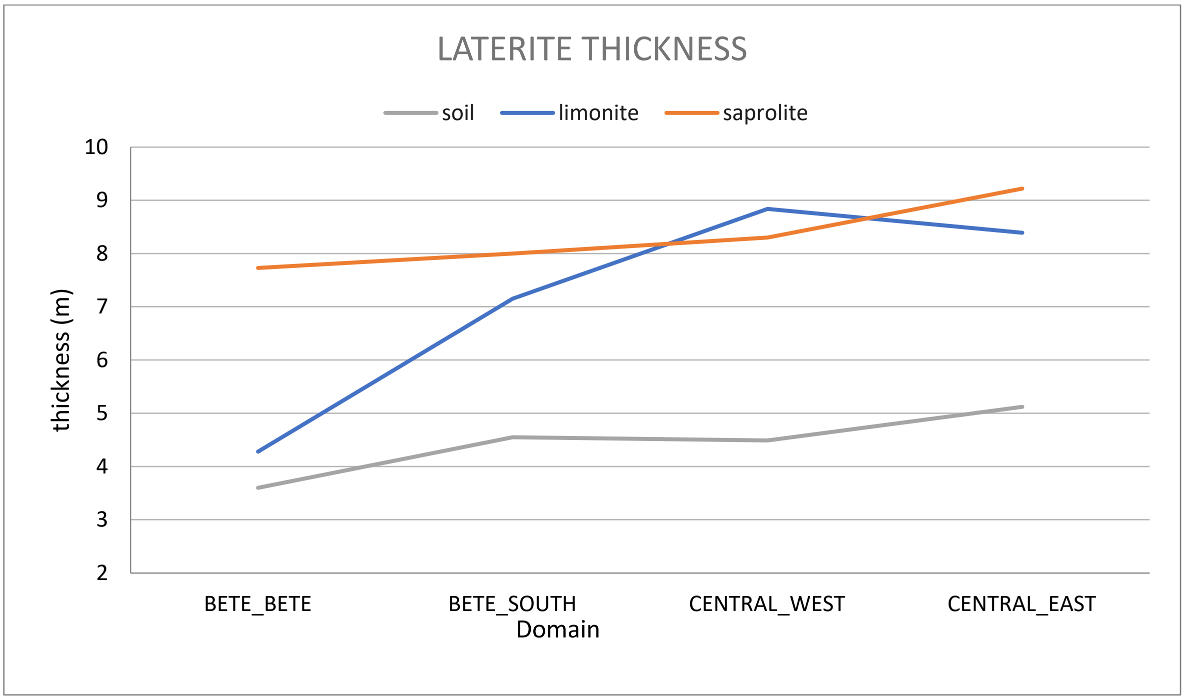


Figure 37 laterite thickness chart per domain

Bete Bete is located on the top of the highest ridge in the mine area and has a moderate thickness of laterite with saprolite thicker than limonite. Bete South has similar saprolite thickness to Bete Bete but limonite is relatively thicker. Central West and Central East have the thickest laterite with limonite and saprolite thickness almost equivalent.

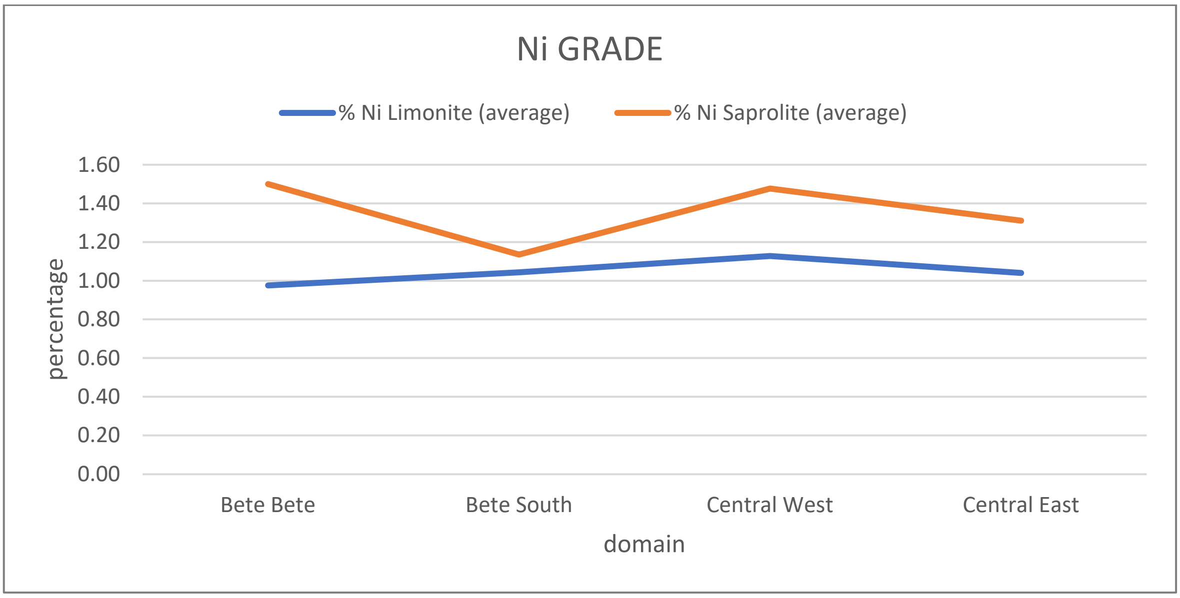


Figure 38 Ni grade average over the 4 domains with detailed data

Average nickel grade of saprolite in Bete Bete is the highest of all the domains. This may be because the bedrock and topography is relatively flat over the area. Bete South nickel grade in saprolite are approximately 30% less. This may be a consequence of the steep topographic slope in the bedrock resulting in intense leaching of the entire profile downhill. In Central West nickel grades in the saprolite are higher in this domain as the bedrock flattens out over most of the area as it forms the bottom of a relatively large catchment. Central East has slightly lower average nickel grade as the area has relatively steeper bedrock slope draining the eastern side of the same catchment area as Central West.

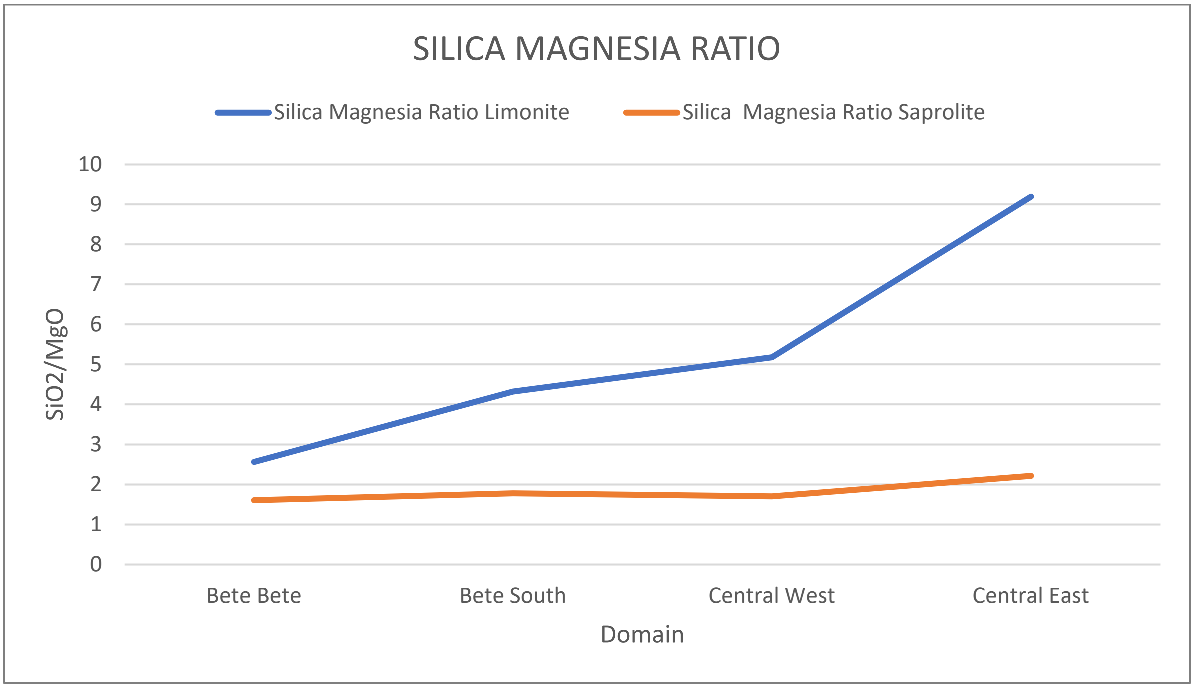


Figure 39 Silica / Magnesia ratio over the 4 main domain areas

The Silica Magnesia ratio increases from west to east across the domain areas. Magnesium tends to get depleted as the elevation decreases at the same time the silica content increases.

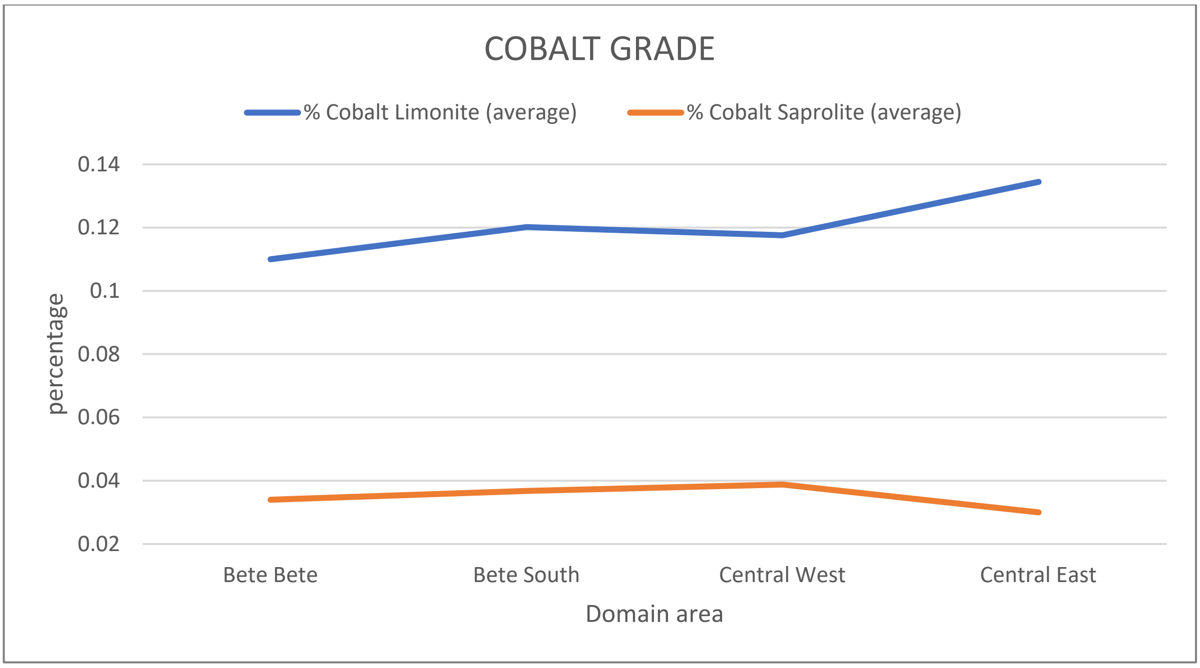


Figure 40 Cobalt grade over the 4 main domain areas

Cobalt grade gradually increases from west to east but has a significant jump in Central East in the limonite horizon.

5.5.1 BETE BETE

The Bete Bete domain is perched on the top of one of the highest ridges in the HM project area with elevation of around 500m asl. The topography of the area is relatively flat and the bedrock also appears to be similarly flat as interpreted from the Ultra-GPR data and the drill results. Limonite is relatively thin compared with other domains (averages around 6.5m thick, including soil) indicating that erosion has removed some of the upper part of the laterite profile. The saprolite layer is relatively thick and earthy (8m average) suggesting that the laterite profile is well developed under suitable drainage conditions to allow enrichment with disseminated nickel mineralogy.

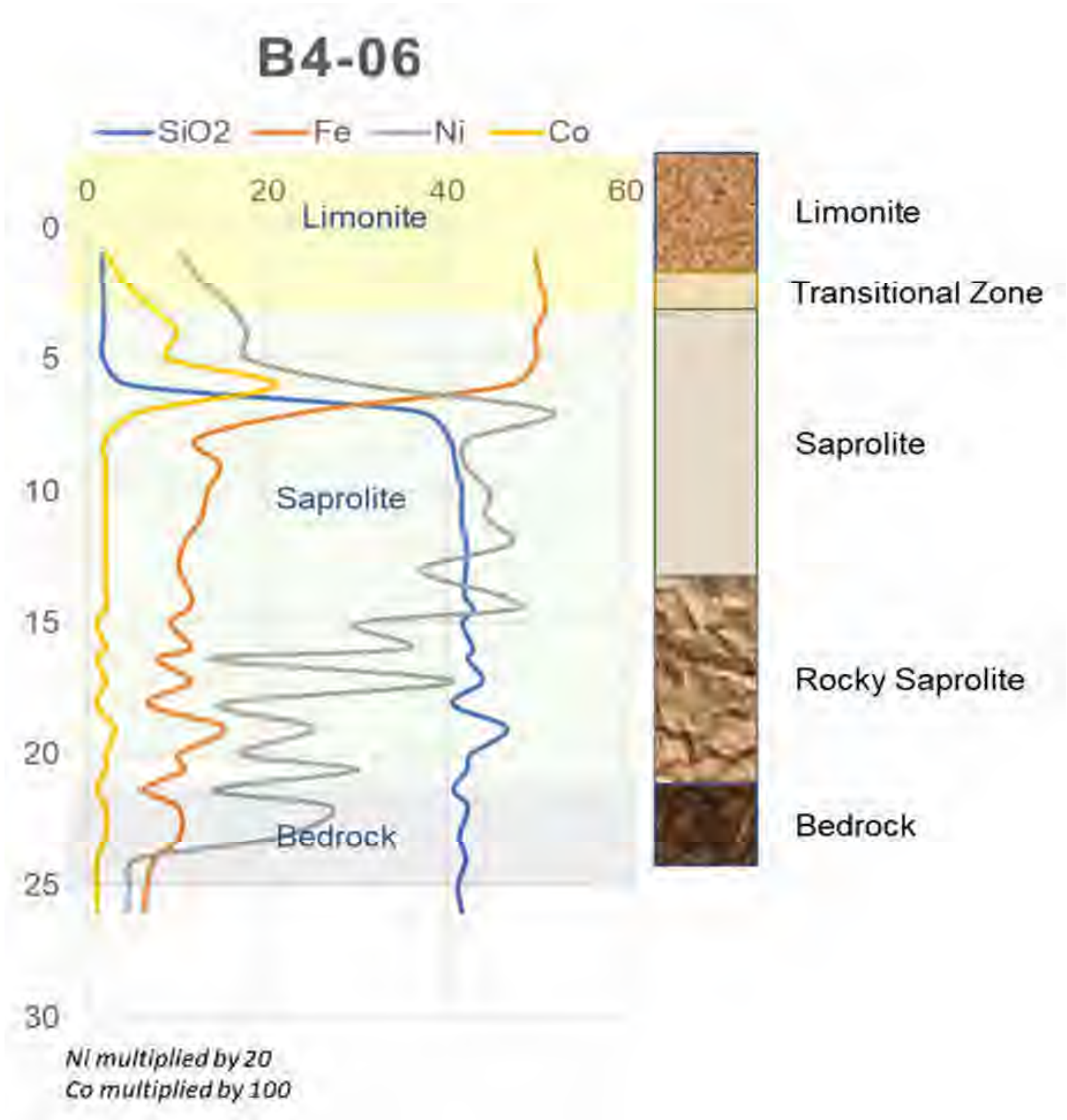


Figure 41 Bete Bete laterite profile characteristics from hole number B4-06

The descriptive statistics for all the elements analyzed at Bete Bete are summarized in Table 23 below.

Table 23 Bete Bete description statistics

Variable	Lithology	Samples	Mean	Median	StDev	CoefVar	Minimum	Maximum	Skewness
Ni	LIM	2758	0.98	0.93	0.32	32.65	0.17	2.76	0.68
	SAP	3518	1.50	1.49	0.62	41.43	0.09	4.23	0.20
Fe	LIM	2758	46.82	48.71	6.58	14.05	6.43	58.82	-3.04
	SAP	3518	13.57	11.09	7.35	54.20	4.73	51.24	1.66
MgO	LIM	2758	2.13	1.08	3.80	178.19	0.27	42.06	6.10
	SAP	3518	23.99	25.66	8.93	37.22	0.01	42.27	-0.54
SiO2	LIM	2758	5.47	2.84	6.56	119.96	0.96	52.46	2.99
	SAP	3518	38.59	40.36	5.96	15.43	3.40	52.51	-2.35
Co	LIM	2758	0.13	0.12	0.09	64.24	0.01	0.85	2.24
	SAP	3518	0.03	0.03	0.04	104.77	0.01	1.12	10.81

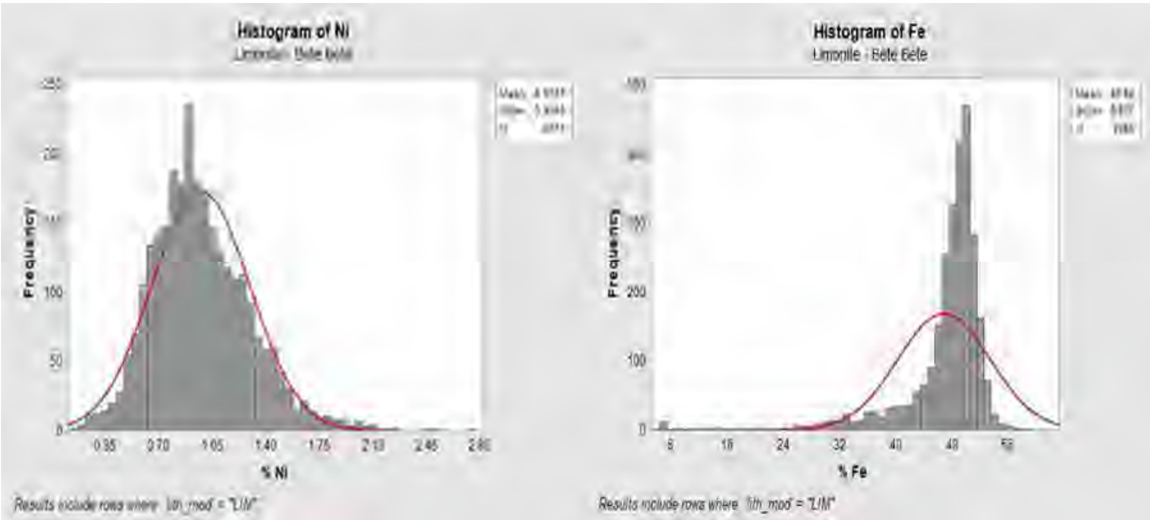


Figure 42 Analysis data for Ni and Fe in limonite for the Bete Bete block

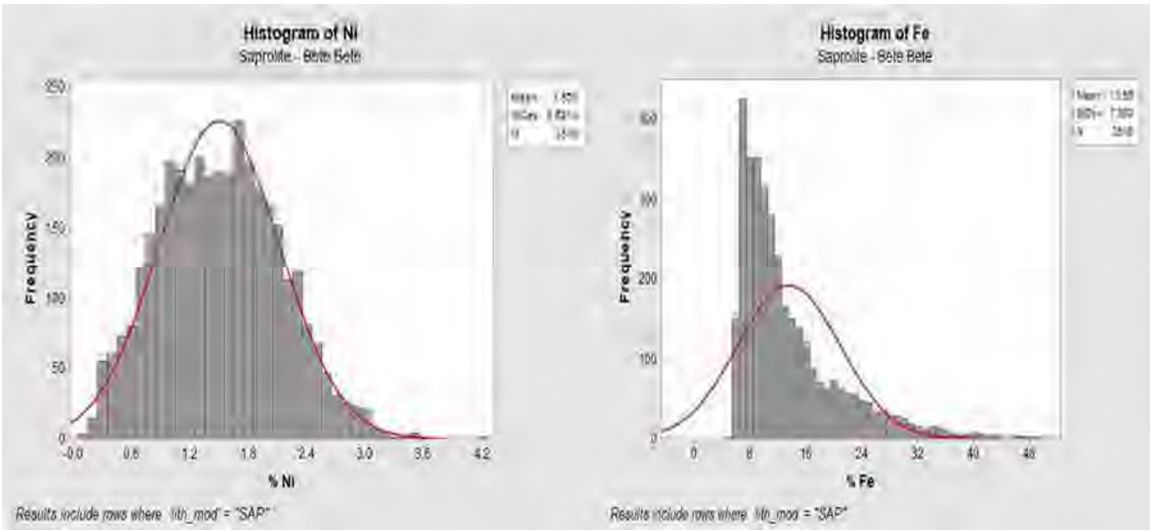


Figure 43 Analysis data for Ni and Fe in saprolite for the Bete Bete block

5.5.2 BETE SOUTH

Bete Bete South lies immediately east of Bete Bete with elevation ranging from 450m to around 300m asl. This is a slope domain where the topography and bedrock morphology are relatively steep. Limonite tends to be around 10m thick which could indicate some of it may be transported to the area from above. The saprolite is around 8m thick. Although thick laterite has developed in this area the drainage appears to be more mobile and as a result lower levels of enrichment in the saprolite and limonite layers has occurred. Average Ni grades are lowest in this area.

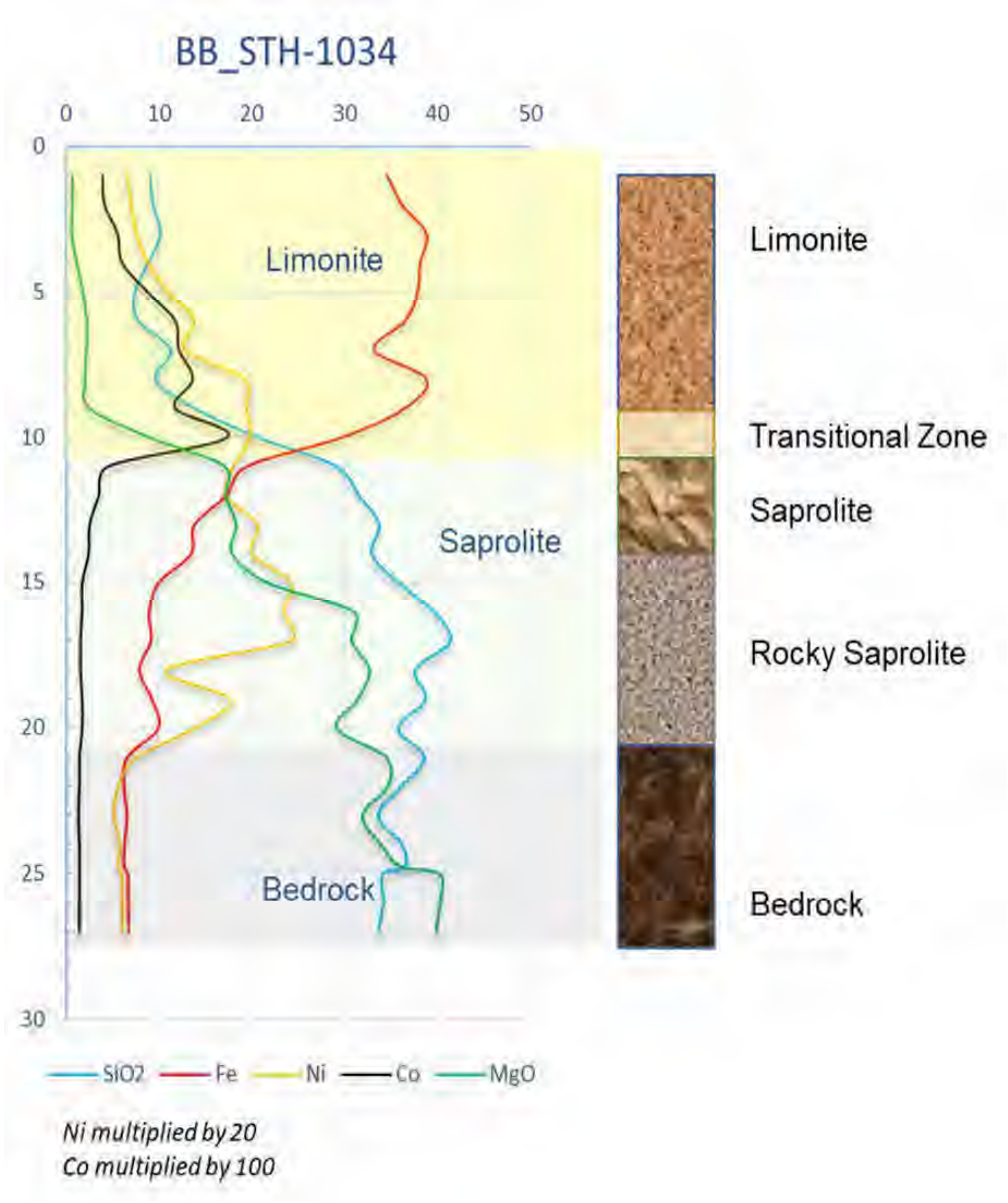


Figure 44 Typical Bete South laterite profile characteristics from hole number B4-06

The descriptive statistics for all the elements analyzed at Bete South are summarized in Table 24 below.

Table 24 Bete South descriptive statistics

Element	Lithology	Samples	Mean	Median	StDev	CoefVar	Minimum	Maximum	Skewness
Ni	LIM	2877	1.04	1.04	0.30	28.73	0.10	2.20	0.20
	SAP	2524	1.14	1.10	0.41	36.34	0.16	2.85	0.46
Fe	LIM	2877	42.95	43.86	6.35	14.78	9.63	58.93	-1.05
	SAP	2524	15.85	13.31	7.97	50.27	4.32	45.82	1.09
MgO	LIM	2877	1.97	1.16	2.43	123.34	0.01	30.90	4.30
	SAP	2524	20.19	20.21	9.09	45.04	0.48	44.46	-0.08
SiO2	LIM	2877	8.51	5.75	7.17	84.29	0.61	56.00	1.96
	SAP	2524	35.92	37.73	7.95	22.14	6.57	78.82	-0.70
Co	LIM	2877	0.12	0.11	0.06	49.21	0.01	0.72	2.48
	SAP	2524	0.04	0.03	0.04	96.54	0.01	0.96	10.83

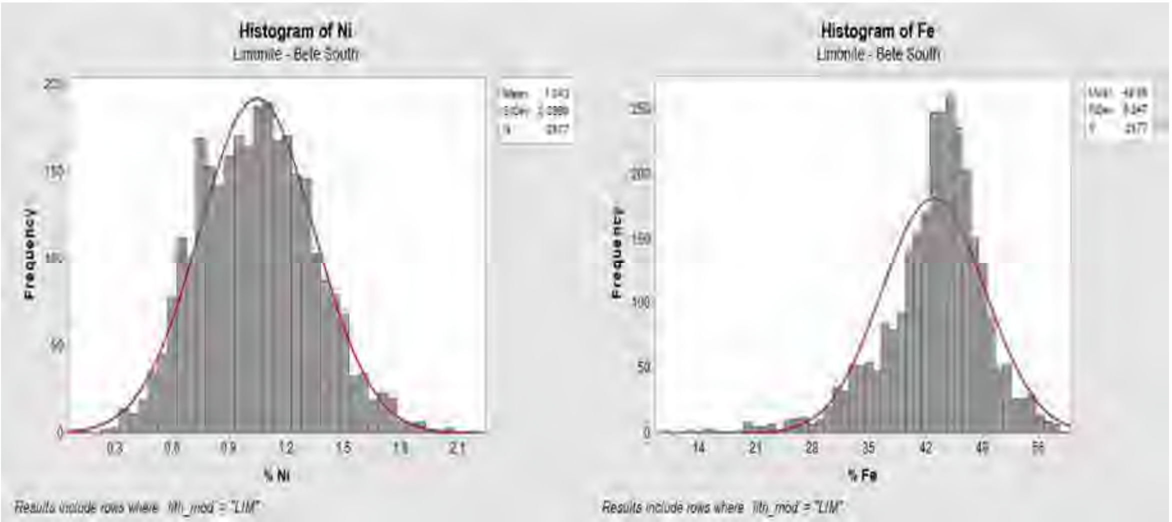


Figure 45 Analysis data for Ni and Fe in limonite for the Bete South block

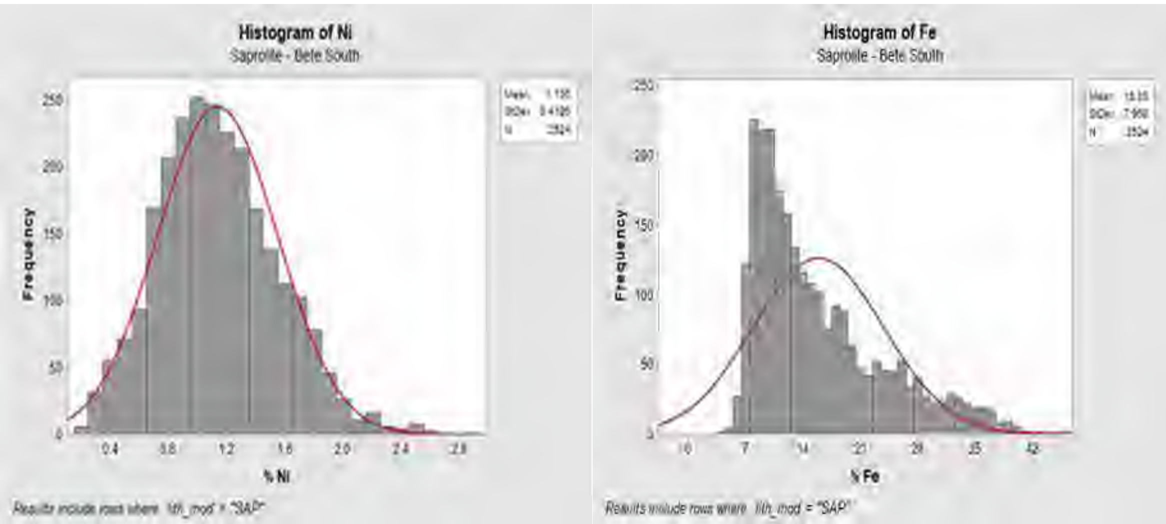


Figure 46 Analysis data for Ni and Fe in saprolite for the Bete South

5.5.3 CENTRAL WEST

This domain forms part of a terrace at around 430m elevation that is slightly raised from the surrounding areas. Laterite is around 17m thick in this area. Limonite averages at approximately 9m thick and saprolite is more than 8m thick. Suitable conditions for laterite enrichment have developed in this area resulting in a saprolite that tends to be rocky and garnierite rich. Silica boxwork is common in this environment.

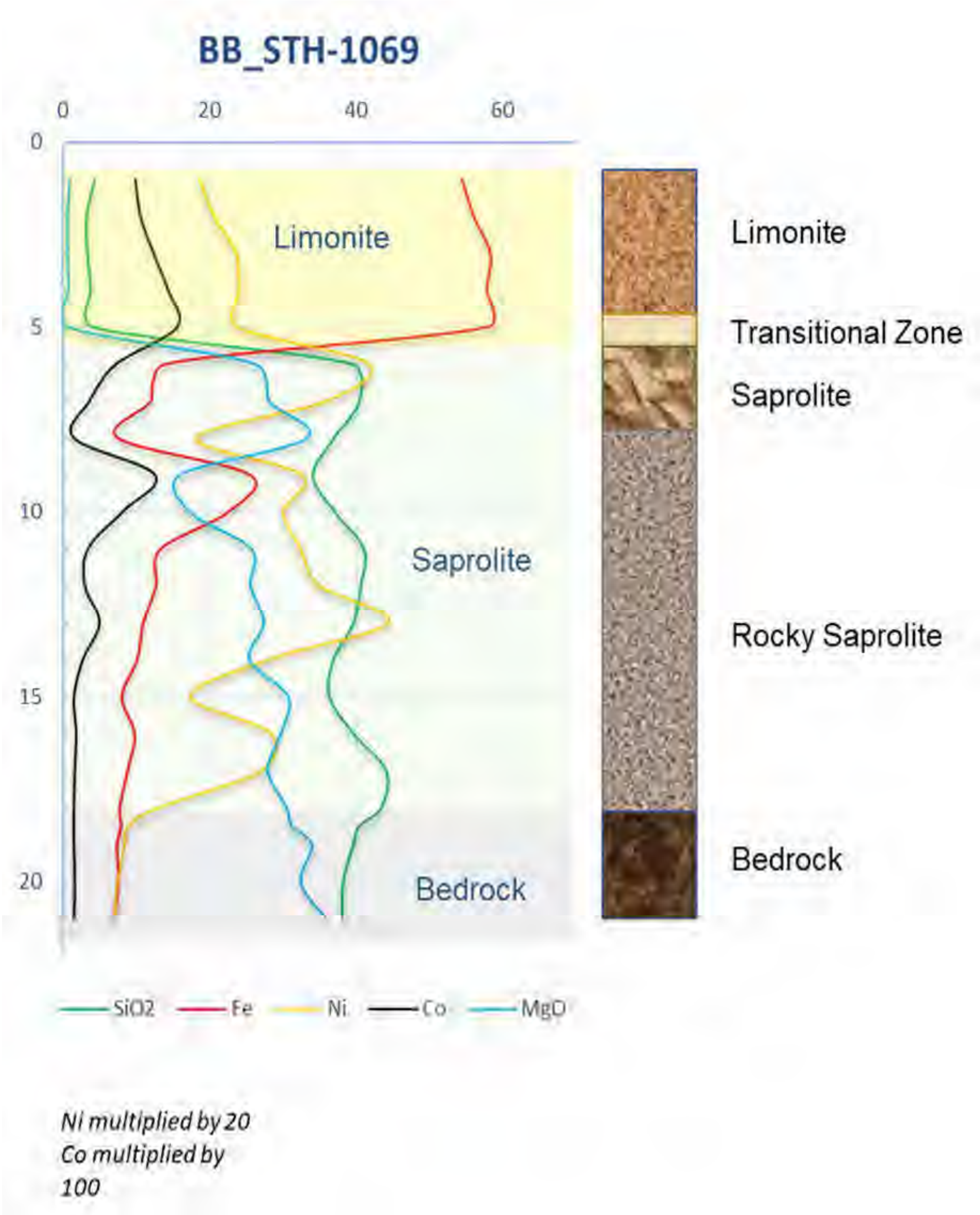


Figure 47 typical Central West laterite profile characteristics

Table 25 Central West descriptive statistics

Element	Lithology	Samples	Mean	Median	StDev	CoefVar	Minimum	Maximum	Skewness
Ni	LIM	3998	1.13	1.13	0.31	27.20	0.05	2.90	0.29
	SAP	2952	1.48	1.45	0.59	40.04	0.19	4.01	0.41
Fe	LIM	3998	45.17	45.87	7.02	15.54	6.17	66.79	-1.16
	SAP	2952	14.70	12.07	7.95	54.10	3.30	59.52	1.64
MgO	LIM	3998	1.50	0.88	2.52	167.81	0.01	37.67	7.46
	SAP	2952	22.38	23.96	9.80	43.78	0.01	44.01	-0.48
SiO2	LIM	3998	7.78	4.75	7.50	96.47	0.67	78.51	2.82
	SAP	2952	38.09	39.77	8.49	22.27	2.20	75.06	-0.92
Co	LIM	3998	0.12	0.11	0.07	61.43	0.00	1.51	3.26
	SAP	2952	0.04	0.02	0.04	109.25	0.00	0.59	4.39

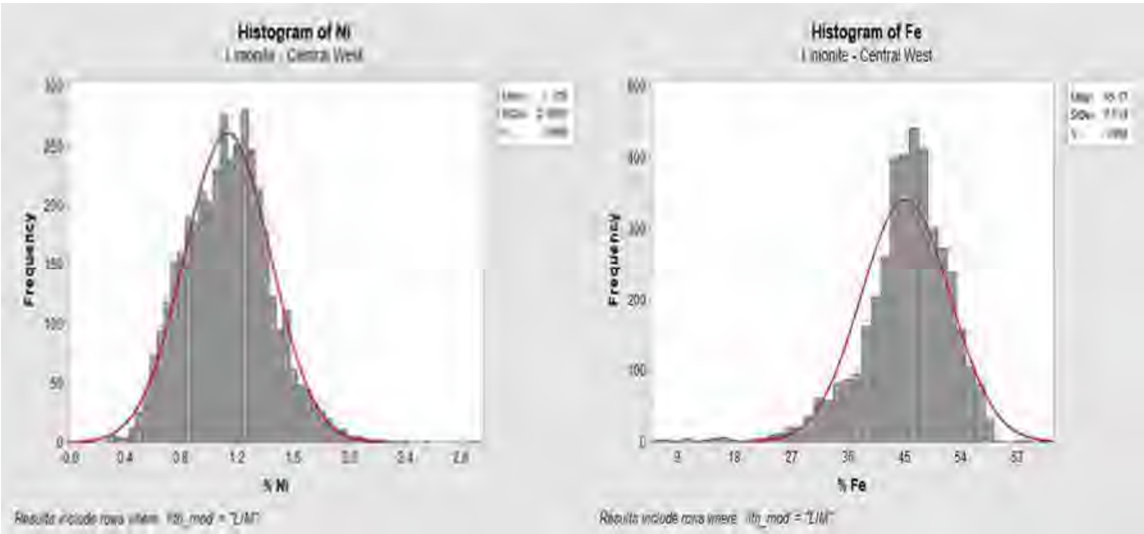


Figure 48 Analysis data for Ni and Fe in limonite for the Central West block

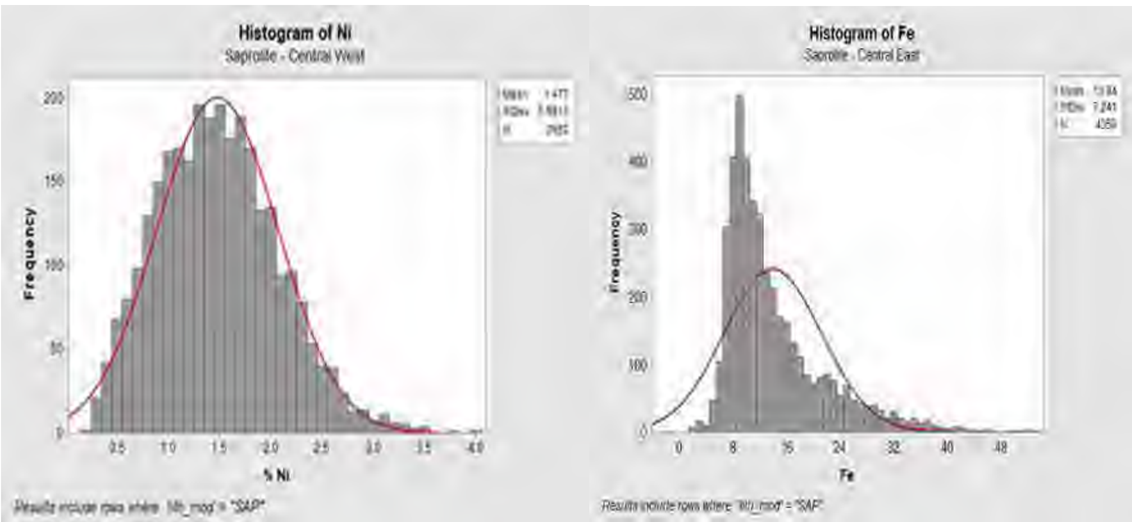


Figure 49 Analysis data for Ni and Fe in saprolite for the Central West block

5.5.4 CENTRAL EAST

Central East is the domain with the lowest elevation ranging from 400 to less than 300m asl. This may be the reason why the laterite is thickest in this area as it forms the base of a relatively large catchment area. Laterite here has an average thickness of approximately 18m. Limonite is around 8m and saprolite is almost 10m. Suitable conditions for laterite enrichment have developed in this area resulting in a saprolite that tends to be rocky and garnierite rich. Silica boxwork has also accumulated in this environment.

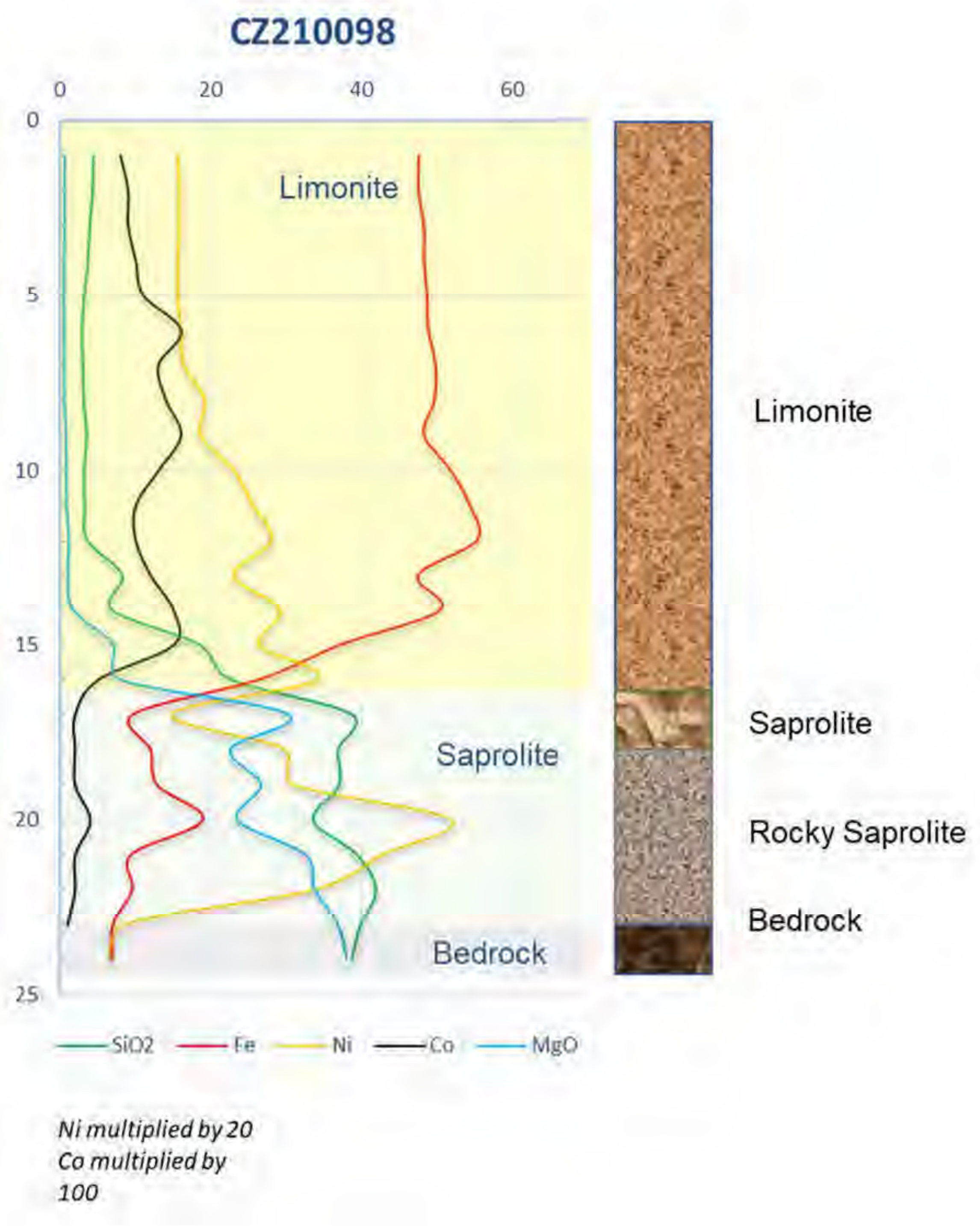


Figure 50 typical Central East laterite profile characteristics

Table 26 Central East descriptive statistics

Element	Profile	N Samples	Mean	Median	StDev	CoefVar	Minimum	Maximum	Skewness
Ni	LIM	4909	1.04	1.01	0.33	32.24	0.10	3.94	0.69
	SAP	4358	1.31	1.24	0.62	47.70	0.05	4.20	0.72
Fe	LIM	4909	41.59	43.90	8.79	21.15	3.66	59.65	-1.27
	SAP	4358	13.94	11.65	7.24	51.95	1.84	53.15	1.53
MgO	LIM	4909	1.45	0.84	2.71	186.57	0.00	40.59	7.97
	SAP	4358	19.52	21.04	10.59	54.24	0.01	46.27	-0.24
SiO2	LIM	4909	13.33	7.36	14.32	107.42	0.00	91.57	2.11
	SAP	4356	43.24	42.34	11.34	26.21	4.70	97.65	0.85
Co	LIM	4909	0.11	0.10	0.08	70.95	0.00	1.20	3.62
	SAP	4358	0.03	0.02	0.03	96.62	0.00	0.48	4.41

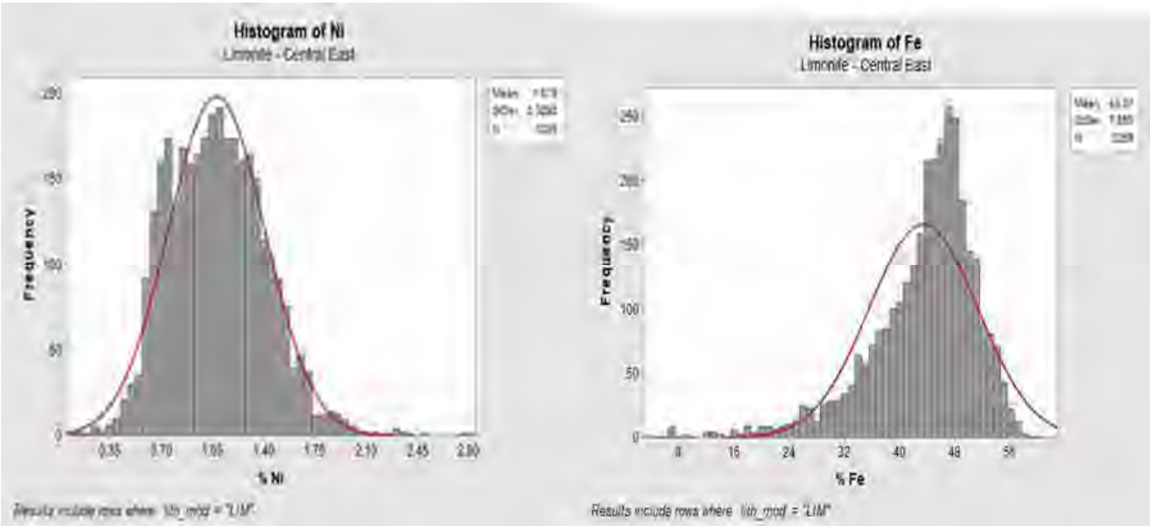


Figure 51 Analysis data for Ni and Fe in limonite for the Central East block

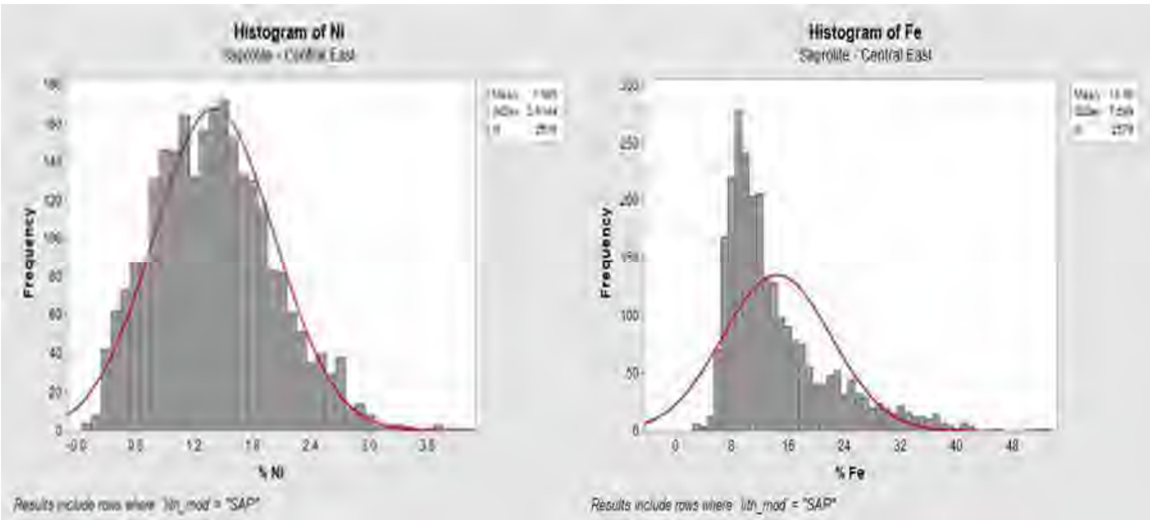


Figure 52 Analysis data for Ni and Fe in saprolite for the Central East block

5.5.5 BETE WEST

This block has an elevation of around 430m asl. The block forms an isolated ridge. Laterite is around 12m thick. Limonite 6m thick and saprolite 6m thick make up the profile. Data available in this area is relatively sparce as systematic drilling has not yet been carried out in this area. This domain appears to be near the contact between the ophiolite and the underlying Tokala Formation as bedrock samples range from ultramafic to sediments.

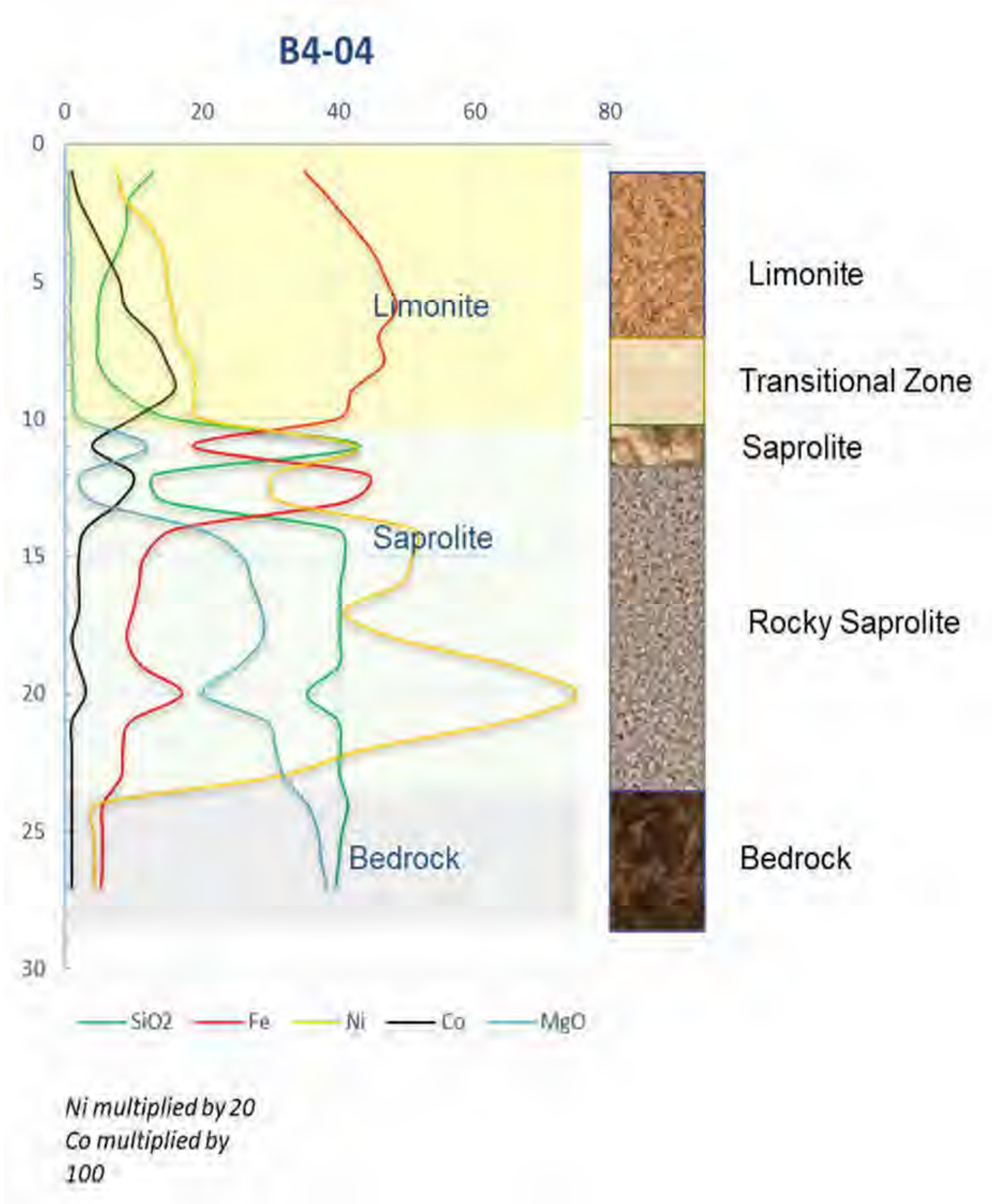


Figure 53 Bete West grade characteristics from borehole number B4-04

5.5.6 BETE FAR WEST

This is a relatively remote mountain ridge with maximum elevation of around 700m asl. Insufficient data is available to make a summary of the characteristics of this block at this time. However, based on the topography, it is likely that a ridge laterite deposit occurs in this area which may have similar characteristics to the Bete Bete deposit.

5.5.7 CENTRAL NORTH

Insufficient data is available for the Central North block to determine the domain characteristics with confidence. However, based on the topography of a separate ridge with elevation of around 500m asl there is good potential for a ridge nickel laterite deposit in this block possibly similar to the the Bete Bete.

5.5.8 APL

This block is dominated by a steep slope off a high peak of 520m asl. Laterite thickness is more than 20m. Limonite thickness is less than 10m while the saprolite thickness is around 12m. Limonite thickness is less than the saprolite thickness most likely due to erosion of the limonite off the steep slopes. The deposit may be similar to Central East because of similar bedrock morphology.

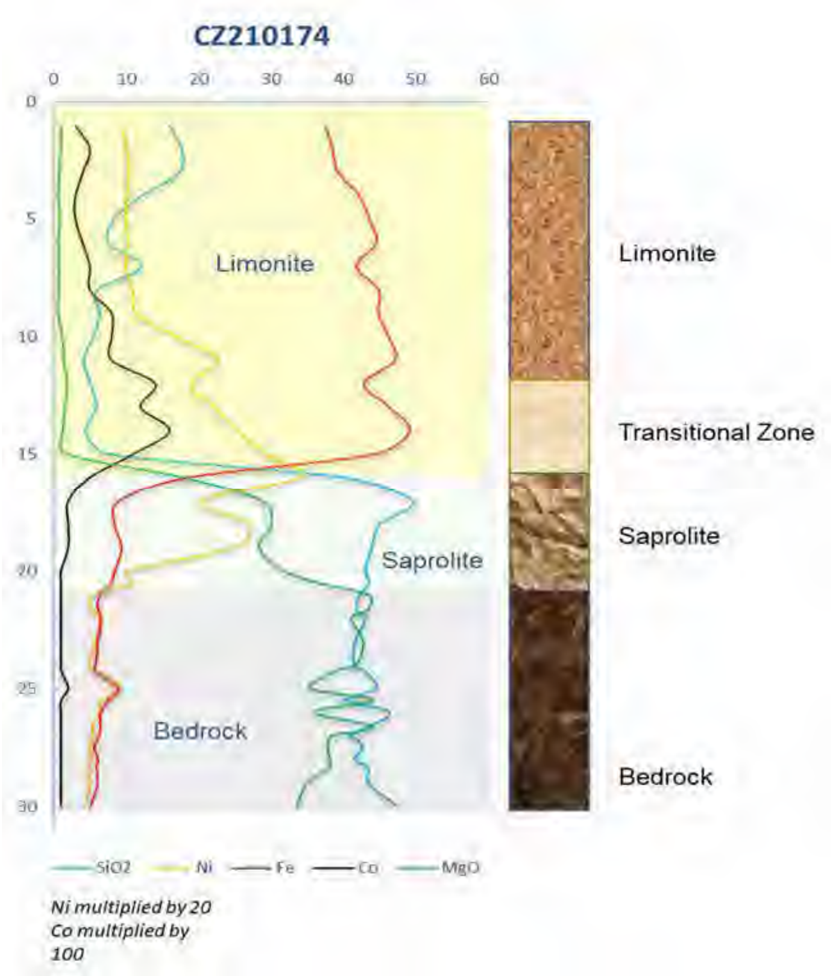


Figure 54 typical APL laterite profile characteristics from borehole CZ210174

5.6 DATA COMPILATION

5.6.1 DATABASE

The Hengjaya Project Database compilation, validation and correlation uses Surpac® mining software with Microsoft® Access Relational Database Management System (RDBMS) providing the storage of collar, downhole survey, lithology and assays.

The project database is comprised of 2 parts;

1) the historical drilling supplied by Hengjaya used for ongoing mining operations as well as previous Mineral Resource estimates
2) new infill drilling data collected by PT Danmar Explorindo from April 2019 until June 2020

5.6.2 DATA VALIDATION PROCESS

The collar survey, assay and geology tables of both these datasets were validated to correct data error issues such as:

- missing or duplicate collar records
- overlapping intervals in the assay records
- collar elevation errors compared to current LiDAR topography
- downhole survey accuracy issues, total depths, from/to intervals
- core recoveries and swelling
- lithology description from wellsite geologists
- reconciliation of lithology with laboratory assay results
- moisture records from core lab analysis
- downhole statistical analysis

If these errors could not be fixed to a suitable level of confidence or failed to meet the accuracy standards during the validation process they were removed from the dataset. Approximately 98% of the excluded data was from the historical records supplied by Hengjaya. Table 27 summarizes the reasons drill holes were excluded from the final validated dataset.

Table 27 Drilling Excluded from the Mineral Resource database

Reason for Data Exclusion	No. D/H	comments
DUPLICATE HOLE	4	Same coordinate with other hole (incorrect entry)
NO ASSAY	169	No records of assay to reconcile against the lithology descriptions
PARTIAL ASSAY	15	Partial records of assay to reconcile against the lithology descriptions
OUTSIDE IUP / RESOURCE AREA	70	Outside the IUP permit area / Drilling spacing to wide to be included in Resource
TWIN HOLE NEW DRILLING	62	Historical drilling records where newer infill drilling has superseeded the older data
UNRELIABLE HISTORICAL RECORDS	272	collar record & Lab assay results insuffienct accuracy (mostly original ANTAM exploration data)
TOTAL HOLES EXCLUDED	592	IGNORED FROM MINERAL RESOURCE

5.6.3 SURVEY ACCURACY ISSUES

Approximately 49% (921) of drillhole collars included in the validated database were draped onto the LiDAR surface for better correlation to the topography for the geological modelling process. The majority of these were from the historical data, including Bete Bete and APL mined out areas, where older survey benchmarks from local grids were used to match a non-LiDAR surface. In several areas drill holes with GPS coordinates were used to avoid unnecessary gaps in the drilling grids. The holes with GPS coordinates were used because they had complete drill log, analysis data, GPR data supporting laterite thickness and were surrounded by other holes with similar quality and depth with surveyed coordinates. It is of the opinion of the competent persons that the inclusion of these collar adjustments will not bias the outcome of the remaining Mineral Resource estimates stated in this report. Table 28 shows the summary of the collar survey validation process applied to the dataset.

Table 28 Collar survey validation

DRILL COLLAR SOURCE	HOLES IN SAMPLE SET	HOLES IN SAMPLE SET (%)	NOTE
NEW DEX	939	50%	TOTAL STATION LESS THAN 1M VARIANCE
OLD HENGJAYA DATABASE	647	34%	DATA EXTRACTED FROM HISORICAL DATA (DRAPED)
NEW DEX	72	4%	MORE THAN 1M VARIANCE (DRAPED)
NEW DEX	44	2%	MORE THAN 2M VARIANCE (DRAPED)
NEW DEX OTHER	34	2%	BETE BETE ACTIVE MINE/DUMP AREA
COLLAR RESURVEY	1736	92%	INCLUDED IN RESOURCE
GPS MINED OUT	76	4%	BETE BETE & APL MINE AREA (DRAPED)
GPS IN RESOURCE	82	4%	GPS COORDINATES ONLY (DRAPED)
TOTAL HOLES INCLUDED	1894	76%	ASSESSED FOR MINERAL RESOURCE
TOTAL HOLES EXCLUDED	592	24%	IGNORED FROM MINERAL RESOURCE
GRAND TOTAL	2486		ALL DRILLHOLE COLLAR RECORDS
COLLAR R.L ADJUSTED TO FIT	921	49%	DRAPED ONTO LIDAR SURFACE

5.6.4 RECONCILIATION OF LITHOLOGY AND ASSAY RESULTS

During the database validation process the downhole lithological description provided at the initial observations of the mineralization and lithological zones by the wellsite geologists was reconciled once the lab assay results were available. These corrections were then applied to lithology and composite code to be used in the modelling process. These zones were classified using the generalized limits shown in Table 29.

Limonite (LIM) zones were relatively homogenous due to the highly weathered laterite layer consisting mostly of massive clay formations, with only minimal boulders of bedrock. This layer was divided further for the extraction of composites into Topsoil and Limonite as several different characteristics can be identified in assay, density and moisture content. It is generally assumed in the mining process that the Soil layer is waste (overburden) due to the particular nickel grade cut-offs used. The Limonite layer is designed to meet the specifications for supply to a HPAL(high pressure acid leach) facility under construction at the IMIP smelter. Current mining of this material is being stored into in-pit stockpile areas for future use.

The underlying Rocky Saprolite (SAP) zone is in a less homogeneous geological environment. Compared to the Limonite it is only moderately weathered. The Saprolite layer often includes a transition zone, from the overlying Limonite, fresh rock boulders and weathered bedrock which are all composited into the Saprolite (SAP) code to provide an unbroken composite within the modelled laterite horizon.

Bedrock (BRK) definition was given to intersections of the fresh ultramafic rock zone intersected at the bottom of drill holes, indicating the lower boundary to the total extent of the laterization process.

Assay results were reconciled into lithology codes using Table 29. Some single assays, within the contact between lithological zones that were unconformable, were composited into the dominate surrounding lithology type to provide unbroken zones for modelling.

Table 29 General rule for reconciliation of assay records

Lithological Zones	Model Zones	Composite Zones	No. Assay Records	Ni %	MgO %	Fe %	Co %
Top Soil (Overburden)	LIMONITE (LIM)	SOIL	7,728	< 0.8 %	< 1 %	> 45%	< 0.08 %
Limonite Clays, Highly weathered laterite		LIM	11,363	> 0.8 %	< 5 %	> 30 %	> 0.10 %
Saprolite rocks, Patrially Weathered laterite	ROCKY SAPROLITE (SAP)	SAP	18,087	> 0.8 %	> 5 %	< 30 %	< 0.08 %
Fresh rock of Ultramafic formation	BEDROCK (BRK)	BRK	5,402	< 0.8 %	> 20 %	< 10 %	< 0.01 %
TOTAL ASSAY RECONCILED AND INCLUDED IN MINERAL RESOURCE			42,580				
Underlaying Tokala Formation (Older)	SEDIMENT (LIMESTONES)	SED	239				

Several assay intersections have been identified as sedimentary (SED) which is likely part of the older underlying Tokala Formation that consists of conglomerate and limestone. All of these intersections are located in the Bete West and lower APL domains. It is assumed these are contact points between the younger Ultramafic rocks and the Tokala Formation.

5.6.5 DOWNHOLE STATISTICAL ANALYSIS

Downhole descriptive statistical analysis was conducted on the validated database used in the Mineral Resource in order to check the distribution and ranges of the analyzed elements and identify any anomalous or outlying data before the interpreted lithological surface horizons were correlated into the final model.

These simple statistical checks were completed for Ni, Co, Fe, MgO & SiO_2, which comprise the main elements for the mining extraction and smelting processes already being applied at the Hengjaya site. Assay records for $Al2O_3$, CaO, Cr_2O_3 minerals were also included into the validated dataset but excluded from the downhole statistical review.

Histograms of these unrestricted assay data subsets were created for each domain split by Limonite, Saprolite and Bedrock zones to assess the distribution of assay results. Most of these show relatively normal distributions typical with similar type laterite deposits from Sulawesi, Indonesia. Most histograms also show some skewness of the population due to outliers. These are likely due to the compositing process of the assay reconciliation and transition between the assigned lithology zone breaks. In many cases outliers were accepted due to the geological zoning, with most identified as bedrock boulders inside the Limonite and Saprolite layers.

The histogram plots for nickel grade values show positively skewed data, which suggests outliers could cause possible overestimation to the Mineral Resource grade due to bias caused by the extreme grade which is commonly known as the nugget effect. To reduce the impact of these outliers, top cuts are calculated by estimating the range from 2 standard deviations from the mean, which assumes that 95% of the values are within this adjusted range. This top cut strategy is considered adequate for this project since the frequency of the outliers are considered relatively low. The summary of recommended statistical top cuts for each domain is shown in Table 30.

Table 30 Summary of recommended statistical top cuts for each domain

Block	Lithology	Samples	Mean	Median	StDev	CoefVar (%)	Minimum	Maximum	Skewness	Top Cut
BETE BETE	LIM	2758	0.98	0.93	0.32	32.65	0.17	2.76	0.68	1.61
	SAP	3518	1.50	1.49	0.62	41.43	0.09	4.23	0.20	2.74
CENTRAL EAST	LIM	3259	1.08	1.07	0.33	30.52	0.12	2.79	0.42	1.74
	SAP	2579	1.41	1.37	0.61	43.72	0.05	3.99	0.45	2.63
CENTRAL WEST	LIM	3998	1.13	1.13	0.31	27.20	0.05	2.90	0.29	1.74
	SAP	2952	1.48	1.45	0.59	40.04	0.19	4.01	0.41	2.66
BETE SOUTH	LIM	2877	1.04	1.04	0.30	28.73	0.10	2.20	0.20	1.64
	SAP	2524	1.14	1.10	0.41	36.34	0.16	2.85	0.46	1.96
APL	LIM	5408	0.96	0.96	0.33	34.22	0.08	3.94	0.77	1.62
	SAP	6237	1.16	1.06	0.62	53.16	0.05	5.20	1.23	2.40

The application of these top cuts to normalize the distribution of the statistical nickel (%) grades were reviewed. From these recommendations, a top cut of 2.75% was applied to nickel composites and used in the model grade interpolations to limit the influence of statistical outliers within each of the grade domains.

Figure 55 shows the histogram of all Ni grade values (without laterite profile restriction) indicating the positive skew of the dataset which indicates we have a large group of low nickel values compared to the high nickel values. Figure 56 shows the application of the top cut on the distribution of the nickel grade values used in the model.

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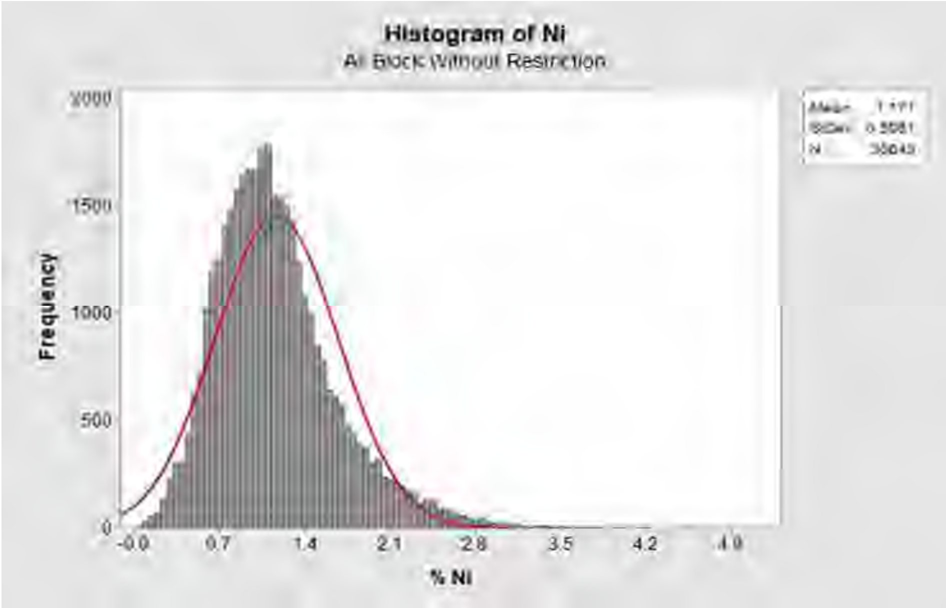

Figure 55 Histogram of Ni Grade (without laterite profile restriction)

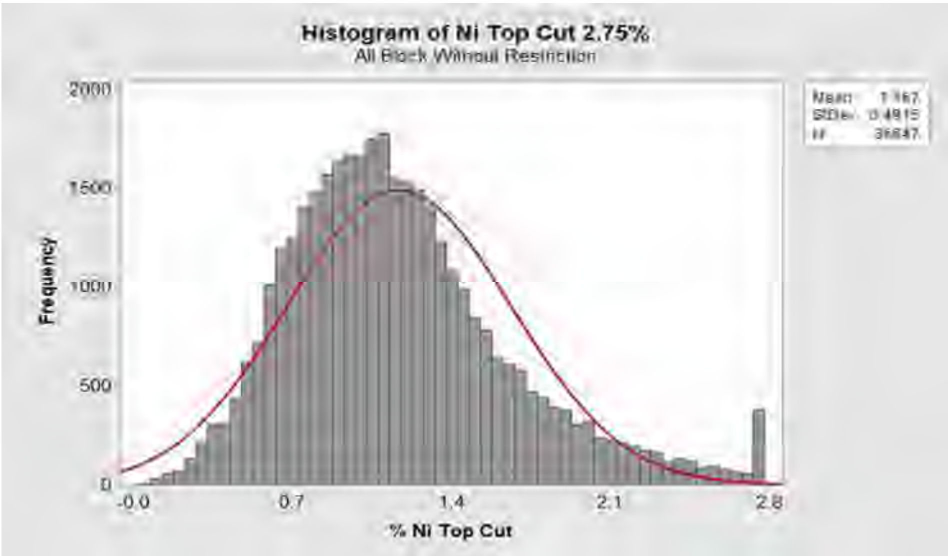

Figure 56 Histogram of Ni Grade with top cut 2.75% applied

Composited, down hole statistics extracted by zone thickness and average nickel grades for Limonite and Saprolite were plotted on a map to identify the spatial distribution of each zone respectively as shown in figures 57 & 58 for Limonite and figure 59 & 60 for Saprolite. Composite Limonite grades are highest in the Central West and Central East domain areas. Composite Saprolite grades tend to be highest in the Bete Bete and Central West areas.

From these plots it is observed that the lateral statistical distribution for both Limonite and Saprolite conform to several interpreted geological breaks that influence the leaching process from one location to another. The statistical analysis process was also split into the corresponding geological domains. These statistical subsets were constrained using hard polygon boundaries interpreted in Section 5.5 of this report.

For further details on downhole statistical analysis information please see Appendix 9.5.

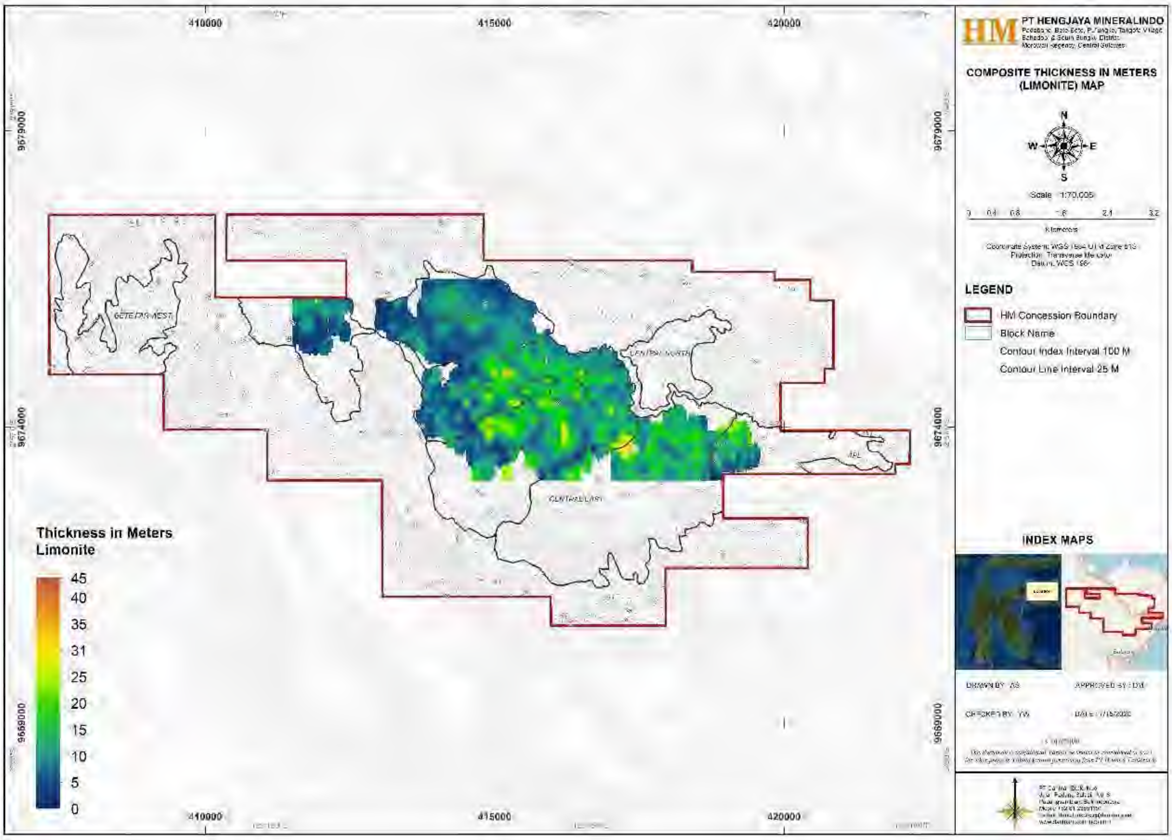

Figure 57 Composite Thickness for the Limonite zone

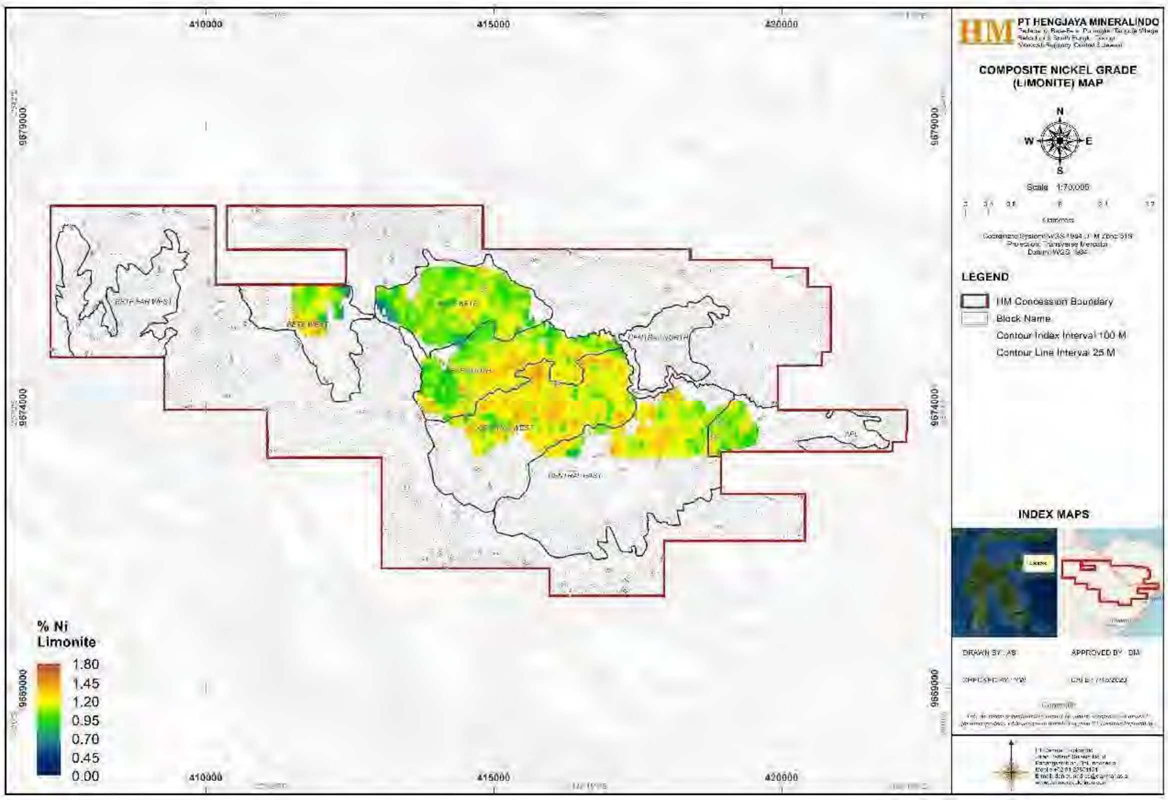

Figure 58 Composite nickel grade for the Limonite zone

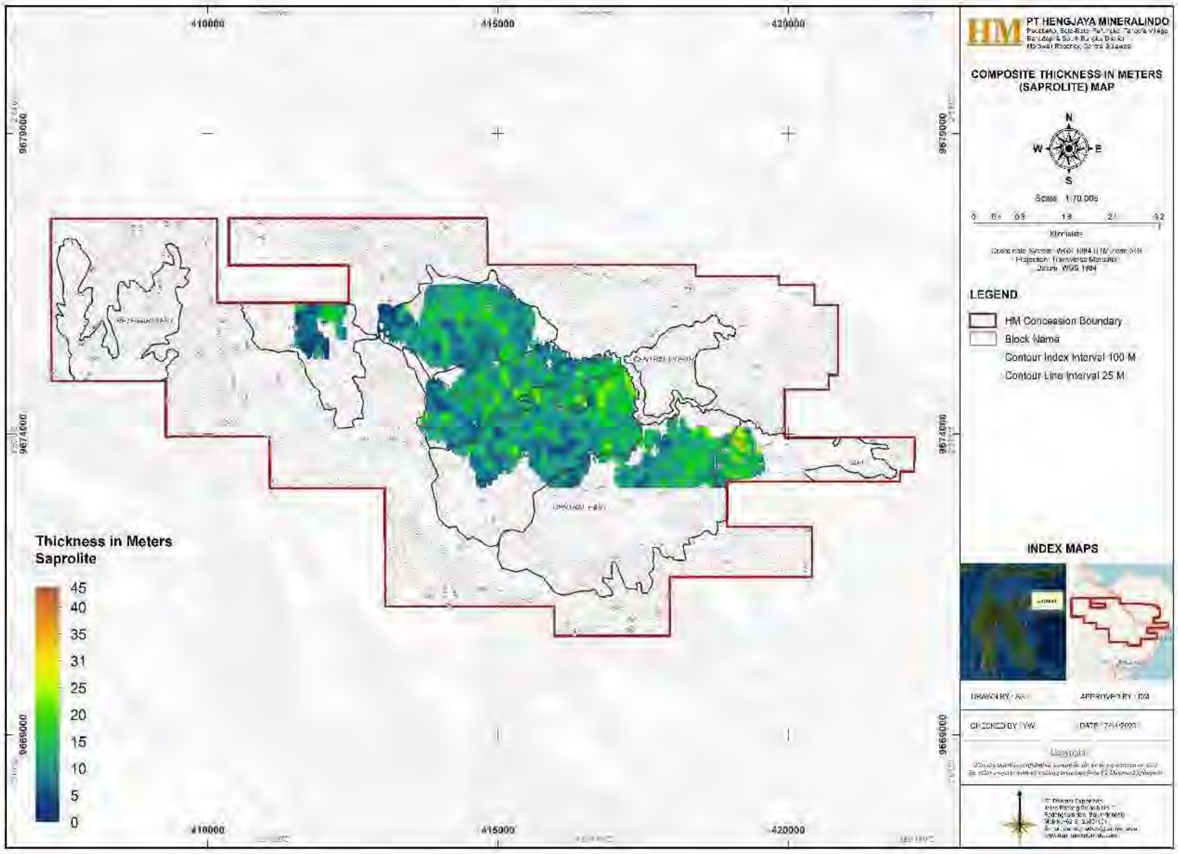

Figure 59 Composite thickness for the Saprolite zone

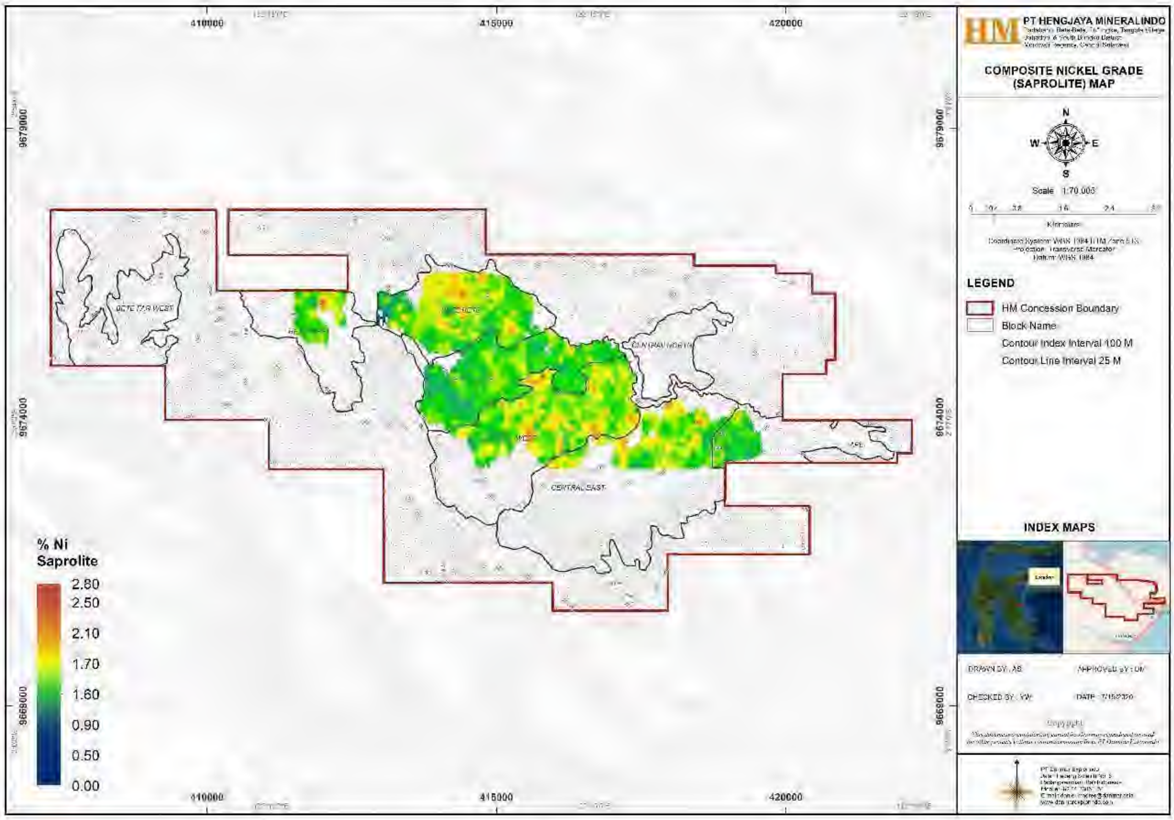

Figure 60 Composite nickel grade for the Saprolite zone

5.6.4 GEOSTATISTICAL ANALYSIS

The continuity of the mineralization within each domain was assessed using variography modelling the spatial relationship between composites extracted from the validated database. This process is used to identify direction and continuity of the grades.

Geostatistical analysis was applied to the Ni value grades only for each of the geological domains for both Limonite and Saprolite layers. The purpose of this was to generate several semi variogram models so that these parameters can be used to input into the Kriging algorithms when populating the final models with interpolation of nickel grades.

These semi variogram ranges, based on the Geostatistical analysis, were used to define the spatial continuity, direction and distances of search ellipsoids to be applied to the nickel Mineral Resource estimate as follows;

- determination of directional anisotropy of the mineralized zones
- estimation of spatial continuity of the grades aligned with the main directions determined by the anisotropy ratios, providing a distance for the search
- calculation of the Sill or Nugget effect and range to be used in the Kriging process

This process was conducted with many iterations until the model validation was checked to provide sufficient confidence for a Mineral Resource. Figure 61 shows the typical process flow used when completing the geostatistical analysis

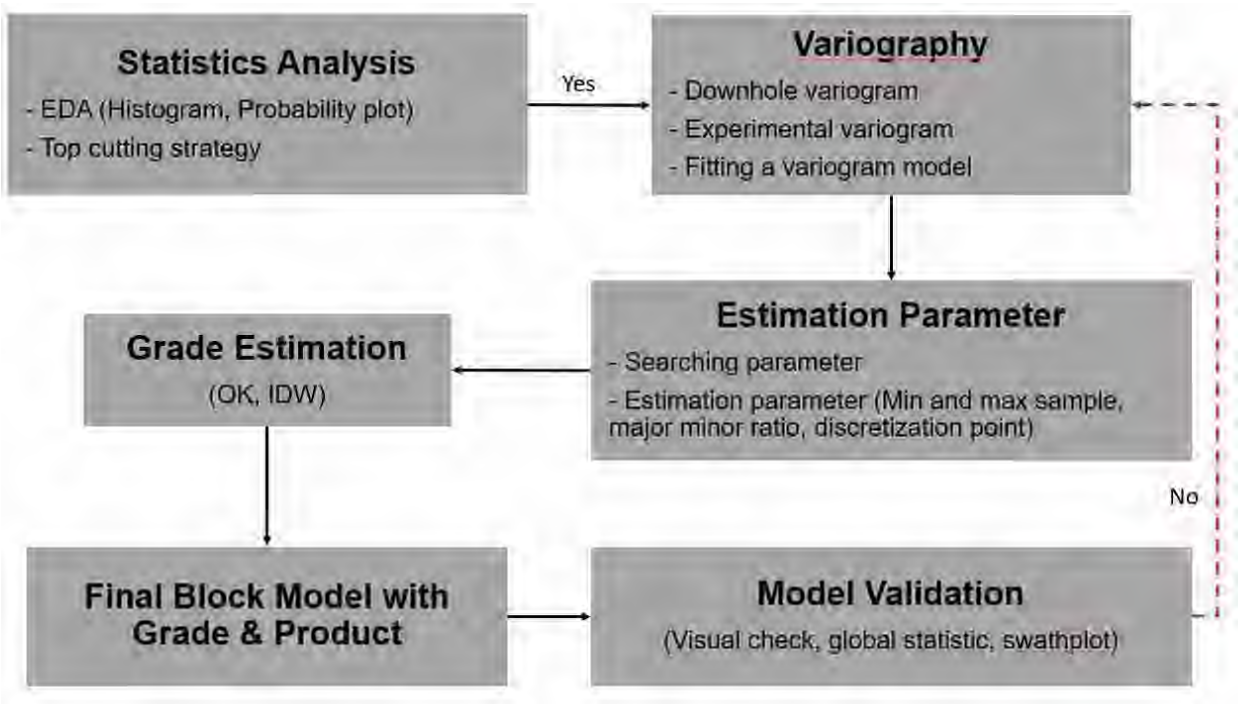

Figure 61 Geostatistical analysis process flow

All the semi variogram models for each domain were calculated using statistical top-cuts applied to composites and constrained by hard boundary surfaces of the corresponding mineralized lithology zones for Limonite and Saprolite.

In general, the distribution of mineralization within the laterite was considered to be relatively flat lying, with no significant dip or plunge observed between points of observation the variograms were modelled as horizontal planes.

Variograms are first aligned along the major axis bearing which represents the main direction of mineralized continuity, with the semi-major axis direction aligned 90' to the 1st axis. A third axis (minor) represents the vertical search. The combination of these 3 axes, weighted by the anisotropy ratios, provide the guide for search ellipsoids to be applied to the model.

The result of the variogram models are summarized in Table 31.

Table 31 Summary Result of the variogram model created

Domain	Variogram model : Spherical								Ansiotropy Factor	
	Experimental variogram type : Normalized								Major/Semi-major	Major / Minor
	Lith	Element	Bearing	Plunge	Dip	Range	Nugget	Structure 1 (Sill)		
CENTRAL EAST	LIM	Ni	60	0	0	88.839	0.024	0.888	1.00	11.57
	SAP	Ni	67.5	0	0	87.210	0.032	0.888	1.06	9.15
CENTRAL WEST	LIM	Ni	144	0	0	167.550	0.000	0.983	1.06	20.50
	SAP	Ni	144	0	0	155.608	0.000	0.995	1.06	24.76
BETE SOUTH	LIM	Ni	90	0	0	117.566	0.079	0.740	1.00	16.01
	SAP	Ni	144	0	0	172.487	0.098	0.870	1.00	17.17
BETE BETE	LIM	Ni	45	0	0	71.571	0.012	0.828	1.00	22.35
	SAP	Ni	90	0	0	50.632	0.101	0.813	1.00	6.36

Figure 62 shows the semi variogram models produced for Central East domain, Ni Limonite

Figure 63 shows the semi variogram models produced for Central East domain, Ni Saprolite

Figure 64 shows the semi variogram models produced for Central West domain, Ni Limonite

Figure 65 shows the semi variogram models produced for Central West domain, Ni Saprolite

For further details on Geostatistical variogram modelling information please see Appendix 9.5

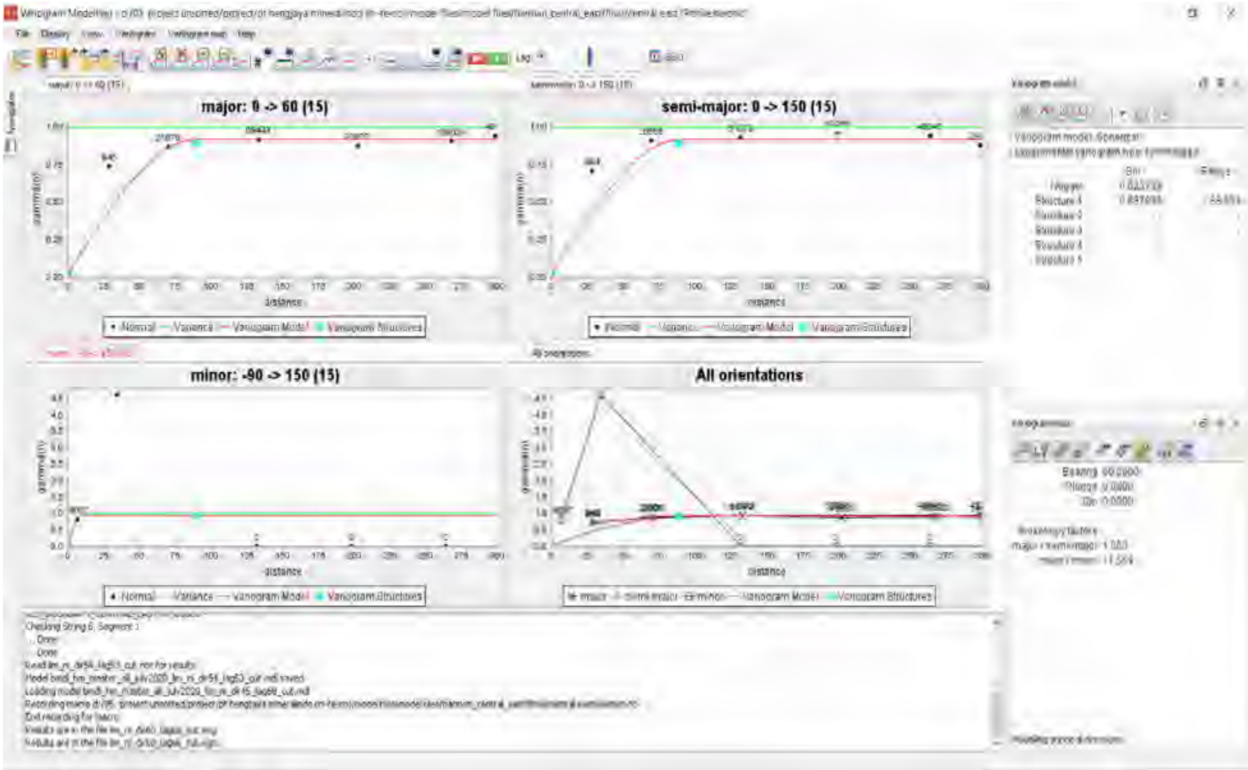

Figure 62 semi variogram models produced for Central East domain, nickel Limonite

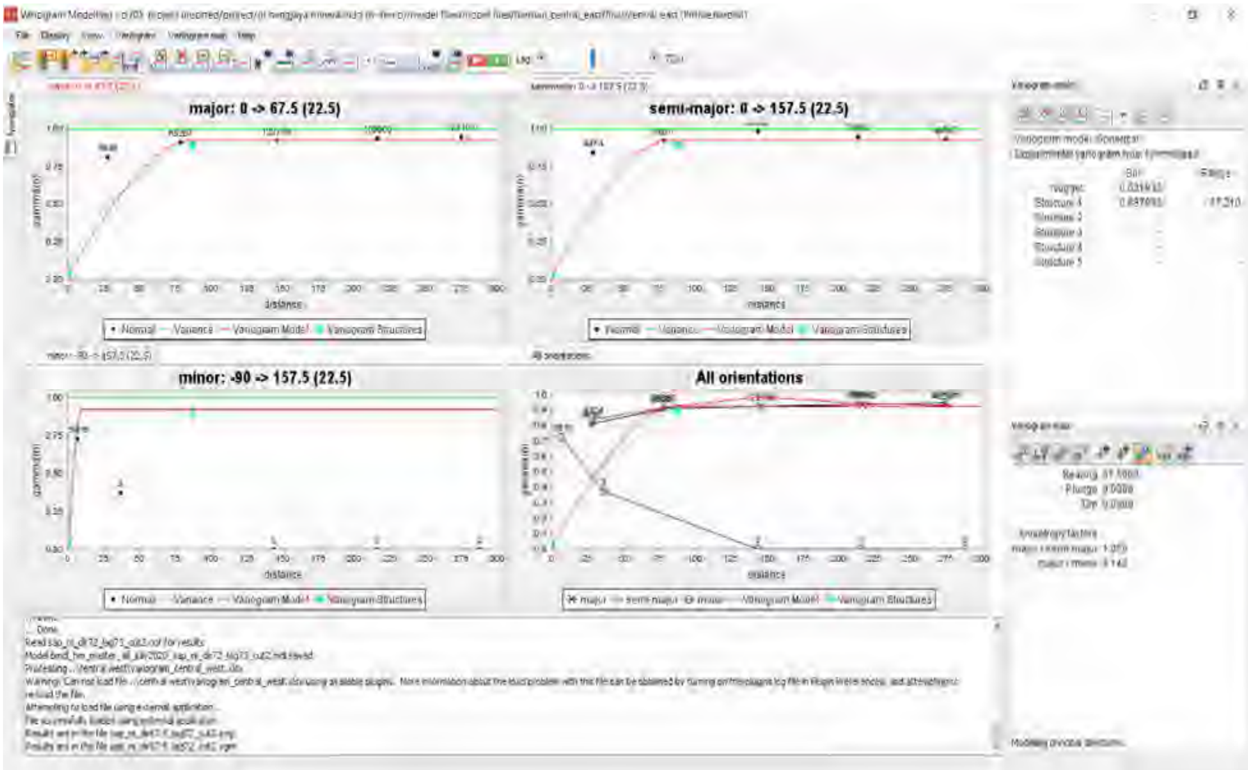

Figure 63 semi variogram models produced for Central East domain, Ni Saprolite

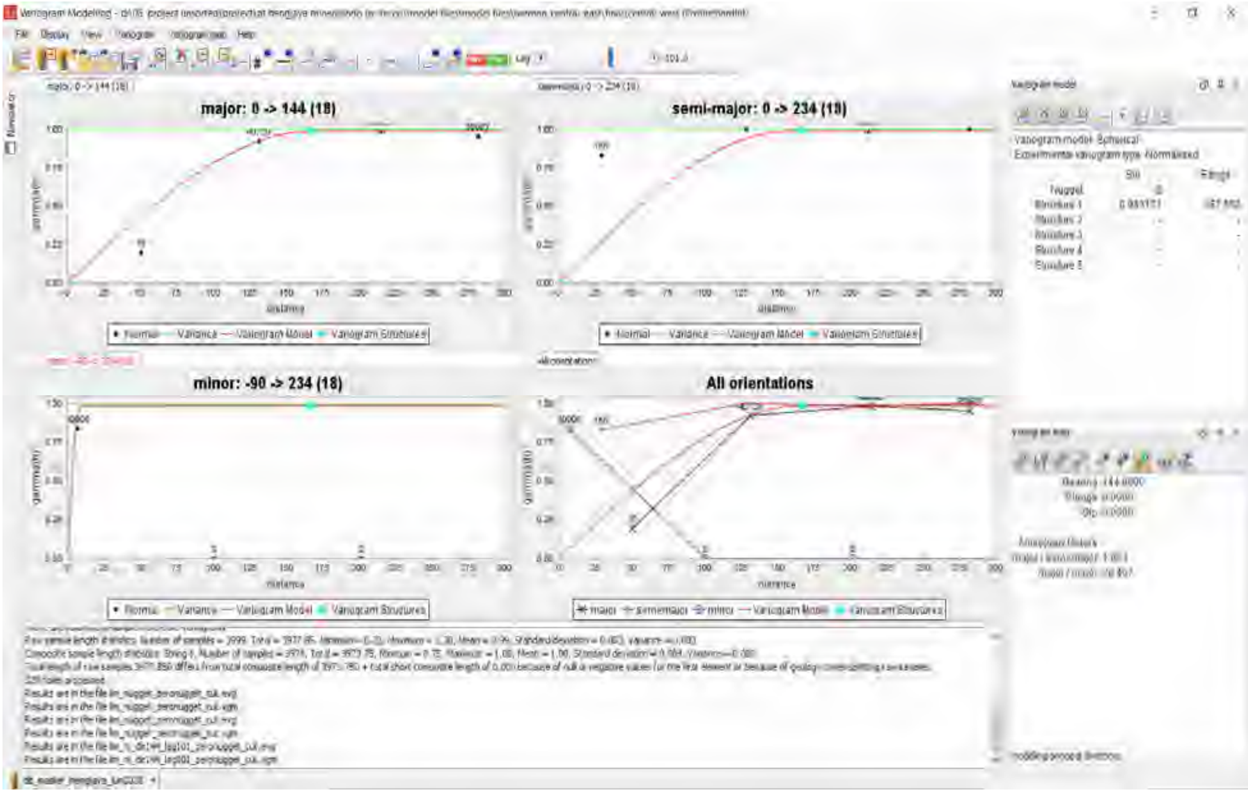

Figure 64 semi variogram models produced for Central West domain, Ni Limonite

Figure 65 semi variogram models produced for Central West domain, Ni Saprolite

6.0 MINERAL RESOURCE ESTIMATE

Sufficient exploration has been carried out at the Hengjaya Nickel project to delineate a significant deposit of laterite nickel. The drilling used for the Mineral Resource estimate is spaced on lines approximately 50 - 100m apart which, according to the geostatistical analysis, provides sufficient detail for the purpose of this report.

6.1 SOFTWARE

Geological modelling and Mineral Resource estimates were completed using GEOVIA Surpac® mining software (version 6.1). compilation, validation and correlation using Surpac® mining software with Microsoft® Access Relational Database Management System (RDBMS) providing the storage of collar, downhole survey, lithology & assay.

6.2 WIREFRAMING

Wireframing was set up on each drill line in both east-west & north-south directions to create a 50-100m grid over the entire database. First digitized, the lines were then draped onto the LiDAR surface to develop a morphology wireframe. This was done to assess any aspect and slope angle weathering patterns obvious from the topography.

The wireframe sections were then digitized from a combination of drilling/assay database (points of observation) and supporting Interpretive data from GPR survey between drilling points. Any primary observations or interpretive data within 20m each side of the wireframe center was used to construct each wireframe section. From this process 2 dominate horizons were interpreted;

- top of rocky Saprolite – contact zone between Limonite clay and rocky Saprolite
- top of Bedrock – contact zone between rocky Saprolite and bedrock

A 4th wireframe was extracted from the top of the bedrock wireframe by dropping the elevation by 10m to represent the floor of bedrock in the model.

From these wireframes, gridded surfaces were produced to represent the roof and floor limits of limonite, saprolite & bedrock zones. 10m grids were set up and interpolation of the gridded points were using Inverse Distance Weighted Squared (IDW^2) methods.

These final gridded surfaces were then checked visually using sections to the contact of the drilling database to correct any over smoothing with the process. This visual check provided some small corrections to ensure the drilling intersected the surfaces with no interpretational errors.

6.3 ASSAY DATA AND COMPOSITING

Only assay data from the validated database from included holes (INCL) were extracted for use in the compositing process. Composite lengths of 1m were used, which correlates with the majority of the sample length records and within statistical ranges suggested by the variography modelling. Composites were split into 4 distinct zones;

- SOIL (SOIL)
- LIMONITE (LIM)
- ROCKY SAPROLITE (SAP)
- BEDROCK (BRK)

For each of the zones the following elements were composited from the assay table in the database as follows;

- Ni (%) – Nickel content from assay lab results
- Co (%) – Cobalt content from assay lab results
- Fe (%) – Iron content from assay lab results
- MgO (%) – Magnesium Oxide content from assay lab results
- SiO_2 (%) – Silica Oxide content from assay lab results
- Al_2O_3 (%) – Aluminum Oxide content from assay lab results
- CaO (%) – Calcium Oxide content from assay lab results
- Moisture Content (%) from assay lab results

Based on analysis of the downhole statistical data additional constraints were applied to Ni% content to impose a limit of no greater than 2.75% to avoid over-estimation of nickel content due to possible nugget effect. For this reason, all core sample measurements over 2.75% (Ni) were assigned a default value of 2.75% (Ni). Table 32 shows the influence of the applied Ni top cuts to final composites for each domain.

Table 32 Ni % top cut applied to composites by domain

Domain	Nickel top cut (Ni%)			total assay
	Cut applied	No. assay	No. cut%	
BETE_BETE	2.75	88	1.12%	7,854
BETE_SOUTH	2.75	3	0.05%	6,235
BETE_WEST	2.75	3	0.43%	691
CENTRAL_WEST	2.75	66	0.86%	7,693
CENTRAL_EAST	2.75	92	0.88%	10,424
APL	2.75	98	1.01%	9,658
TOTAL ADJUSTED ASSAY RECORDS		350	0.82%	42,555

In areas where Moisture content measurements were not available the domain default weighted average was applied to the corresponding composite zone. Table 33 summarizes the number of composite samples that were used to estimate the domain weighted moisture content.

Table 33 Moisture content records domain averages applied to composites

Domain	Moisture Content records using domain averages					
	SOIL	LIM	SAP	BRK	No.Assay	(%)
BETE_BETE	290	283	792	293	1,658	21.1%
BETE_SOUTH	90	89	220	70	469	7.5%
BETE_WEST	13	7	25	41	86	12.4%
CENTRAL_WEST	437	602	642	141	1,822	23.7%
CENTRAL_EAST	1,357	1,574	2,514	603	6,048	58.0%
APL	1,455	2,404	4,460	1,311	9,630	99.7%
total adjusted records	3,642	4,959	8,653	2,459	19,713	46.3%
	18.5%	25.2%	43.9%	12.5%		

Some of the historical data records supplied by Hengjaya did not contain a record for Al_2O_3%, where not available the domain default weighted average was applied to the corresponding composite zone. Table 34 summarizes the number of composite samples that were used to estimate the domain weighted Al_2O_3 content.

Table 34 Al_2O_3% records applied domain averages to composites

Domain	Al2O3% Content records using domain average					
	SOIL	LIM	SAP	BRK	No.Assay	(%)
BETE_BETE	0	0	0	0	0	0%
BETE_SOUTH	18	31	55	3	107	2%
BETE_WEST	0	0	0	0	0	0%
CENTRAL_WEST	362	446	512	95	1415	18%
CENTRAL_EAST	540	608	650	124	1922	18%
APL	49	44	190	83	366	4%
total adjusted records	969	1,129	1,407	305	3,810	19.3%
	25.4%	29.6%	36.9%	8.0%		

6.4 BULK DENSITY

Relative density was manually added to the composites based on the weighted average recorded for each zone within the corresponding domain (see Table 15). APL block was assumed to be similar in geological characteristics to Central East as they are located at the same area so the density was assumed to be the same as well.

6.5 BLOCK MODELING

A 3D block model was created covering the Mineral Resource area constrained using the final gridded surface models from the wireframing process to use as the base of volume estimation of the laterite zones of limonite and saprolite. A total of 2 block models were created as follows;

1. Master model covering Bete Bete and Central domains
2. Bete West model covering the Mine Infrastructure Area (MIA) sterilization

This division was done to reduce the size of the combined block model for practical use within computer processing capacity. Table 35 shows the block model dimensions and block sizes used during this process. The assumption of the block sizes was designed to match the composite sample lengths and practical mining bench dimensions for ongoing mine planning at the Hengjaya site.

Table 35 Block model dimensions

Block Model Summary - bmdl_hm_master_all_august2020_ok				Block Model Summary - bmdl_hm_mia_july2020			
BETE BETE & CENTRAL MODEL				BETE WEST (MIA) MODEL			
Type	Y	X	Z	Type	Y	X	Z
Minimum Coordinates	9,673,000	412,720	225	Minimum Coordinates	9,675,000	411,200	250
Maximum Coordinates	9,676,840	419,700	575	Maximum Coordinates	9,676,500	412,800	450
User Block Size	20	20	2	User Block Size	20	20	2
Min. Block Size	10	10	1	Min. Block Size	10	10	1
Rotation	-	-	-	Rotation	-	-	
Axis Length (m)	3,840	6,980	350	Axis Length (m)	1,500	1,600	200
Total Blocks	2,822,456			Total Blocks	167,274		
Storage Efficiency %	97			Storage Efficiency %	97		

Attribute Name	Type	Decimals	Background	Description
density	Real	2	-99	Insitu lab density measurement (wet s.g)
domain_id	Character	-	UNDEF	Resource Domain-ID BETE BETE / BETE SOUTH / CENTRAL WEST / CENTRAL EAST / APL
geology	Character	-	UNDEF	Limonite/ Saprolite = LATERITE
grade	Real	2	0	LIM/RSAP/BRK = 1
idw_al2o3	Real	2	-99	IDW interploated grades for Aluminium Oxide (Al2O3%)
idw_cao	Real	2	-99	IDW interploated grades for Calcium Oxide (CaO%)
idw_co	Real	2	-99	IDW interploated grades for Cobalt (Co%)
idw_fe	Real	2	-99	IDW interploated grades for Iron (Fe%)
idw_mgo	Real	2	-99	IDW interploated grades for Magnesium Oxide (MgO%)
idw_ni	Real	2	-99	IDW interploated grades for Nickel (Ni%)
idw_pass	Integer		0	IDW pass 0=Undefined, 1= Pass 1, 2= Pass 2, 3= Pass 3, 4= Pass 4
idw_sio2	Real	2	-99	IDW interploated grades for Silica (SiO2%)
lith_type	Character		UNDEF	Limonite - LIM / Saprolite - RSAP / Bedrock - BRK
material_class	Character		WASTE	Limonite - OVERBURDEN / Saprolite - ORE
moisture_content	Real	3	-99	Moisture content (%) of core sample
ni_keff	Real	2	-99	Ni Kriging Efficiency
ni_kvar	Real	3	-99	Ni Kriging Variance
ni_ok	Real	2	-99	Estimated Ni
ni_pass	Integer		0	Kriging Pass 0=Undefined, 1= Pass 1, 2= Pass 2, 3= Pass 3
res_class	Character		UNDEF	MEASURED / INDICATED / INFERRED

Constraints applied are all below the LiDAR topography surface and within the Resource boundary polygon limited to the edge of the domains and extent of the included drilling data. Further constraints to distinct laterite zones

- Limonite – above top of rocky saprolite
- Saprolite – below top of saprolite / Above top of bedrock
- Bedrock – above floor of bedrock / below top of bedrock

6.6 GRADE INTERPOLATION

For the purpose of this report, Ordinary Kriging (OK) algorithm was used in the grade interpolation for nickel grades for limonite and saprolite laterite zones. These surface constraints were applied as hard surface boundaries when estimating nickel in each domain.

In the absence of geostatistical analysis for other elements Inverse Distance Weighted Squared (IDW²) methods were used to estimate the model grade interpolation for other elements including; Co, Fe, MgO, SiO_2, Al_2O_3, CaO and Moisture Content. Population of the model used the same search ellipsoids and constrained passes as OK modelling for nickel.

The subsequent model validation process showed similar Ni to volume ratio between OK and IDW² results, so it is not expected the other elements interpolated are biased combining the 2 methods together.

In total three main passes were applied to both the OK and IDW² methods when interpolating the model grades, with increasing search ellipsoid distances between drilling, a fourth pass was completed to ensure all blocks within the model are given a grade within the Mineral Resource area. Table 36 shows the summary of the final model search ellipsoids applied to the Mineral Resource.

Table 36 Summary search ellipsoids applied to the model

Lithology zone by Domain	Limonite				Saprolite			
	CENTRAL EAST	CENTRAL WEST	BETE SOUTH	BETE BETE	CENTRAL EAST	CENTRAL WEST	BETE SOUTH	BETE BETE
Search Type	Ellipsoid				Ellipsoid			
Bearing	60	144	90	45	67.5	144	144	90
Plunge	0				0			
Dip	0				0			
Major-Semi Major Ratio	1.00	1.06	1.00	1.00	1.06	1.06	1.00	1.00
Major-Minor Ratio	11.57	20.50	16.01	22.35	9.15	24.76	17.17	6.36
Search Pass	**Pass 1**	**Pass 2**	**Pass3**	**Pass4**	**Pass 1**	**Pass 2**	**Pass3**	**Pass4**
Max Search Radius (m)	37.5	75	150	300	37.5	75	150	300
Max Vertical Search Distance (m)	2	2	2	1	2	2	2	1
Minimum Samples	3	3	2	2	3	3	2	2
Maximum Samples	15	15	15	15	15	15	15	15
Max. Samples per Hole	2	2	2	2	2	2	2	2
Block Discretisation	3 X by 3 Y by 2 Z				3 X by 3 Y by 2 Z			

Each of the domain search ellipsoids applied to Limonite and Saprolite layers both bearing and anisotropy factors were applied as recommended by the geostatistical study for the Kriging interpolation of nickel grades. However, based on the review of the suggested ranges and assessment of the regular drilling grid pattern, standard search radius (m) was applied to all blocks at; 37.5m, 75m, 150m, representing the angle distances between drilling grids of 25, 50 and 100 meters respectively. These passes were considered with reasonable tolerances to the geostatistical ranges (51m – 172m) and rechecked during the model validation process. Then they were used as a guide to the Resource categorization.

In the absence of individual geostatistical studies for APL & Bete West (MIA). Ellipsoids used for the Central East were applied to the APL domain as this is considered part of the same domain that showed similar geological characteristics and downhole statistics. Bete West applied the Bete Bete search ellipsoids, but no OK methods applied to Ni grades, only IDW^2 was used in this block model.

6.7 RESOURCE CLASSIFICATION STRATEGY

Determination of the Resource classes, were applied to the Mineral Resource with a digitized polygon boundary based on the spatial continuity of each geological domain around regular spaced drilling grids of 25, 50, 100, 200m from included (INCL) points of observation in the final validated database. Also taken into account was the GPR grid lines between the drilling locations increasing confidence in interpretation of the laterization contact surface between the points of observation in the model. Resources were classified as follows;

- **MEASURED** - Areas of 25-50m of drilling spacing on a continuous grid pattern, where significant influence from Pass 1 and 2 dominate the search ellipsoids, with no extrapolation from the last line of drilling

- **INDICATED -** Areas of 50-100m of drilling spacing on a continuous grid pattern, where significant influence from Pass 1, 2 and 3 dominate the search ellipsoids, with 50m extrapolation from the last line of drilling

- **INFERRED** - Areas of 100-200m of drilling spacing on a continuous grid pattern, where reasonable influence from Pass 1, 2 and 3 dominate the search ellipsoids, with 100m extrapolation from the last line of drilling, In some areas between holes greater than 200m the polygon was included into the Inferred category to allow for more practical polygon shape fit to the model area

Bete Bete and APL mine areas were given the Resource class **MINED OUT** as it is considered mining depletion has sterilized these areas. Figure 66 shows the polygons applied to the model to prepare the statement of Mineral Resource in this report.

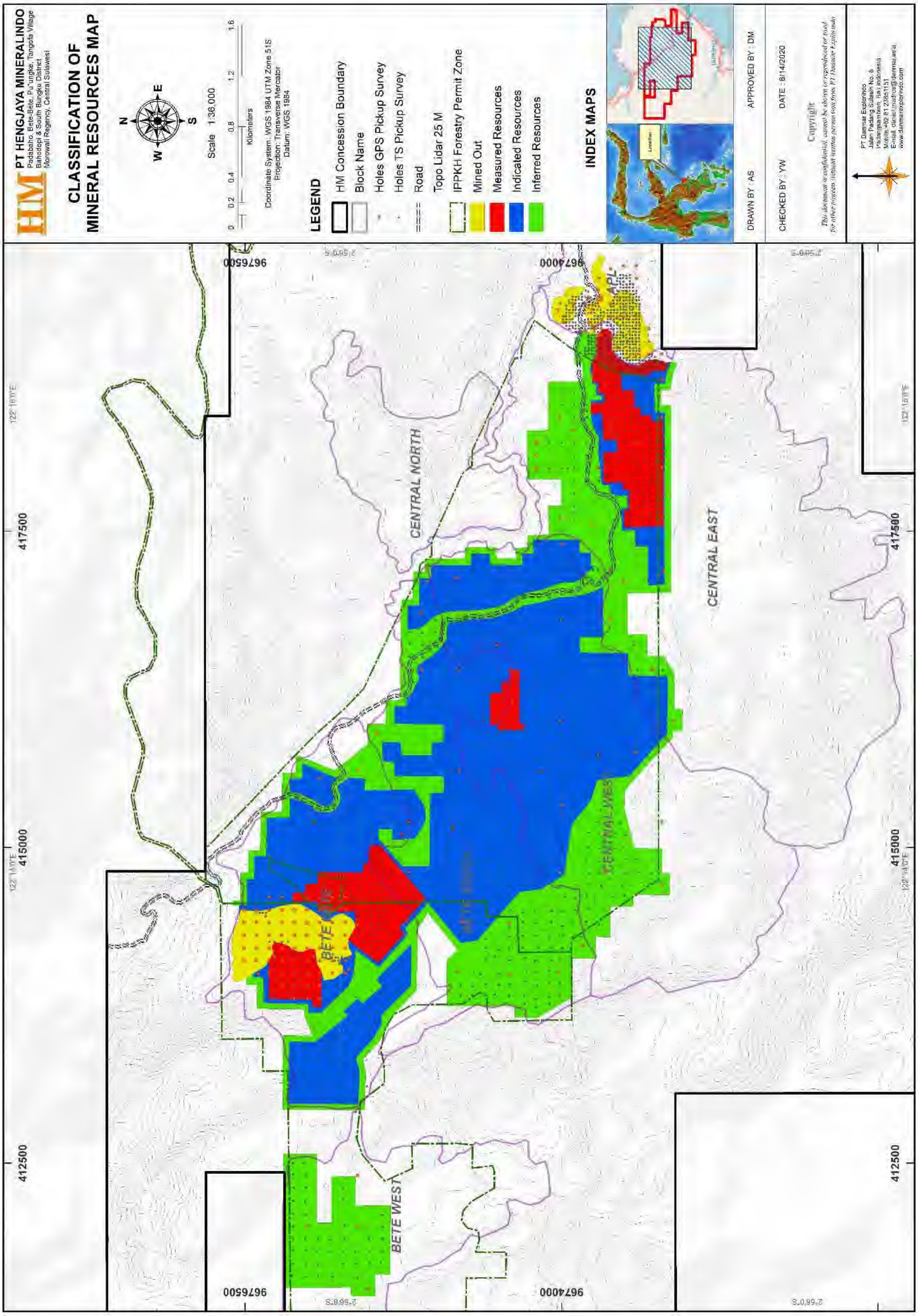

Figure 66 Resource classification boundaries

Table 37 shows the coverage area of influence of each assigned classification on the Mineral Resource within the model limits. The coverage areas (Ha) split by domain of the polygon boundaries are shown in Table 10 of this report.

Table 37 Coverage area of the Mineral Resource by classification

Mineral Resource Classification		
Classes Applied	Area (Ha)	Area (%)
MEASURED	121	8%
INDICATED	559	38%
INFERRED	453	31%
MINED OUT	97	7%
TOTAL CLASSES	1,230	84%
NOT CLASSED	241	16%
TOTAL MODEL AREA	1,471	

Another factor in selection of Resource polygon limits used for the Mineral Resource was a review of the geostatistical inputs and the weighting on each category. This was done by comparing the influence of each pass within the polygon boundaries. Table 38 shows the results of this validation process.

The results show that 90% of the blocks in Measured class are interpolated by Pass 1 & 2 and the Indicated class is approximately 90% interpolated by Passes 1, 2 and 3. These results give sufficient confidence in the polygon strategy respectively. The lowest class of Inferred still has majority portions of the first 3 passes with 30% of pass 4 which is considered acceptable in this selection. Figure 67 shows the Resource classification boundaries overlay with the pass map.

Table 38 Interpolation pass influence on Resource classification

Resource class	Interpolation pass	Ton (Dry)	Influence (%)
MEASURED	PASS 1	13.5	69%
	PASS 2	4.7	24%
	PASS 3	1.4	7%
	PASS 4	0.1	1%
TOTAL PORTION OF MINERAL RESOURCE		19.6	11%
INDICATED	PASS 1	17.0	16%
	PASS 2	46.0	42%
	PASS 3	33.0	30%
	PASS 4	12.6	12%
TOTAL PORTION OF MINERAL RESOURCE		108.6	59%
INFERRED	PASS 1	6.2	11%
	PASS 2	14.0	25%
	PASS 3	19.0	34%
	PASS 4	16.4	30%
TOTAL PORTION OF MINERAL RESOURCE		55.5	30%
ALL	PASS 1	36.6	20%
	PASS 2	64.7	35%
	PASS 3	53.4	29%
	PASS 4	29.1	16%
total Mineral Resource >0.80% Ni		183.8	Million Ton (Dry)

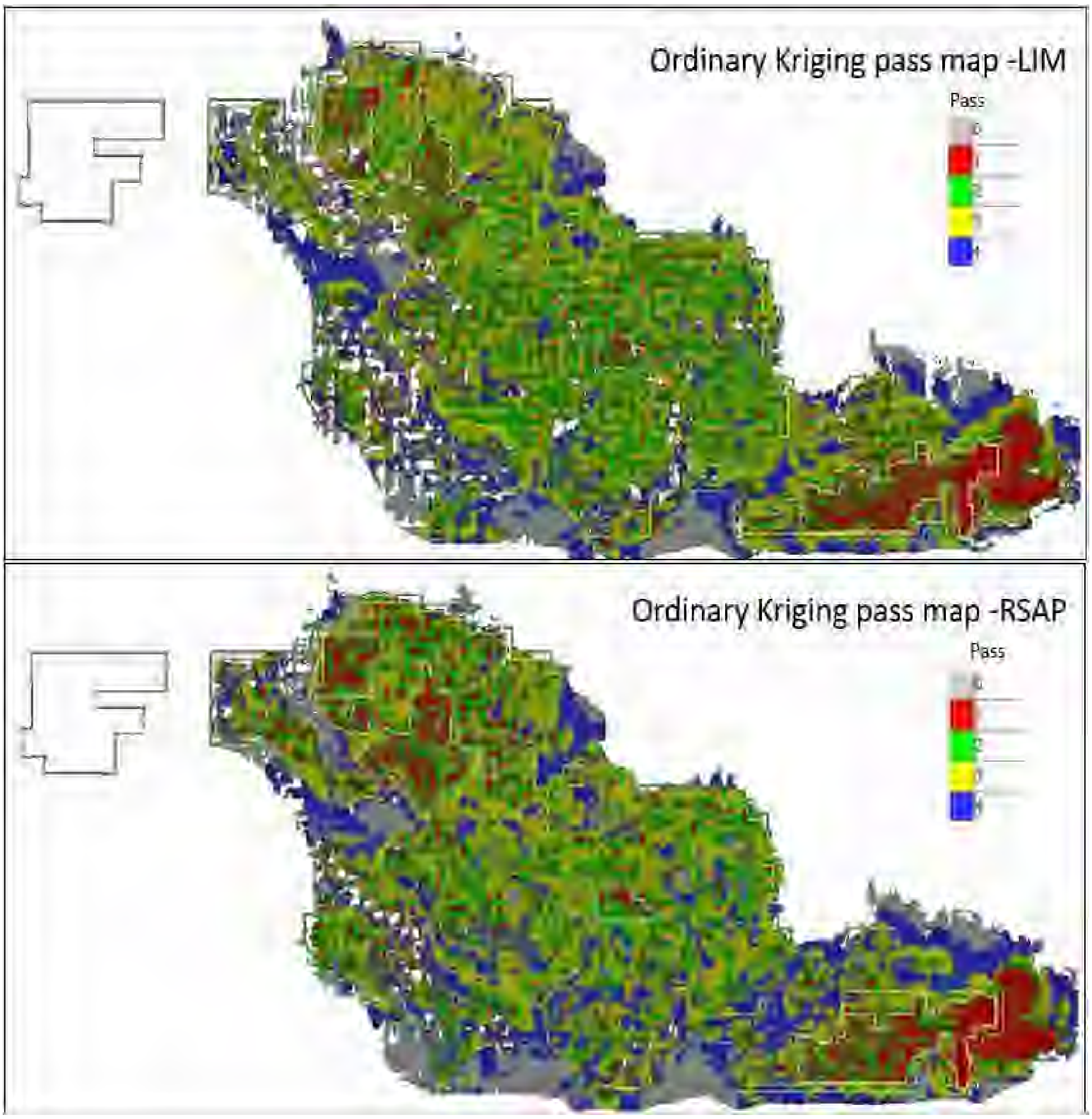

Figure 67 Resource classification boundaries overlay with pass map

6.8 MODEL VALIDATION

Final block model and interpolated grades were validated using several visual and statistical techniques to gain further confidence in the Mineral Resource estimates stated in this report.

Firstly, visual inspection of the block models in plan and sectional views to assess the grade interpolations performed conform with the lithological wireframes, surface models and drilling database. For each domain several sections were reviewed along drilling grid lines both in North-South and East-West directions. Additional sections at approximately 45 degree angle to these directions were also viewed. Figure 68 shows section examples for visual validation of the model. Figure 69 shows plan view of visual validation of the model for each lithology layer

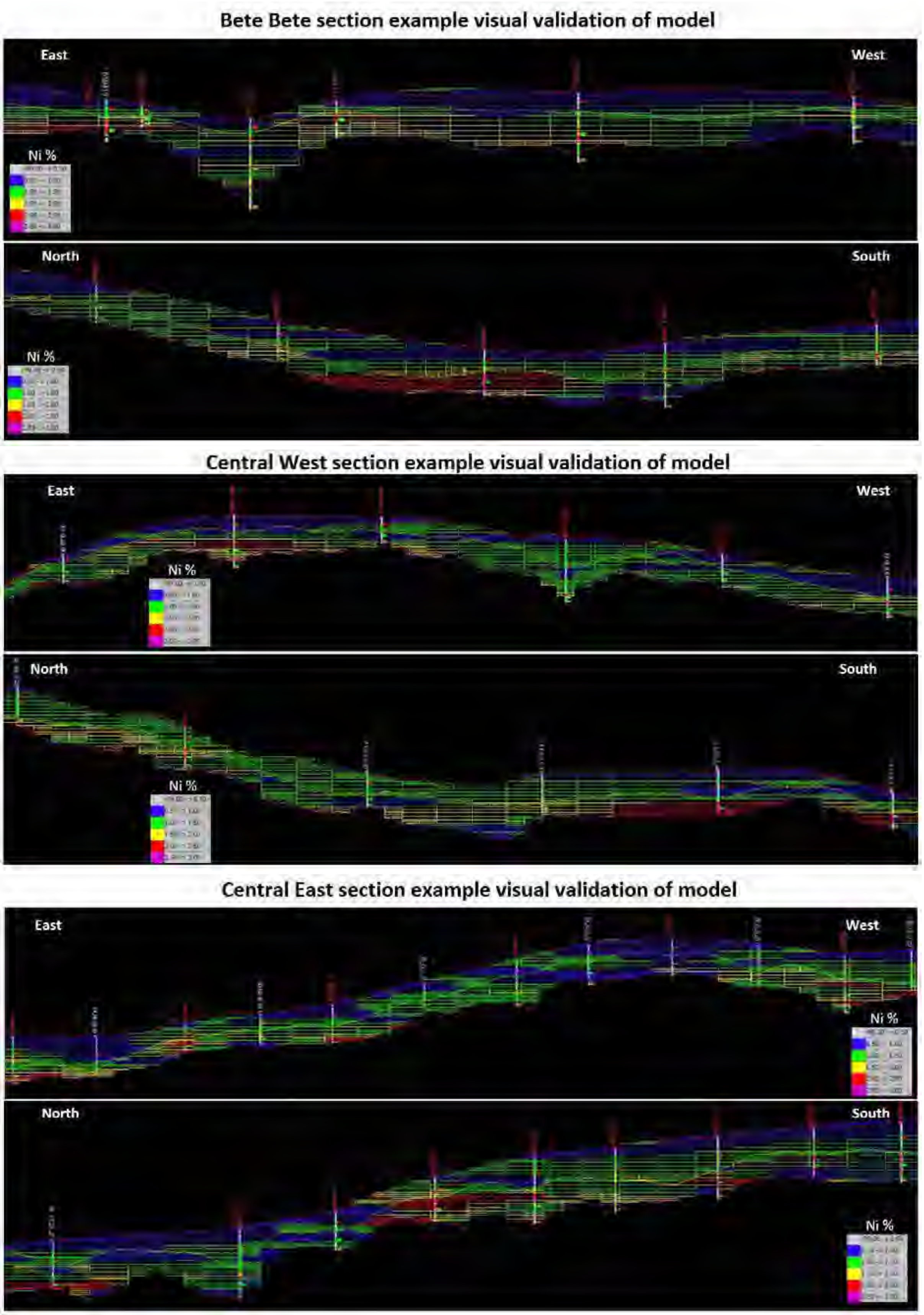

Figure 68 section examples of visual validation of the model

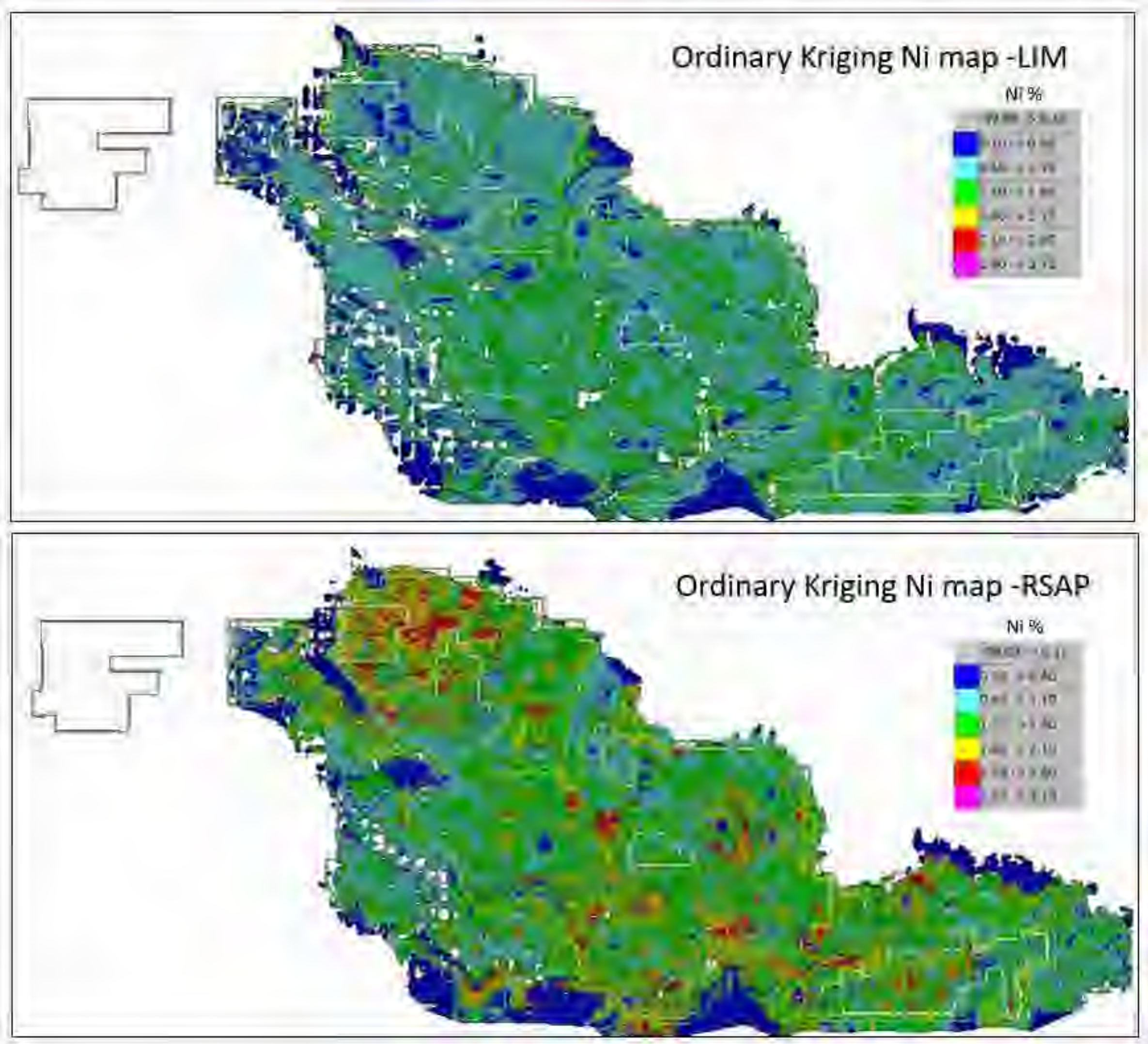

Figure 69 plan view of the visual validation of the model

Further statistical validation of the Nickel Resource estimate was completed by comparing global averages of the sample composites against the block model global averages. Both sample sets show very little difference between average grade values for nickel, cobalt and iron and within the standard deviation of the mean. Table 39 shows the sample populations for composites and assigned block within the model and average grades for nickel, cobalt and iron.

Table 39 Composite v block model statistical validation

DOMAIN-ID	LITHOLOGY TYPE	MEAN GRADE COMPOSITE				MEAN BLOCK MODEL			
		sample	Ni (%)	Co (%)	Fe (%)	sample	Ni (%)	Co (%)	Fe (%)
CENTRAL EAST	[illegible]	4,909	1.04	0.10	41.59	193,440	1.06	0.10	43.39
	SAPROLITE	4,358	1.31	0.03	11.65	208,860	1.43	0.04	14.36
CENTRAL WEST	[illegible]	3,988	1.13	0.12	45.17	304,030	1.11	0.12	45.30
	SAPROLITE	2,952	1.48	0.04	14.70	342,008	1.47	0.04	15.41
BETE SOUTH	[illegible]	2,877	1.04	0.12	43.86	249,907	1.04	0.11	43.00
	SAPROLITE	2,524	1.14	0.04	15.85	262,948	1.18	0.04	16.34
BETE BETE	[illegible]	2,758	0.98	0.13	46.82	144,365	0.96	0.12	46.26
	SAPROLITE	3,518	1.50	0.03	13.57	176,780	1.49	0.04	14.13
BETE WEST	[illegible]	292	0.93	0.11	42.03	29,680	0.89	0.11	42.57
	SAPROLITE	249	1.35	0.04	16.22	42,595	1.35	0.04	17.38
APL	[illegible]	3,859	0.98	0.11	36.59	5,045	0.98	0.12	37.95
	SAPROLITE	4,460	1.15	0.03	12.56	5,756	1.28	0.03	12.47

Swath plots were used as a final model validation tool to provide comparisons between sample composites and estimated block model values. This process identifies any bias towards under-estimation or overestimation or any smoothing in the results.

Figure 70 shows the Swath plots created to check the review of these plots show good correlation of the 1m down hole drilling composites selected for the interpolation process against the assigned block grades in the model.

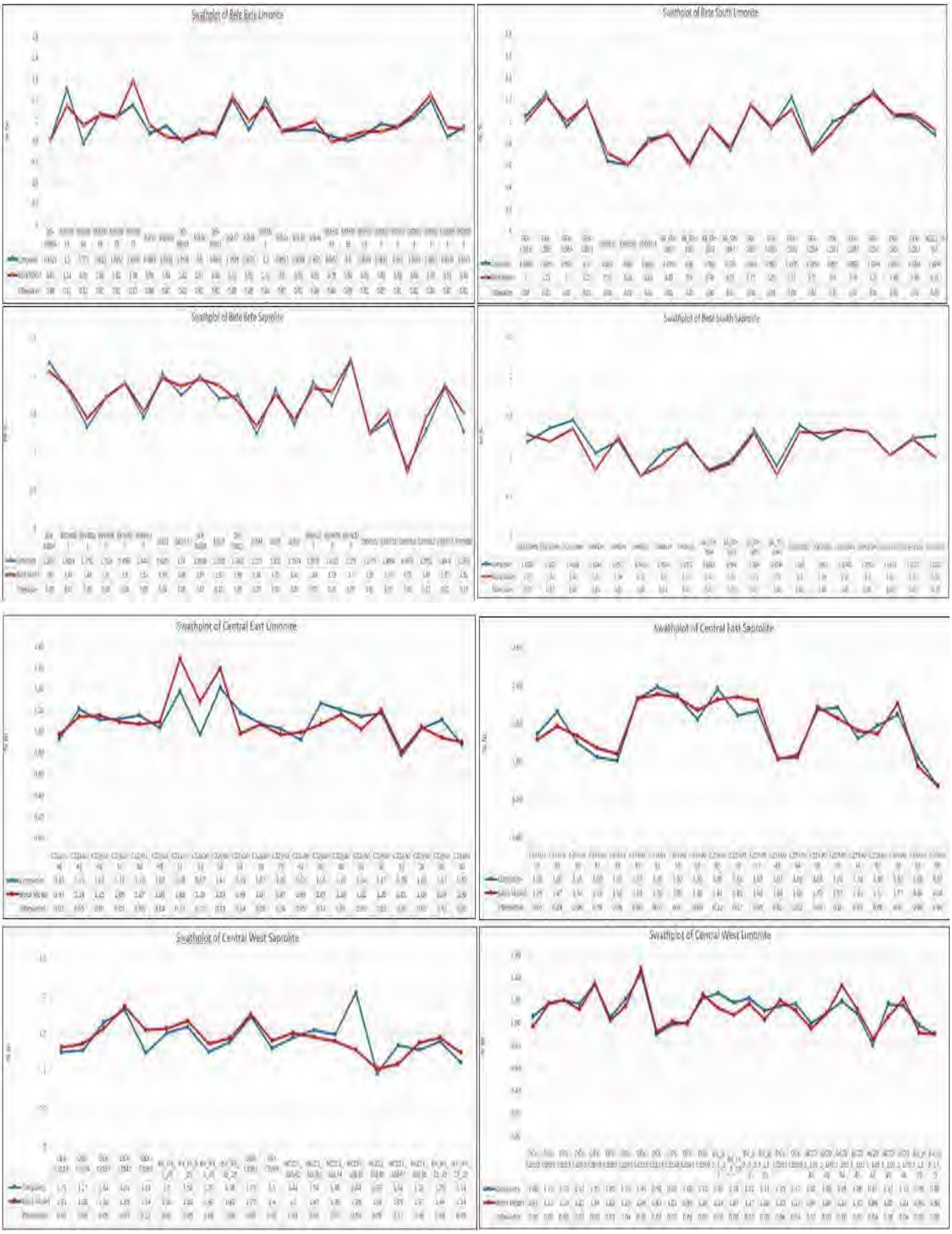

Figure 70 Swath plot for model nickel grade validation by domain & lithology

6.9 RECONCILIATION OF PREDICTED GRADES WITH MINING

Mining first commenced in the Hengjaya concession in October 2012, until end of 2013, when the Indonesia government banned the export of unprocessed ore materials. Most of this material produced during this initial phase was from APL & Bete Bete domains, being direct shipped ore (DSO) to China. Shipping records show approximately 328,000Wmt at an average grade 1.97% Nickel content was sold in 7 shipments.

No production was recorded from Jan 2014 to June 2015 when direct shipment of nickel ore was banned by the Indonesian Government. Since then Hengjaya recommenced production for monthly domestic supply to the nearby Indonesia Morowali Industrial Park (IMIP). All of this nickel ore production was from the Bete Bete domain, until March 2020 when mining moved to the new area of Central East domain. During this second phase of production approximately 2,000,000 wmt at an average grade of 1.96% nickel content was sold. Table 40 shows a summary of ore production by year. Figure 71 shows the monthly production history.

Table 40 Life of Mine yearly production history

Year	Month	OB (WMT)	Ore Production (WMT)	Stripping Ratio	Ni (%)	Fe (%)
2012	Jan - Dec (APL)	394,970	44,770	8.82	2.01	15.00
2013	Jan - Jun (APL)	394,422	43,766	9.01	1.85	15.00
2013	Jul - Dec (BB)	406,779	299,901	1.36	1.98	18.86
2014	No Production due to export ban	0	0	-	-	-
2015	June-Dec (BB)	50,579	12,735	3.97	2.05	18.86
2016	Jan-Dec (BB)	217,600	377,020	0.58	2.05	18.86
2017	Jan-Dec (BB)	517,367	399,907	1.29	2.14	18.58
2018	Jan-Dec (BB)	603,878	374,346	1.61	2.03	20.33
2019	Jan-Dec (BB)	1,097,669	630,350	1.74	1.82	20.88
2020	Jan-Apr (BB)	195,041	150,846	1.29	1.79	19.59
2020	Mar-June (CENTRAL)	339,553	56,188	6.04	1.76	17.62
Total Production from HENGJAYA		**4,217,857**	**2,389,829**	**1.76**	**1.96**	**19.45**

* Ni Grade Based on Barge data
* 30 June 2020 MTD
* Ob removal Based on Truck Count
* Ore Production Based on Weight Bridge

Figure 71 monthly production history from the Hengjaya mine

Since mid-2019, the Hengjaya mine plan has commenced in pit stockpiling of Limonite ore (HGL, LGL) with Fe > 30%, Co >0.1%, Mg0 < 5%, to be used for planned future ore sales to IMIP once the HPAL processing facility is completed. These volumes have not yet been added to the production records under Ore.

A simple life of mine production reconciliation was performed on the mining survey surfaces for APL, Bete Bete and Central East Pits. This process was conducted against the new model (OK) to check the predicted outcomes. Overall the results show good correlation between mining records for Ore (High grade saprolite) and Overburden (waste) over all pit areas.

The first comparison against the insitu model (100% recovery) was completed to assess the actual mining losses. This helps indicate what mining dilutions can be expected. Both APL & Bete Bete show more than 70% recovery of the high grade Saprolite Ore produced from the new model predictions.

A second comparison is using the applied recovery factors from the Hengjaya mine planning department applied to respective pit areas in the past to produce a predicted internal mine reserve, production scheduling and medium-term planning. These results for APL & Bete Bete show good reconciliation of the mining recoveries of more than 90% against the new model adjusted for mining (diluted).

Table 41 shows the mine production against the new model predictions for Bete Bete, Figure 72 shows the current mine survey situation of the Pit area in Bete Bete, where mining was suspended in April 2020 and expected to reopen in September 2020.

Photo 25 shows drone image taken of the Bete Bete mine operation during 2019

Photo 26 shows the Bete Bete mine operation in September 2019

Table 41 Bete Bete mine production reconciliation v new model prediction

Year	Month	OB (wmt)	Ore Production (wmt)	Stripping Ratio	Ni (%)	Fe (%)
2013	Jul-Dec	406,779	290,901	1.36	1.98	18.86
2014	No Production due to export ban	-	-	-	-	-
2015	June-Dec	50,579	12,735	3.97	2.05	18.86
2016	Jan-Dec	217,600	377,020	0.58	2.05	18.86
2017	Jan-Dec	517,367	431,344	1.20	2.14	18.58
2018	Jan-Dec	603,876	374,346	1.61	2.10	21.39
2019	Jan-Dec	1,097,659	630,350	1.74	1.82	20.88
2020	Jan-Apr	193,041	150,846	1.29	1.79	19.59
Total Production from Bete Bete		3,088,912	2,276,542	1.36	1.99	19.53
Total Predicted from insitu model		3,307,276	3,060,153	1.08	2.01	15.15
Variance Insitu Model		(218,363)	(783,611)	0.28	(0.03)	4.68
Variance %		93%	74%	126%	98%	131%
Total Predicted from 80% Diluted model		3,551,102	2,532,343	1.40	2.03	16.85
Variance 80% Diluted Model		(462,189)	(255,802)	(0.05)	(0.05)	2.98
Variance %		87%	90%	97%	98%	118%

Ni Grade Based on Barge data
OB removal Based on Truck Count
Ore Production Based on Weight Bridge
Ore grade cutoff applied ≥ 1.7% Ni for ETO acceptance
EoM surface 20 Apr 2020 MTD
Ore recovery 80% Ni for mine reserve

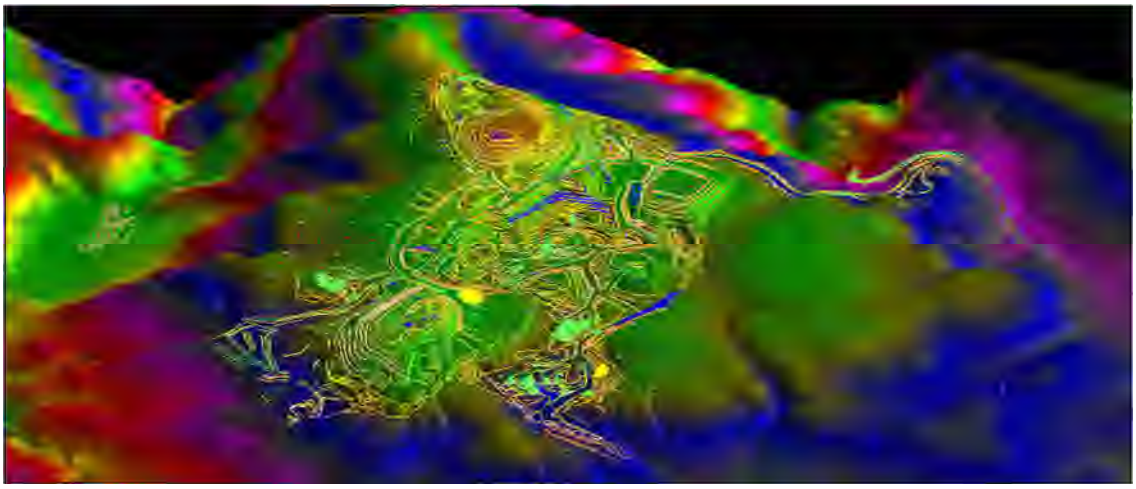

Figure 72 Bete Bete Mine situation – 20 April 2020

Photo 25 Drone Image of Bete Bete Pit in operation 2019 (Source; Hengjaya)

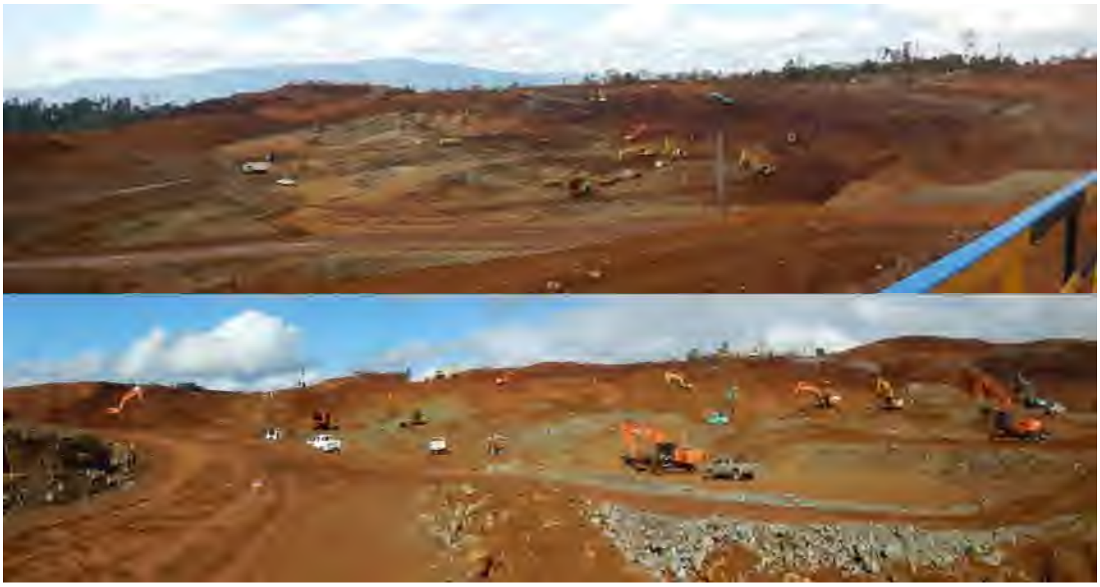

Photo 26 Bete Bete Pit in operation September, 2019

Table 42 shows the mine production against the new model predictions for APL. Figure 75 shows the current mine survey situation of the Pit area in APL. This mine area has been closed indefinitely and is now rehabilitated to comply with environmental requirements. Photo 27 shows mining operations at APL in Pit B1, 2013.

Table 42 APL mine production reconciliation v New model prediction

Year	Month	OB (WMT)	Ore Production (WMT)	Stripping Ratio	Ni (%)	Fe (%)
2012	Jan - Dec (APL)	394,970	44,770	8.82	2.01	15.00
2013	Jan - Jun (APL)	394,422	43,766	9.01	1.85	15.00
2014	No Production due to export ban	-	-	-	-	-
Total Production from APL		789,392	88,536	8.92	1.93	15.00
Total Predicted from insitu model		860,940	124,292	6.93	2.03	12.99
Variance insitu Model		(71,548)	(35,756)	1.99	(0.10)	2.01
Variance %		92%	71%	129%	95%	116%
Total Predicted from 70% Diluted model		811,288	95,143	8.53	1.97	13.82
Variance 70% Diluted Model		(21,896)	(6,607)	0.39	(0.04)	1.18
Variance %		97%	93%	105%	98%	109%

* Ni Grade Based on Barge data
* OB removal Based on Truck Count
*Ore Production Based on Weight Bridge
*Ore grade cutoff applied = 1.7% Ni for ETO acceptance
*EoM surface july 2013 MTB
*Ore recovery 70% Ni for mine reserve

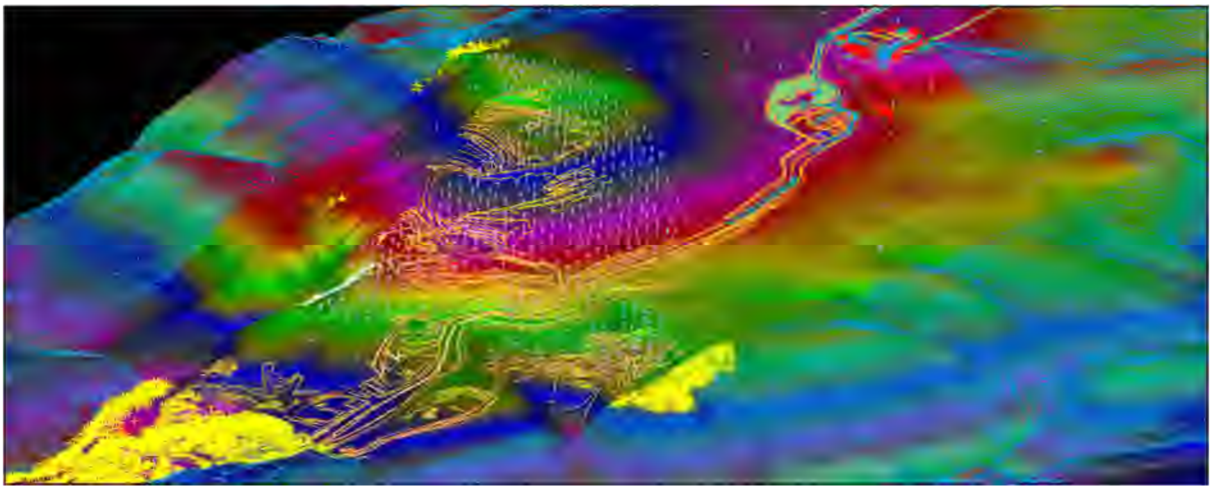

Figure 73 APL Mine situation – 20 April 2020

Photo 27 mining operations APL in Pit B1, 2013 (Source; Hengjaya)

A more detailed mine reconciliation was possible in the Central East mine area as the production records are more complete. Although some larger variances are shown these are considered acceptable as the produced volumes are still small and expected to improve once volumes increase as mining ramps up. It is also noted from recent site visits to assist the mine planning team that the majority of the last few months has been pit development (pre-stripping overburden) and most of the high grade saprolite Ore recovered was diluted due to the transitional contact between Limonite to Saprolite. Table 43 shows the mine production against the new model predictions for Central East. Figure 74 shows the current mine survey situation of the Pit area in Central East.

Figure 75 shows graph of Central East mine production v new model compliance. These early reconciliations show good correlation of the predicted resource curve against the mining ores recovered along a similar curve of the graph

Photo 28 shows pre-stripping at Central East Pit in May 2020. Photo 29 Central East Pit in June 2020.

Table 43 Central East mine production reconciliation v new model (OK) prediction

Production Period (Month)	OVERBURDEN (BCM)		Total WASTE	EFO Ore Production (t)				Total ORE	Total ORE + WASTE	S R
	WASTE	LIM		SSO	LGSO	MGSO	HGSO			
Mar-20	25,358	-	25,358	-	-	-	-	-		0.00
Apr-20	72,954	8,429	81,383	554	6,659	1,185	-	10,398	91,781	8.83
May-20	70,656	50,183	120,839	1,131	11,220	1,883	7,161	21,395	142,233	6.65
Jun-20	18,899	36,887	55,785	2,372	13,216	3,949	4,858	24,396	80,181	3.29
TOTAL	**187,867**	**95,498**	**283,365**	**4,056**	**33,095**	**7,017**	**12,019**	**56,188**	**339,553**	**5.04**
Insitu Resource (100% ore reccovery)										
Model prediction (t)	132,313	127,629	259,942	25,605	48,769	11,242	9,185	94,901	354,843	3.74
Model Compliance (%)	142%	75%	109%	16%	68%	62%	131%	59%	96%	
HM mine reserve (80% ore reccovery)										
Model prediction (t)	132,313	127,629	259,942	20,484	39,015	9,074	7,348	75,921	335,863	4.42
Model Compliance (%)	0%	0%	0%	20%	85%	77%	164%	74%	101%	

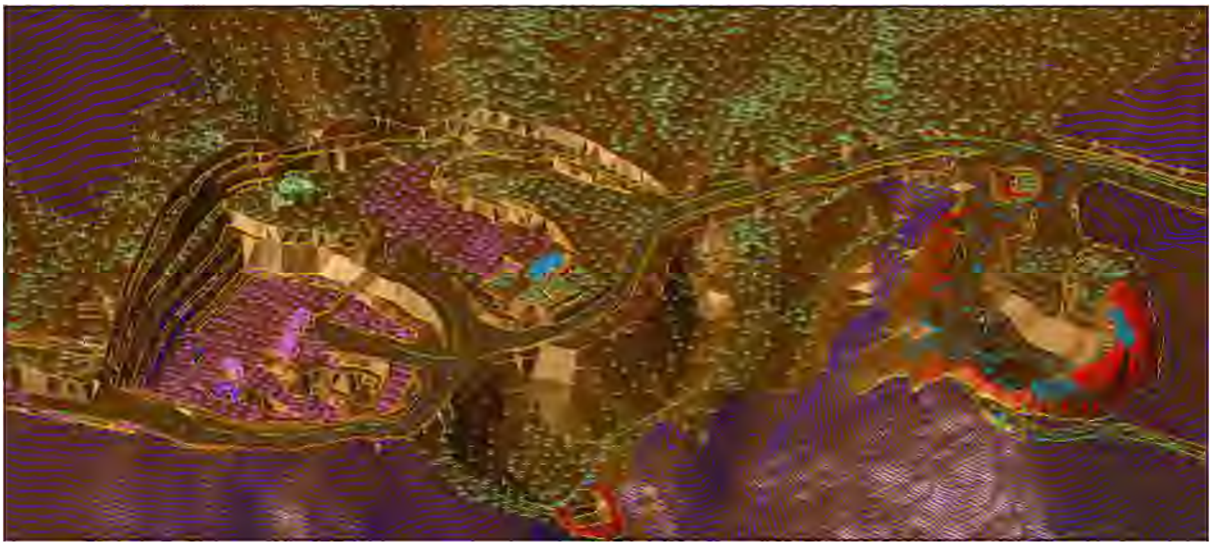

Figure 74 Central East pit situation – 30 June 2020

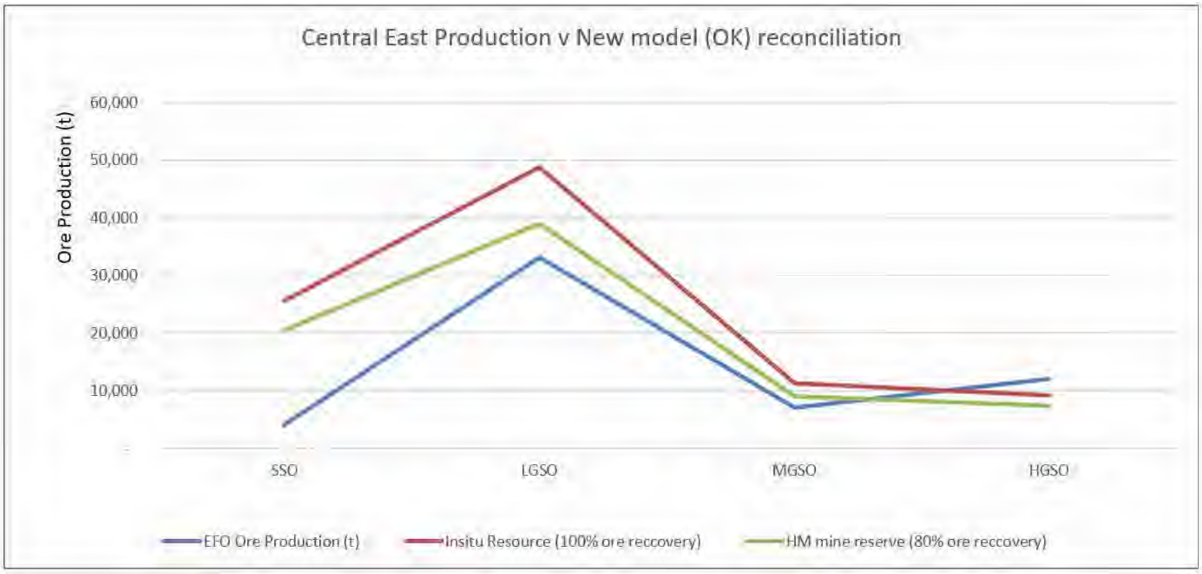

Figure 75 Central East mine production v new model compliance

Photo 28 Pre-stripping Central East pit May 2020

Photo 29 Central East pit June 2020

6.10 MINERAL RESOURCE STATEMENT

The Mineral Resource estimate for laterite nickel for PT Hengjaya Mineralindo, dated 30 June 2020, has been prepared.

It is considered, by the competent persons, that methodologies applied in the estimation process are appropriate for this deposit type.

All results are represented as remaining volumes with mining depletion excluded up to 30th June 2020 and presented as millions of dry tons. A rounding of the Resource estimate numbers has been applied to reflect the level of accuracy of the Mineral Resource estimate.

Hengjaya Mineralindo (HM) currently has offtake agreements to supply ore for two RKEF plants owned by Hengjaya Nickel (HNI) and Ranger Nickel (RNI). Both RKEF plants are located 12 kms from the mine site at the Indonesian Morowali Industrial Park (IMIP). Both RKEF companies and plants are 80% owned by HM's parent company "Nickel Mines Australia". Since early 2019 both RKEF plants have been running at design capacity, each plant consuming approximately 1.5 million tons of nickel ore per year. Memorandum of Understanding have also been signed to supply Limonite to a future HPAL (high pressure acid leach) plan currently under construction. This ensures the eventual economic extraction of the Mineral Resource estimated in this report.

Photo 30 shows a drone image of the IMIP facility in 2019

Photo 30 Drone image of IMIP facility 2019 (Source; NML website)

Table 43 below shows the Nickel Mineral Resource Estimate with cutoff >0.80% Ni content. Table 44 shows the global Mineral Resource shown at various other Ni cutoffs. Figure 76 shows the global Mineral Resource tonnage v Ni% grade curve relationship.

Table 44 Hengjaya Nickel Mineral Resource Statement

> 0.80% Ni CUT OFF APPLIED TO GLOBAL RESOURCE ESTIMATE (Ni OK)

	LIMONITE	XRF (DRY ANALYSIS)			SAPROLITE	XRF (DRY ANALYSIS)		
MEASURED RESOURCE BY BLOCK	Million ton (Dry)	Ni (%)	Co (%)	Fe (%)	Million ton (Dry)	Ni (%)	Co (%)	Fe (%)
CENTRAL EAST	4.8	1.14	0.12	43.27	5.7	1.45	0.04	14.80
CENTRAL WEST	0.7	1.13	0.12	46.07	0.7	1.43	0.03	15.13
BETE SOUTH	0.7	1.06	0.13	43.99	0.9	1.12	0.03	15.71
BETE BETE	2.5	1.11	0.16	47.62	3.8	1.58	0.04	13.92
BETE WEST	-	-	-	-	-	-	-	-
SUB TOTAL MEASURED	**8.7**	**1.12**	**0.13**	**44.80**	**11.0**	**1.47**	**0.04**	**14.59**
TOTAL MEASURED	**20**	**1.32**	**0.08**	**27.93**				

	LIMONITE	XRF (DRY ANALYSIS)			SAPROLITE	XRF (DRY ANALYSIS)		
INDICATED RESOURCE BY BLOCK	Million ton (Dry)	Ni (%)	Co (%)	Fe (%)	Million ton (Dry)	Ni (%)	Co (%)	Fe (%)
CENTRAL EAST	2.7	1.14	0.10	43.88	3.4	1.43	0.04	14.53
CENTRAL WEST	24.7	1.15	0.12	45.33	28.8	1.51	0.04	15.71
BETE SOUTH	16.1	1.13	0.12	43.43	17.8	1.25	0.04	17.26
BETE BETE	6.4	1.06	0.12	46.09	8.7	1.46	0.03	14.54
BETE WEST	-	-	-	-	-	-	-	-
SUB TOTAL INDICATED	**49.9**	**1.13**	**0.12**	**44.74**	**58.7**	**1.42**	**0.04**	**15.94**
TOTAL INDICATED	**109**	**1.29**	**0.08**	**29.17**				

	LIMONITE	XRF (DRY ANALYSIS)			SAPROLITE	XRF (DRY ANALYSIS)		
INFERRED RESOURCE BY BLOCK	Million ton (Dry)	Ni (%)	Co (%)	Fe (%)	Million ton (Dry)	Ni (%)	Co (%)	Fe (%)
CENTRAL EAST	9.7	1.14	0.10	43.70	12.6	1.51	0.04	14.29
CENTRAL WEST	5.1	1.16	0.14	44.89	6.3	1.43	0.04	14.58
BETE SOUTH	5.3	1.07	0.12	41.82	7.4	1.20	0.03	15.27
BETE BETE	1.2	1.07	0.12	44.36	1.8	1.29	0.03	13.48
BETE WEST	2.2	1.03	0.12	44.32	3.9	1.40	0.04	17.46
SUB TOTAL INFERRED	**23.5**	**1.11**	**0.12**	**43.63**	**32.0**	**1.40**	**0.04**	**14.92**
TOTAL INFERRED	**56**	**1.28**	**0.07**	**27.07**				

	LIMONITE	XRF (DRY ANALYSIS)			SAPROLITE	XRF (DRY ANALYSIS)		
TOTAL COMBINED RESOURCE BY BLOCK	Million ton (Dry)	Ni (%)	Co (%)	Fe (%)	Million ton (Dry)	Ni (%)	Co (%)	Fe (%)
CENTRAL EAST	17.2	1.14	0.11	43.61	21.6	1.48	0.04	14.46
CENTRAL WEST	30.5	1.15	0.12	45.27	35.8	1.49	0.04	15.50
BETE SOUTH	22.1	1.11	0.12	43.06	26.1	1.23	0.04	16.64
BETE BETE	10.1	1.07	0.13	46.27	14.3	1.47	0.03	14.24
BETE WEST	2.2	1.03	0.12	44.32	3.9	1.40	0.04	17.46
GRAND TOTAL RESOURCE	**82.1**	**1.13**	**0.12**	**44.43**	**101.7**	**1.42**	**0.04**	**15.47**
TOTAL Resource > 0.8% Ni	**185**	**1.29**	**0.07**	**28.41**				

Table 45 Mineral Resource shown at various cutoffs

LIMONITE - GLOBAL MINERAL RESOURCE ESTIMATE (OK 4 pass)													
GRADE CUT-OFF RANGE	MINERAL RESOURCE		XRF (DRY ANALYSIS)								Moisture Content (%)	Relative Density (sg Wet)	METAL CONTENT EQUIVALENT (Ni)
	MILLION TONNES (Wet)	MILLION TONNES (DRY)	Ni %	Co %	Fe %	Mg0 %	Si02 %	SM Ratio	Al203 %	Ca0 %			
>0.8	135.5	82.1	1.13	0.12	44.41	1.74	8.21	4.72	10.64	0.08	39.51	1.83	927,080
>0.9	117.0	70.1	1.17	0.12	44.42	1.78	8.33	4.68	10.42	0.08	40.12	1.81	821,021
>1.0	93.4	55.3	1.23	0.13	44.42	1.85	8.46	4.56	10.15	0.08	40.85	1.80	677,584
>1.1	67.7	39.6	1.29	0.13	44.36	1.96	8.69	4.43	9.84	0.08	41.59	1.79	511,067
>1.2	44.6	25.7	1.36	0.14	44.29	2.10	9.00	4.29	9.46	0.09	42.33	1.78	350,441
>1.3	26.3	15.0	1.44	0.15	44.12	2.29	9.41	4.10	9.08	0.10	42.88	1.77	216,605
>1.4	13.2	7.5	1.53	0.15	43.36	2.64	10.50	3.98	8.59	0.11	43.31	1.77	114,542
>1.5	6.0	3.4	1.63	0.15	42.49	3.17	11.59	3.66	8.11	0.14	43.75	1.76	55,074
>1.6	2.8	1.6	1.74	0.16	41.48	3.74	13.04	3.49	7.65	0.16	44.08	1.76	27,250
>1.7	1.4	0.8	1.83	0.16	40.74	4.12	13.93	3.38	7.45	0.16	44.53	1.76	14,084
>1.8	0.6	0.3	1.94	0.16	39.26	4.40	15.19	3.45	7.34	0.17	45.54	1.75	6,338
>1.9	0.3	0.2	2.03	0.15	37.74	4.73	16.63	3.52	7.53	0.16	45.70	1.74	3,575
>2.0	0.1	0.1	2.13	0.15	35.92	5.72	18.36	3.21	7.07	0.18	45.75	1.74	1,694

SAPROLITE - GLOBAL MINERAL RESOURCE ESTIMATE (OK 4 pass)													
GRADE CUT-OFF RANGE	MINERAL RESOURCE		XRF (DRY ANALYSIS)								Moisture Content (%)	Relative Density (sg Wet)	METAL CONTENT EQUIVALENT (Ni)
	MILLION TONNES (Wet)	MILLION TONNES (DRY)	Ni %	Co %	Fe %	Mg0 %	Si02 %	SM Ratio	Al203 %	Ca0 %			
>0.8	149.6	101.7	1.42	0.04	15.40	21.10	37.69	1.79	3.70	0.85	31.87	1.59	1,442,379
>0.9	142.6	96.7	1.45	0.04	15.50	21.05	37.59	1.79	3.69	0.84	32.06	1.59	1,398,271
>1.0	130.9	88.5	1.49	0.04	15.63	21.05	37.43	1.78	3.66	0.80	32.30	1.59	1,319,048
>1.1	116.3	78.3	1.54	0.04	15.81	21.03	37.23	1.77	3.62	0.77	32.55	1.59	1,209,170
>1.2	100.8	67.6	1.60	0.04	15.92	21.07	37.11	1.76	3.56	0.72	32.83	1.59	1,084,648
>1.3	84.6	56.4	1.67	0.04	16.03	21.07	37.02	1.76	3.46	0.67	33.17	1.59	942,998
>1.4	69.0	45.8	1.75	0.05	16.05	21.14	37.08	1.75	3.34	0.63	33.43	1.59	799,478
>1.5	54.5	36.1	1.82	0.05	16.04	21.21	37.19	1.75	3.18	0.58	33.65	1.59	657,626
>1.6	42.5	28.0	1.90	0.05	15.97	21.36	37.41	1.75	3.04	0.54	33.94	1.59	531,813
>1.7	32.3	21.2	1.98	0.05	15.83	21.60	37.65	1.74	2.87	0.50	34.16	1.58	419,298
>1.8	23.6	15.5	2.06	0.05	15.54	22.02	37.85	1.72	2.70	0.46	34.07	1.58	320,773
>1.9	17.1	11.3	2.14	0.06	15.48	22.16	37.88	1.71	2.64	0.45	34.03	1.58	241,782
>2.0	12.3	8.1	2.22	0.06	15.23	22.59	38.04	1.68	2.50	0.41	33.72	1.58	180,450

LIMONITE & SAPROLITE - COMBINED GLOBAL MINERAL RESOURCE ESTIMATE (OK 4 pass)													
GRADE CUT-OFF RANGE	MINERAL RESOURCE		XRF (DRY ANALYSIS)								Moisture Content (%)	Relative Density (sg Wet)	METAL CONTENT EQUIVALENT (Ni)
	MILLION TONNES (Wet)	MILLION TONNES (DRY)	Ni %	Co %	Fe %	Mg0 %	Si02 %	SM Ratio	Al203 %	Ca0 %			
>0.8	285.1	183.8	1.28	0.08	29.19	11.90	23.68	1.99	7.00	0.48	35.50	1.70	2,354,244
>0.9	259.6	166.8	1.32	0.08	28.53	12.37	24.41	1.97	6.72	0.49	35.69	1.69	2,205,410
>1.0	224.3	143.8	1.38	0.08	27.62	13.06	25.37	1.94	6.36	0.50	35.86	1.68	1,984,524
>1.1	184.1	117.9	1.45	0.08	26.31	14.01	26.73	1.91	5.91	0.51	35.88	1.66	1,710,631
>1.2	145.4	93.3	1.53	0.07	24.61	15.25	28.49	1.87	5.37	0.53	35.74	1.65	1,428,112
>1.3	110.9	71.4	1.62	0.07	22.69	16.62	30.47	1.83	4.79	0.54	35.48	1.63	1,155,190
>1.4	82.2	53.3	1.71	0.06	20.43	18.17	32.82	1.81	4.18	0.54	35.01	1.62	911,764
>1.5	60.5	39.4	1.80	0.06	18.66	19.42	34.66	1.78	3.67	0.54	34.65	1.60	711,691
>1.6	45.3	29.5	1.89	0.06	17.55	20.27	35.90	1.77	3.32	0.52	34.57	1.60	558,633
>1.7	33.6	22.0	1.97	0.06	16.86	20.88	36.68	1.76	3.06	0.49	34.59	1.59	433,186
>1.8	24.2	15.9	2.06	0.06	16.12	21.58	37.29	1.73	2.82	0.46	34.35	1.59	327,033
>1.9	17.5	11.5	2.14	0.06	15.89	21.84	37.49	1.72	2.74	0.44	34.24	1.59	245,317
>2.0	12.4	8.2	2.22	0.06	15.47	22.39	37.80	1.69	2.56	0.41	33.86	1.59	182,129

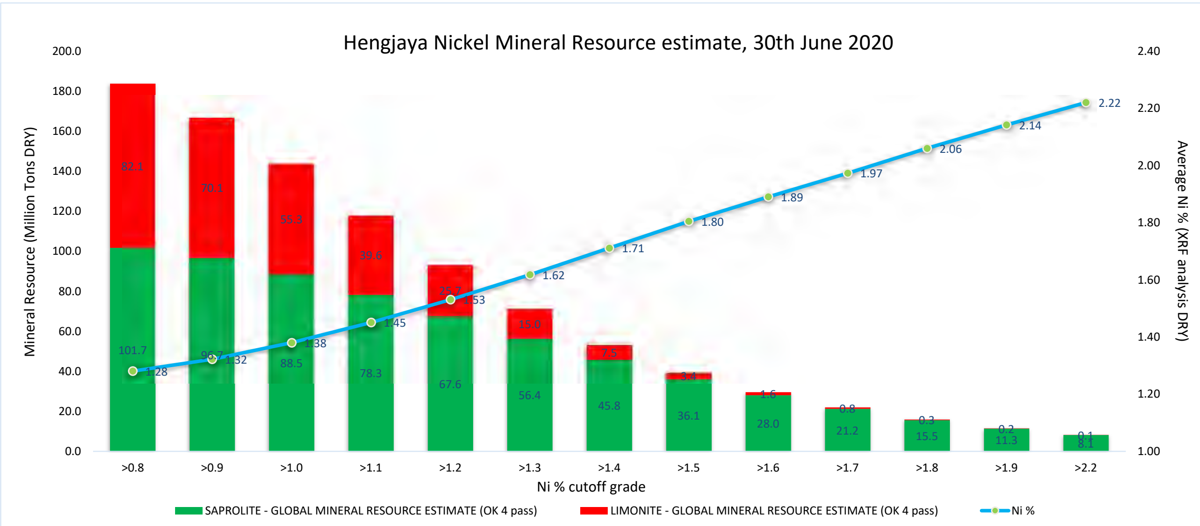

Figure76 Global Mineral Resource tonnage v Ni% grade curve relationship

6.11 COMPARISONS TO PREVIOUS ESTIMATES

In 2012, 2015 and 2018 GMT consultants prepared Mineral Resource estimates using the JORC Code 2004 and 2012 respectively. A comparison of the new updates were conducted to validate the materiality of the volumes stated in this report, Table 46 show's the comparison of estimates by classification. Although the results show a similar result for the total volume of Mineral Resource, significant upgrades of Measured and Indicated category from the Inferred class has occurred. This is primarily due to the ongoing infill drilling in the Bete Bete & Central areas since March 2019.

Table 46 Nickel Resource comparison by classification

BLOCK-ID	MEASURED	INDICATED	INFERRED	TOTAL	COMMENTS
APL BLOCK A	-	2.9	1.0	3.9	Excluded from 2020 Mineral Resource
APL BLOCK B	0.5	1.3	1.5	3.3	Excluded from 2020 Mineral Resource
APL BLOCK C	6.5	-	3.3	9.8	-
SUB TOTAL APL	7.0	4.2	5.8	16.9	
BETE BETE	-	10.0	2.2	12.2	2 MILLION TONS MINED SINCE REPORT
BETE WEST	-	3.4	5.0	8.4	
SUB TOTAL BETE	-	13.4	7.2	20.6	
CENTRAL	-	1.2	87.0	88.2	40% reduction in Mineral Resource area (Ha)
CENTRAL 2	-	31.0	21.0	52.0	
SUB TOTAL CENTRAL	-	32.2	108.0	140.2	
EXCLUSION 1		2.0		2.0	MINED OUT BETE BETE 2019
TOTAL ALL BLOCKS REVISED	**7.0**	**47.8**	**121.0**	**175.7**	**REDUCED TOTAL TO COMPARE**
NEW RESOURCE >0.8%	**19.6**	**108.6**	**55.6**	**183.8**	
VARIANCE CHANGE (Million ton Dry)	12.7	60.8	(65.4)	8.1	
VARIANCE CHANGE (%)	283%	227%	46%	105%	

Total GMT Mineral Resource 2018 area (Ha) Reduced 774.9 Difference Resource area (%) 60%

Other major differences in estimates are;

- the mining depletion from Bete Bete mine, approx. 2,000,000t of material and;
- an estimated 40% reduction in areal extent of the previous Inferred polygon area of influence. These areas have been downgraded to Exploration Target category because of poor data records of historical drilling and drilling spaced too widely for inclusion into the Mineral Resource
- the exclusion of most of APL Resource due to downgrading over poor data records & mine rehabilitation,

Table 47 shows the global Mineral Resource comparisons from the most recent GMT report dated December, 2018 to the current results in this report. Overall, there is good correlation up to Ni grade cutoff of 1.3%. Below this cut-off, the 2018 estimate shows significantly more tonnage. This variance is assumed to be the influence of the 40% reduction of previous Inferred polygon areal extent.

Figure 77 shows the overlay of the 2018 resource polygon on the new resource boundaries

Table 47 Global Nickel Resource comparison

GRADE CUT-OFF RANGE	MINERAL RESOURCE COMPARISONS GLOBAL ESTIMATES Ni > 0.80%								
	GMT, 2018 (RBF)		DANMAR,2020 (OK)		GMT, 2018 VARIANCE (%)	DANMAR,2020 (IDW)		DANMAR, IDW VARIANCE (%)
	MILLION TONNES (DRY)	Ni %	MILLION TONNES (DRY)	Ni %		MILLION TONNES (DRY)	Ni %	
>0.8	**249.4**	1.21	**183.8**	1.28	73.7%	**184.3**	1.29	100.3%
>0.9	**202.6**	1.25	**166.8**	1.32	82.3%	**166.6**	1.33	99.9%
>1.0	**178.6**	1.30	**143.8**	1.38	80.5%	**144.0**	1.39	100.1%
>1.1	**139.3**	1.43	**117.9**	1.45	84.6%	**118.4**	1.46	100.5%
>1.2	**103.1**	1.52	**93.3**	1.53	90.5%	**93.5**	1.54	100.3%
>1.3	**72.4**	1.63	**71.4**	1.62	98.7%	**72.1**	1.63	100.9%
>1.4	**52.7**	1.72	**53.3**	1.71	101.1%	**53.7**	1.72	100.7%
>1.5	**37.5**	1.81	**39.4**	1.80	105.1%	**40.5**	1.82	102.8%
>1.6	**26.3**	1.91	**29.5**	1.89	112.3%	**31.0**	1.90	105.0%
>1.7	**18.6**	2.01	**22.0**	1.97	118.1%	**23.1**	1.98	105.2%
>1.8	**13.7**	2.09	**15.9**	2.06	115.6%	**16.8**	2.07	105.6%
>1.9	**9.6**	2.17	**11.5**	2.14	119.2%	**12.3**	2.16	107.7%
>2.0	**6.4**	2.26	**8.2**	2.22	128.7%	**9.1**	2.23	111.1%

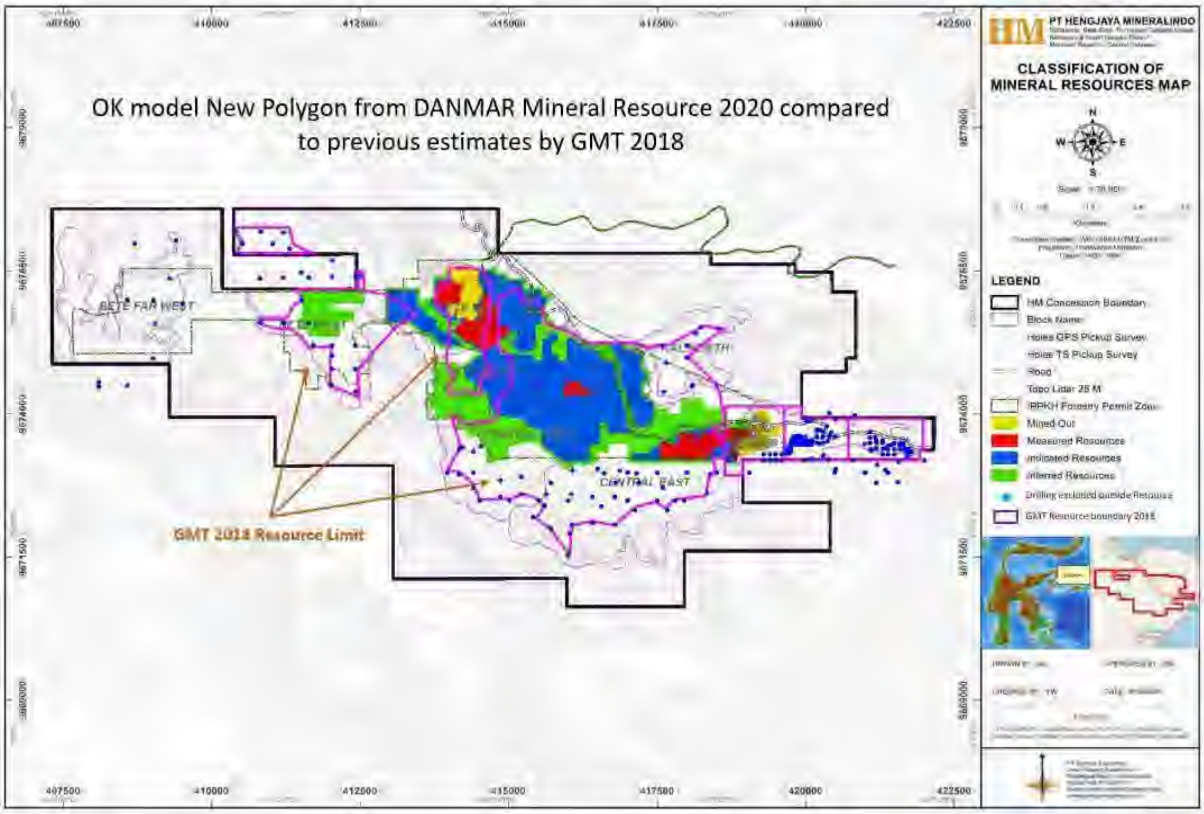

Figure 77 Nickel Resource limit comparison map

6.12 RISKS AND OPPORTUNITIES

Close spaced drilling since April 2019 and the supportive data provided by Ultra GPR surveys on the same drilling grid, has greatly enhanced the confidence in the geological interpretation and resulting geological model at Henjaya Mineralindo.

The database, although containing some historic data, has been validated and rechecked for errors and anomalies. Some holes with GPS coordinates, used in the geological model are thought to have a low risk of influencing the Mineral Resource accuracy as they are surrounded by points of observation with similar results and high confidence.

The final geological models for Limonite, Saprolite and Bedrock have been interpreted separately using lithological logs, analysis results and the Ultra GPR results so that all blocks in the geological model are correctly coded according to their occurrence in the laterite profile. For this reason, it is considered unlikely that any misallocation of lithology will have significant influence on the Mineral Resource.

High confidence in the laboratory analyses results are supported by rigorous quality assurance and quality control protocols including; sample blanks, sample standards, duplicate samples and interlaboratory checking. A complete report on this is provided in the Appendix 9.4. Mining reconciliations of predicted tonnage and grades to actual ore recovered provides further evidence for the reliability of the assay results used in this study.

Density measurements were made throughout the recently drilled areas on drill core. Density measurements were also adjusted for core swelling to see what influence this may have on the density throughout the deposit. However, the density used in the Resource estimate was the weighted average laboratory core density for each domain which was not adjusted to allow for swelling. This was used because the results of the lab density more closely resembled density assumptions used in the past at the mine and it provides a conservative approach to lower the risk of overestimation of tons by using the higher adjusted density. As a result, there is a slight risk that mining may produce more than predicted tons particularly in the limonite horizon.

6.13 EXPLORATION TARGETS

Exploration Targets, where nickel laterite has been identified by surface mapping and wide spaced drilling, are located over a wide area throughout the HM concession. Figure 78 below shows the Exploration Targets areas which are outside the coloured Resource areas but within the domain boundaries. These Exploration Targets are in addition to the Mineral Resource. At least 5 significant Exploration Targets within the Hengjaya IUP have been identified in areas where similar type nickel laterite deposits of between 60-120 million tons is postulated. Although it must be stated that at this time the potential quantity and grade is conceptual in nature and that there has been insufficient exploration to estimate a Mineral Resource. Although It is uncertain if further exploration will result in a Mineral Resource, the historical mapping and wide spaced scout drilling within these Exploration Target areas are giving greater confidence that with further infill drilling and assay results will upgrade these areas for future estimates. Table 48 shows the details of the Exploration Target areas.

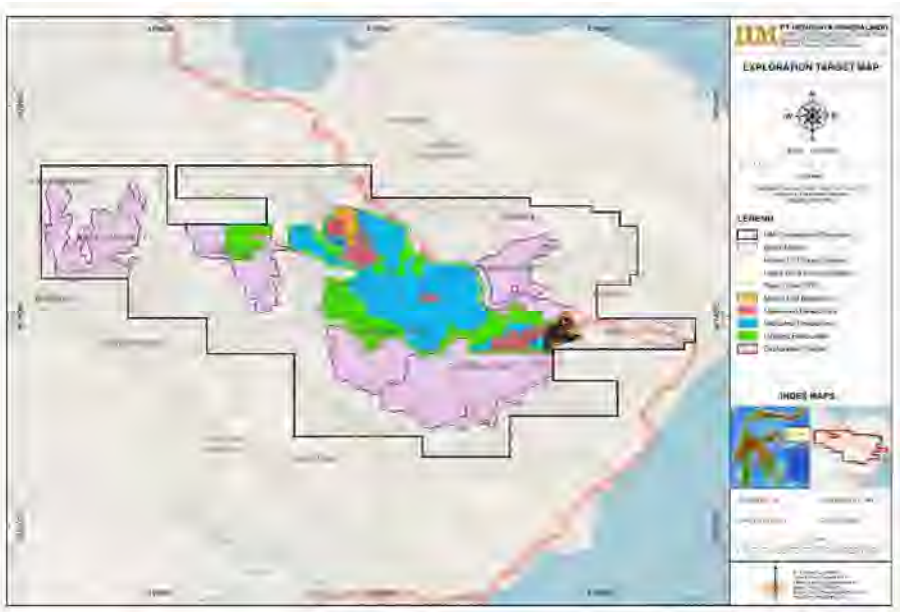

Figure 78 Exploration Target areas are shown as within domain boundaries and outside shaded Resource areas

Table 48 Exploration Targets in addition to the HM Nickel Resource Areas

BLOCK - ID	BLOCK SIZE (Ha)	LATERITE EXPLORATION TARGETS (Million Wmt)			
		Ha	LATERITE	LIMONITE	SAPROLITE
APL	177.9	74.6	**12.7**	2.5 - 5.0	1.0 - 2.0
CENTRAL EAST	763.6	565.6	**96.1**	12.5 - 25.0	10.0 - 20.0
CENTRAL WEST	528.8	200.9	**34.2**	5.0 - 10.0	2.5 - 5.0
CENTRAL NORTH	150.9	150.9	**25.6**	2.5 - 5.0	2.5 - 5.0
BETE SOUTH	324.9	33.1	**5.6**	1.5 - 3.0	0.5 - 1.0
BETE BETE	323.5	46.1	**7.9**	1.0 - 2.0	1.0 - 2.0
BETE WEST	247.4	180.7	**30.7**	5.0 - 10.0	2.5 - 5.0
BETE FAR WEST	304.6	304.6	**51.8**	5.0 - 10.0	5.0 - 10.0
TOTAL ALL BLOCKS	**2,821.7**	**1,556.5**	**264.6**	**35.0 - 70.0**	**25.0 - 50.0**
% OF TOTAL AREAS EXPLORATION TARGET			55%		

Assumptions

LIMONITE *Exploration target assumptions based on current resource conversions rates rounded down to the reflect the confidence of the estimate 5 meters thickness shown as a range* ***25% - Volume Laterite >1.0% Ni / 50% - Volume Laterite >0.8% Ni***

SAPROLITE *Exploration target assumptions based on current resource conversions rates rounded down to the reflect the confidence of the estimate, 5 meters thickness shown as a range.* ***25% - Volume Laterite >1.5% Ni / 50% - Volume Laterite >1.0% Ni***

7.0 CONCLUSIONS AND RECOMMENDATIONS

This Mineral Resource covering 1,471ha has been reported in accordance with the JORC Code of 2012.

The geology at the Hengjaya Mineralindo project is ideal for the formation and thick and relatively high grade nickel laterite. At least 4 separate domain areas have been identified where the laterite varies in both physical and chemical characteristics.

Data used in this report is of high quality and reliability giving confidence to the Mineral Resource estimated.

Offtake agreements and MOU's to provide Saprolite and Limonite Ore to the nearby IMIP smelter ensures economic extraction of nickel ore into the foreseeable future from the project area.

Exploration Targets covering more than 1,500ha have potential for 60-120 million wet metric tons of additional laterite in a similar geological environment. Although it is uncertain if further exploration will result in a Mineral Resource, the historical mapping and wide spaced drilling in these areas gives confidence that future exploration will upgrade at least some of these areas for future estimates.

To maximize the nickel resource potential of the Hengjaya project a combination of Ultra GPR surveys followed by systematic drilling, optimized to focus of the GPR targets, is recommended to cover the entire nickel laterite deposit in the area.

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9.1 TABLE 1 OF THE JORC COMMITTEE

JORC Code, 2012 Edition – Table 1 report template

Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

Criteria	JORC Code explanation	Commentary
Sampling techniques	• *Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.* • *Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.* • *Aspects of the determination of mineralisation that are Material to the Public Report.* • *In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.*	• HQ core samples taken in 1m intervals and all new core since April, 2019 photographed • Drill on systematic 100 X 100m grid over GPR targets for Indicated Resource and 50X50m grid for Measured Resource • Since April 2019, all core photographed and described by well site geologists as well as sample preparation and moisture determination follow the Japanese Industrial Standard, Method for Sampling and the Determination of Moisture Content of Garnieritic Nickel Ore, 1996
Drilling techniques	• *Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).*	• HQ wireline triple tube coring in 1m runs to ensure accurate measurement of core expansion (swelling) and recovery
Drill sample recovery	• *Method of recording and assessing core and chip sample recoveries and results assessed.* • *Measures taken to maximise sample recovery and ensure representative nature of the samples.* • *Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.*	• Core recovery data collected for all runs • 95% recovery maintained for all holes • If 3 consecutive runs are less than 95% the hole is re-drilled • Drilling conditions are relatively good and recoveries remain consistent throughout all layers of the laterite profile • Core recoveries documented by photography
Logging	• *Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.*	• Core samples are geologically logged and photographed recording condition • Since April 2019, all holes have 1 density sample (700-800g of solid core) taken from each stratigraphic layer to give representative

Criteria	JORC Code explanation	Commentary
	• *Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.* • *The total length and percentage of the relevant intersections logged.*	density data throughout the deposit • 100% of laterite layers drilled have been logged and photographed in drilling since 2019
Sub-sampling techniques and sample preparation	• *If core, whether cut or sawn and whether quarter, half or all core taken.* • *If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.* • *For all sample types, the nature, quality and appropriateness of the sample preparation technique.* • *Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.* • *Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.* • *Whether sample sizes are appropriate to the grain size of the material being sampled.*	• With the exception of a small density sample weighing 700-800g taken from each of the 4 main geological horizons observed in each drill hole, all drill core was submitted to the lab for analysis • Drill core is submitted to the HM Preparation Lab where it is dried for 24 hours at 105 degrees C and then crushed, riffle split, crushed a second time, split and pulverized to a particle size that corresponds to 95 % passing 75 micron. Pulp samples of approximately 50g are taken from the pulverized samples. • HM sample preparation follows the JIS Method for Sampling and Method of Determination of Moisture Content of Garnierite Nickel Ore, JIS M-8109-1996, ensuring appropriate sample sizes. • A range of OREAS nickel laterite standards and blank samples were inserted into batches of drill core samples, 4 of each for every 92 samples.
Quality of assay data and laboratory tests	• *The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.* • *For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.* • *Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.*	• Pulp samples produced from the HM Prep Lab area sent to the HM Lab at the mine site for analysis by X-ray fluorescence (XRF) pressed pellet. • The QAQC of the sample preparation and assaying process is via the following samples; • Pulp OREAS certified reference materials (CRM's) and blanks are inserted into the drill sample stream at the Prep Lab at the rate of 4 CRM's and 4 blanks per 92 samples • No field duplicates are submitted as all sample core submitted for sample prep and assay • Coarse rejects, pulp duplicates, pulp replicates and OREAS CRM's are inserted into the sample stream prior to XRF assay at a rate of between 3 check samples per 92 drill samples • Check samples sent to the external lab at Geoservices for assay show a good correlation between results for the major elements; Ni and Fe • An improved program for external lab checks was introduced in October, 2019, with the aim of including pulp duplicates, CRM's and blanks in suitable proportions to assess precision, accuracy and possible contamination.

Criteria	JORC Code explanation	Commentary
Verification of sampling and assaying	• *The verification of significant intersections by either independent or alternative company personnel.* • *The use of twinned holes.* • *Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.* • *Discuss any adjustment to assay data.*	• Geological logs of the drill core are reconciled against assay results to verify lithology for any misallocation. • Twin holes were used on some historic drill locations to check results • Database checked and rechecked for errors and anomalies • A top-cut was applied to any assay result that was higher than 2.75% Ni to avoid any over-estimation of grade due to nuggets
Location of data points	• *Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.* • *Specification of the grid system used.* • *Quality and adequacy of topographic control.*	• All recent drilling located by ground survey methods • From a total of 1,894 holes 120 holes had GPS coordinates only. These holes were used because they had a complete drill log, analysis data, GPR data supporting laterite thickness and were surrounded by holes with ground survey. It is considered appropriate to use these holes as their depth match the surrounding holes and the assay results do not introduce a bias to the nickel grades • UTM (Universal Traverse Mercator) Projection; WGS 1984 UTM Zone 515 grid is being applied in the Resource estimation • LiDAR topographic surface was used • Average mis-close between the LiDAR and drill collar survey is - 0.05m
Data spacing and distribution	• *Data spacing for reporting of Exploration Results.* • *Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.* • *Whether sample compositing has been applied.*	• Random spacing of old data used for Exploration Targets only • 100-200m grid drilling used for Inferred Resource, 100m grid for Indicated Resources and 50m for Indicated • Geostatistical analysis was used to define the spatial continuity, direction and distances to be applied to the Nickel Resource estimate • Reconciliation of predicted grades and volumes have been recovered in actual mining • Semi-variogram models for each domain were calculated using statistical top-cuts applied to composites and constrained by hard boundary surfaces of Limonite and Saprolite lithologies to prevent over-estimation of nickel grades
Orientation of data in relation to geological structure	• *Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.* • *If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.*	• Vertical drilling is appropriate for nickel laterite as the laterite is horizontal so the drilling intersects a true thickness • No bias is considered to be introduced as a result of the drilling orientation

Criteria	JORC Code explanation	Commentary
Sample security	• *The measures taken to ensure sample security.*	• Samples left in the field are guarded by night security at each rig • Samples stores are locked and guarded when unattended
Audits or reviews	• *The results of any audits or reviews of sampling techniques and data.*	• Sampling review was carried out by the Competent Person and regular progress reports were provided by the onsite lab documenting improvements

Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	• *Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.* • *The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.*	• Mining rights for the area are held under an Operation and Production Mining Business Permit (IUPOP), with Area Code MW032. The area covers 6,249Ha and gives HM the right to mine nickel and its associated minerals. The IUPOP was granted by the Regent of Morowali in 2011 and is valid until 26th May 2031.The Operation Production IUP may be renewed twice, each for a period of 10 years. • Two Forestry permits (IPPKH) to allow open cut mining within a 1845Ha area have been granted by the Minister of Forestry, the mining permits doesn't overlap with any protected forests or nature reserves • Access was temporally restricted to Central domains due to small local farms overlaps but this has now been cleared
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	• The exploration work has been carried out over various stages since 2007 until 2017, under the direction of experienced nickel laterite geologists. All the historic data, (pre April 2019) relating to the project was obtained from HM for the purpose of this study. • According to the residents of local villages surrounding the HM project, exploration of the area began in 2007 when the state owned minerals company, PT Aneka Tambang, explored the nickel potential of a broad area which included the location of where the HM project is located today. The work included mapping and wide spaced drilling. The data is poorly documented with many holes having ambiguous hole identification, coordinate location and or no analysis

Criteria	JORC Code explanation	Commentary
		information. • HM started drilling in 2010. At least 3 separate phases of drilling were implemented. Initially wide spaced drilling on a 400m X 400m grid was conducted followed by 100 X 100m spacing and eventually 25 X 25m grids.
Geology	• *Deposit type, geological setting and style of mineralisation.*	• Laterization of Ophiolite bedrocks, formed in a tropical climate environment through a process of surface leaching over time, two distinct enriched zones of Limonite clays and Saprolite transitional material are typically found in this type of geological setting, mineralized concentrations of Ni, Co, Fe and other associated metals are common
Drill hole Information	• *A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:* o *easting and northing of the drill hole collar* o *elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar* o *dip and azimuth of the hole* o *down hole length and interception depth* o *hole length.* • *If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.*	• All drilling since April 2019 are located by ground survey methods • From a total of 1,894 holes 120 holes had GPS coordinates only. These holes were used because they had a complete drill log, analysis data, GPR data supporting laterite thickness and were surrounded by holes with ground survey. It is considered appropriate to use these holes as their depth match the surrounding holes. The assay results match other holes in the area and don't appear to introduce a bias to the nickel grades • UTM (Universal Traverse Mercator) Projection; WGS 1984 UTM Zone 515 grid is being applied in the Resource estimation • LiDAR topographic surface was used • Average mis-close between the LiDAR and drill collar survey is - 0.05m
Data aggregation methods	• *In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.* • *Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.* • *The assumptions used for any reporting of metal equivalent values should be clearly stated.*	• Methods of weighting average results & grades were applied to summary tables relating to exploration results, cutting of high grades, cut-off grades were applied and explained in the body of the report • Composite lengths of 1m were used, which correlates with the majority of the sample length records • No metal equivalents for Nickel content were used to report exploration results
Relationship between mineralisation widths and	• *These relationships are particularly important in the reporting of Exploration Results.* • *If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.*	• Vertical drilling provides good representation of the deposit geometry and depth and reasonably assumed to represent true thickness, 1m core and assay sampling procedures were sufficient to provide accurate wellsite observations and reconciliation of logs

Criteria	JORC Code explanation	Commentary
intercept lengths	• *If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known').*	• Mineralization is basically horizontally orientated • Total depths of drilling were guided by the interpretation of the GPR surfaces to target at least 2-3m of bedrock was intersected at the end of each hole
Diagrams	• *Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.*	• Diagrams, maps, sections are included in the body of the report
Balanced reporting	• *Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.*	• All reliable(validated) data included without prejudice • Thickness established through drilling intercepts supported with Ground Penetrating Radar (UltraGPR) geophysics and exposed lithological layers observed in the open cut mining operation
Other substantive exploration data	• *Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.*	• Approx. 203km of ground penetrating radar (UltraGPR) survey lines were completed since Jan 2019, providing excellent section profiles views of limonite, saprolite and bedrock layers, global volumes and thickness grids were used for exploration planning and understanding of the weathering patterns of the nickel laterites to best optimize the drilling patterns by domains • Reconciliation of mining production in several ongoing mine area, providing additional information of ore characteristic's, materials handling, swelling, densities, recoveries and dilution of grades
Further work	• *The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).* • *Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.*	• Plans for infill drilling in Indicated and Inferred Resource areas • Exploration Target and extension areas will first be surveyed using Ultra GPR and then drilled to focus on the thickest laterite areas.

Section 3 Estimation and Reporting of Mineral Resources

(Criteria listed in section 1, and where relevant in section 2, also apply to this section.)

Criteria	JORC Code explanation	Commentary
Database integrity	• *Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between its initial collection and its use for Mineral Resource estimation purposes.*	• The collar survey, assay and geology tables of both these datasets were validated to correct data error issues such as: • missing or duplicate collar records

Criteria	JORC Code explanation	Commentary
	• *Data validation procedures used.*	◦ overlapping intervals in the assay records ◦ collar elevation errors compared to current LiDAR topography ◦ downhole survey accuracy issues, total depths, from/to intervals ◦ core recoveries and swelling ◦ lithology description from wellsite geologists ◦ reconciliation of lithology with laboratory assay results ◦ moisture records from core lab analysis ◦ downhole statistical analysis • If these errors could not be fixed to a suitable level of confidence or failed to meet the accuracy standards during the validation process they were removed from the dataset. Approximately 98% of the excluded data was from the historical records supplied by Hengjaya.
Site visits	• *Comment on any site visits undertaken by the Competent Person and the outcome of those visits.* • *If no site visits have been undertaken indicate why this is the case.*	• Numerous site visits by both the CP's at least monthly since end of 2018 to review exploration progress; drilling, and sampling procedures, review sample handling, preparation and analyses, including monitoring Mine planning and reconciliations of ore production against predicted Resource modelling
Geological interpretation	• *Confidence in (or conversely, the uncertainty of) the geological interpretation of the mineral deposit.* • *Nature of the data used and of any assumptions made.* • *The effect, if any, of alternative interpretations on Mineral Resource estimation.* • *The use of geology in guiding and controlling Mineral Resource estimation.* • *The factors affecting continuity both of grade and geology.*	• Relatively high confidence in geological interpretation could be achieved during the estimation process of the Hengjaya nickel laterite deposit. Historical records for surface mapping, drilling, assay & mine production combined with the more recent UltraGPR survey traverse & 50-100m spaced infill grids over more than 70% of the Resource area provides good correlation and understanding if the laterization distribution, bulk volumes and mineralization. Considered sufficient in statement of the Mineral Resource • All data included into the geological interpretation was validated to be free of errors and downhole wellsite logging reconciled with assay results in to composited zones of Limonite, Saprolite & Bedrock lithology zones • Use of Ground Penetrating Radar (UltraGPR) interpretative data source was used in combination with points of observations from the validated database in extrapolating between holes • Laterite grades are not laterally or vertically persistent and tend to be relatively random deposited through the leaching of minerals during the laterization process. The inclusion of the GPR interpretive data provided increased confidence of the geological model controls between points of observation for transition contacts between Limonite-Saprolite-Bedrock

Criteria	JORC Code explanation	Commentary
		• Geological structure and bedrock topology, which are often displayed on Ultra-GPR interpretations, can help target high grade laterite areas
Dimensions	• *The extent and variability of the Mineral Resource expressed as length (along strike or otherwise), plan width, and depth below surface to the upper and lower limits of the Mineral Resource.*	• Resource dimensions; approximately 8000m in length, 4000m in width, laterization thickness for up to 40m to bedrock in some places • Average limonite thickness varies from 4-9m and saprolite thickness is consistently 8-9m • laterization of ophiolite formations occurs between an elevation range of 300 – 600 meters above mean sea level

Estimation and modelling techniques	• *The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, domaining, interpolation parameters and maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen include a description of computer software and parameters used.*
	• *The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource estimate takes appropriate account of such data.*
	• *The assumptions made regarding recovery of by-products.*
	• *Estimation of deleterious elements or other non-grade variables of economic significance (eg sulphur for acid mine drainage characterisation).*
	• *In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed.*
	• *Any assumptions behind modelling of selective mining units.*
	• *Any assumptions about correlation between variables.*
	• *Description of how the geological interpretation was used to control the resource estimates.*
	• *Discussion of basis for using or not using grade cutting or capping.*
	• *The process of validation, the checking process used, the comparison of model data to drill hole data, and use of reconciliation data if available.*
		• Modelling techniques & assumptions applied were considered appropriate for estimation of Mineral Resource for this style of Nickel laterite deposit based on the CP's experience. Key assumption's include;
		  • Domaining by laterite thickness and Ni grade, mineralogical, characteristics, distinct statistical population & geological environment, no unfolding was preformed
		  • Downhole and spatial geo-statistical analysis of the data & domain sub-sets of data providing search ellipsoids ranges for grade interpolation and maximum extrapolation distances between data points
		• Geological modelling and Mineral Resource estimates were completed using GEOVIA Surpac® mining software (version 6.1). Ordinary Kriging (OK) algorithm was used in the grade interpolation for nickel grades for limonite and saprolite laterite zones. In the absence of detailed geostatistical analysis for other elements Inverse Distance Weighted Squared (IDW^2) methods were used to estimate the model grade interpolation for other elements Co, Fe, Mg0, Si02, Al203, Ca0 and moisture content.
		• A comparison against previous Mineral Resource estimates from 9th Dec, 2018 were conducted to validate the materiality of the volumes stated in this report, further life of mine production reconciliation of historical mine areas of Bete Bete & APL pits were completed, showing reasonable correlation of the model prediction's to actual ore recovery
		• Additionally, limonite (by product of mining high grade saprolite ores) was considered based on the MoU discussions between IMIP and Hengjaya for supply to HPAL processing facility under construction nearby. In pit stockpiling of suitable higher cobalt by products has commenced since late 2019 in preparation of this supply agreement

Criteria	JORC Code explanation	Commentary
		• Deleterious elements or acid drainage of the mineral resource was not considered in the model at time of Mineral Resource estimation. • Block size selected 20m x 20m x 2m (sub-block 10m x10 x 1m) were considered appropriate for the style of mineralization reported. The assumption of the block sizes was designed to match the division of drilling spacing grids, composite sample lengths, geostatistical studies and practical mining bench dimensions for ongoing mine planning at the Hengjaya site • Wireframing was set up on each drill line in both east-west and north-south directions to create a 50-100m grid over the entire database to develop a morphology wireframe. The wireframe sections were then digitized from a combination of drilling/assay database (points of observation) and supporting Interpretive data from GPR survey between drilling points. From these wireframes, gridded surfaces were produced to represent the roof and floor limits of limonite, saprolite and bedrock zones. 10m grids were set up and interpolation of the gridded points was conducted using Inverse Distance Weighted (IDW^2) methods. • Based on analysis of the downhole statistical data additional constraints were applied to Ni% content to impose a limit of no greater than 2.75% to avoid over-estimation of nickel content due to possible nugget effect. For this reason, all core sample measurements over 2.75% (Ni) were assigned a default value of 2.75% (Ni). • Final block model and interpolated grades were validated using several visual and statistical techniques to gain further confidence in the Mineral Resource estimates stated in this report. visual inspection of the block models in plan and sectional views to assess the grade interpolations performed conform with the lithological wireframes, surface models and drilling database. Further statistical validation, including swath plots of the Nickel Resource estimate was completed by comparing global averages of the sample composites against the block model global averages.
Moisture	• *Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content.*	• Since April, 2019 a total 33,544 Moisture measurements were performed every 1m drill core sample was measured using the Japanese Industrial Standard (JIS M 8109-1996IS). • In areas where Moisture content measurements were not available from core lab analysis the domain default weighted average was applied to the corresponding composite zone • Moisture content were used to adjust Wet to Dry tonnage for mineral

Criteria	JORC Code explanation	Commentary
		Resource estimates
Cut-off parameters	• *The basis of the adopted cut-off grade(s) or quality parameters applied.*	• Based on statistical analysis of the domain databases & ongoing ore mining operations a 0.80% cutoff for nickel was applied to both Limonite and Saprolite to best represent the global Mineral Resource estimate for representation of eventual economic extraction. This estimate was also presented at other cutoff ranges up to 2.0% split by laterite type to better understand the other elements (Co, Fe, MgO, SiO_2, Al_2O_3, CaO, Density & Moisture) in relation to Nickel (Ni)
Mining factors or assumptions	• *Assumptions made regarding possible mining methods, minimum mining dimensions and internal (or, if applicable, external) mining dilution. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential mining methods, but the assumptions made regarding mining methods and parameters when estimating Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the mining assumptions made.*	• Other than reporting Dry tonnage, No further mining or modifying factors were applied to the Mineral resource statement that would result in a conversion to Ore Reserve. • assumptions for open cut mining operation similar to current production and supply agreements with nearby IMIP smelter provide sufficient evidence for determination of reasonable prospects of eventual economic extraction of the Hengjaya Mineral Resource
Metallurgical factors or assumptions	• *The basis for assumptions or predictions regarding metallurgical amenability. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential metallurgical methods, but the assumptions regarding metallurgical treatment processes and parameters made when reporting Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the metallurgical assumptions made.*	• Metallurgical factors and assumption based on ongoing supply requirement to the RNI & HNI smelters (majority owned by NIC) at the IMIP facility were considered when selecting the cutoff ranges for the Mineral resource and by product splits between Limonite & Saprolite
Environmen-tal factors or assumptions	• *Assumptions made regarding possible waste and process residue disposal options. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. While at this stage the determination of potential environmental impacts, particularly for a greenfields project, may not always be well advanced, the status of early consideration of these potential environmental impacts should be reported. Where these aspects have not been considered this should be reported with an explanation of the environmental assumptions made.*	• Environmental Impact studies were completed as part of the mining operation permitting process, • Limits of the 2 IPPKH forestry land borrow permits were reviewed when selecting the data, most holes outside these permits were excluded from the model estimation • Top soil composites were extracted separately and considered overburden waste for future mine planning & rehabilitation of ex-opencast pit areas, usually represented as the first 1-4meters from surface below grade cutoff ranges and not included in the Mineral Resource
Bulk density	• *Whether assumed or determined. If assumed, the basis for the assumptions. If determined, the method used, whether wet or dry, the*	• Since April 2019 a total of 3,477 density measurements on drill core samples have been performed. Bulk density was measured on solid

Criteria	JORC Code explanation	Commentary
	frequency of the measurements, the nature, size and representativeness of the samples. • *The bulk density for bulk material must have been measured by methods that adequately account for void spaces (vugs, porosity, etc), moisture and differences between rock and alteration zones within the deposit.* • *Discuss assumptions for bulk density estimates used in the evaluation process of the different materials.*	core from each stratigraphic layer in every bore hole. Specific gravity weights were measured by displacement of water and weight of fresh core • Insitu density used in the Resource estimate was the weighted average laboratory core density which was not adjusted to allow for core swelling. This was used because the results of the lab density more closely resemble the density assumptions used in the past at the mine and it provides a conservative approach to lower the risk of over estimation of tons by using the higher adjusted density

Classification	• *The basis for the classification of the Mineral Resources into varying confidence categories.*
	• *Whether appropriate account has been taken of all relevant factors (ie relative confidence in tonnage/grade estimations, reliability of input data, confidence in continuity of geology and metal values, quality, quantity and distribution of the data).*
	• *Whether the result appropriately reflects the Competent Person's view of the deposit.*
		• Determination of the Resource classes, were applied to the Mineral Resource with a digitized polygon boundary based on the spatial continuity of each geological domain around regular spaced drilling grids of 25, 50, 100, 200m from included points of observation in the final validated database. Also taken into account was the GPR grid lines between the drilling locations increasing confidence in interpretation of the laterization contact surface between the points of observation in the model. Resources were classified as follows;
		  ◦ MEASURED - Areas of 25-50m of drilling spacing on a continuous grid pattern, where significant influence from Pass 1 dominate the search ellipsoids, with no extrapolation from the last line of drilling.
		  ◦ INDICATED - Areas of 50-100m of drilling spacing on a continuous grid pattern, where significant influence from Pass 1 and 2 dominate the search ellipsoids, with 50m extrapolation from the last line of drilling.
		  ◦ INFERRED - Areas of 100-200m of drilling spacing on a continuous grid pattern, where significant influence from Pass 1, 2 and 3 dominate the search ellipsoids, with 100m extrapolation from the last line of drilling. In some areas between holes greater than 200m the polygon was included into the Inferred category to allow for more practical polygon shape fit to the model area.
		• Bete Bete and APL mine areas were given the Resource class MINED OUT as it is considered mining depletion has sterilized these areas.

Criteria	JORC Code explanation	Commentary
		• Another factor in selection of resource polygon limits used for the Mineral Resource was a review of the geostatistical inputs and the weighting on each category. This was done by comparing the influence of each pass within the polygon boundaries. The results show that 90% of the blocks in Measured class are interpolated by Pass 1 & 2 and the Indicated class is approximately 90% interpolated by Passes 1, 2 and 3. These results give sufficient confidence in the polygon strategy respectively. The lowest class of Inferred still has majority portions of the first 3 passes with 30% of pass 4 which is considered acceptable in this selection
Audits or reviews	• *The results of any audits or reviews of Mineral Resource estimates.*	• No external audits or reviews were done before release of the Mineral Resource statement for Nickel, dated 30th June 2020 • Charles Watson and Tobias Maya provided several peer reviews during the report drafting process in collaboration with principle author Daniel Madre
Discussion of relative accuracy/ confidence	• *Where appropriate a statement of the relative accuracy and confidence level in the Mineral Resource estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors that could affect the relative accuracy and confidence of the estimate.* • *The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used.* • *These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.*	• Sufficient exploration has been carried out at the Hengjaya project to delineate a significant deposit of laterite nickel. The drilling used for the Mineral Resource estimate is spaced on lines approximately 50 - 100m apart which, according to the geostatistical analysis, provides sufficient detail for the purpose of this report. • It is likely with further infill and exploration drilling in all domains the Mineral Resources estimated in this report will change • Confidence of these estimates are greatly improved with the reconciliation of the historical mining of the same laterite nickel deposit since 2013, these comparisons show good correlation of actual produced ores of high grade saprolite at 2%, its is assumed similar mine planning, extraction methods and long term supply contracts to refining facilities already in operation nearby significantly increase the potential for eventual economic extraction of the Hengjaya nickel laterite Mineral Resource

Section 4 Estimation and Reporting of Ore Reserves (Not Required)

9.2 PT HENGJAYA MINERALINDO LEGAL DOCUMENTATION

BUPATI MOROWALI

Komplex Perkantoran Bumi Fonuasingko
Telp. (0411) 402355, 402356 Fax. (0411) 402356 BUNGKU

KEPUTUSAN BUPATI MOROWALI
NOMOR : 540. 3 /SK. 001/DESDM/VI/2011

TENTANG

PERSETUJUAN PENINGKATAN IZIN USAHA PERTAMBANGAN EKSPLORASI MENJADI IZIN USAHA PERTAMBANGAN OPERASI PRODUKSI KEPADA PT. HENGJAYA MINERALINDO

BUPATI MOROWALI,

Membaca : Surat Direktur Utama PT. HENGJAYA MINERALINDO Nomor 005/HM/V/2011 tanggal 23 Mei 2011 perihal Permohonan Izin Usaha Pertambangan (IUP) Operasi Produksi;

Menimbang : bahwa berdasarkan hasil evaluasi kegiatan IUP Eksplorasi PT. HENGJAYA MINERALINDO telah memenuhi syarat untuk diberikan peningkatan IUP Eksplorasi menjadi IUP Operasi Produksi;

Mengingat :

1. Undang-Undang Nomor 13 Tahun 2000 tentang Ketenagakerjaan (Lembaran Negara RI Tahun 2000 Nomor 39, Tambahan Lembaran Negara RI Nomor 3817);
2. Undang-undang Nomor 32 Tahun 2004 tentang Pemerintahan Daerah (Lembaran Negara RI Tahun 2004 Nomor 125, Tambahan Lembaran Negara RI Nomor 4437) sebagaimana telah diubah dengan Undang-Undang Nomor 8 Tahun 2005 tentang Penetapan Peraturan Pemerintah Pengganti Undang-Undang Nomor 3 Tahun 2005 tentang Perubahan atas Undang-Undang Nomor 32 Tahun 2004 tentang Pemerintahan Daerah (Lembaran Negara RI Tahun 2005 Nomor 108, Tambahan Lembaran Negara RI Nomor 4548);
3. Undang-Undang Nomor 25 Tahun 2007 tentang Penanaman Modal (Lembaran Negara RI Tahun 2007 Nomor 67, Tambahan Lembaran Negara RI Nomor 4724);
4. Undang-Undang Nomor 26 Tahun 2007 tentang Penataan Ruang (Lembaran Negara RI Tahun 2007 Nomor 68, Tambahan Lembaran Negara RI Nomor 4725);
5. Undang-Undang Nomor 20 Tahun 2008 tentang Usaha Mikro, Kecil dan Menengah (Lembaran Negara RI Tahun 2008 Nomor 93, Tambahan Lembaran Negara RI Nomor 4866);

6. Undang-Undang Nomor 4 Tahun 2009 tentang Pertambangan Mineral dan Batubara (Lembaran Negara RI Tahun 2009 Nomor 4, Tambahan Lembaran Negara RI Nomor 4959);

7. Undang-Undang Nomor 28 Tahun 2009 tentang Pajak Daerah dan Retribusi Daerah (Lembaran Negara RI Tahun 2009 Nomor 130, Tambahan Lembaran Negara RI Nomor 5049);

8. Undang-Undang Nomor 32 Tahun 2009 tentang Perlindungan dan Pengelolaan Lingkungan Hidup (Lembaran Negara RI Tahun 2009 Nomor 140, Tambahan Lembaran Negara RI Nomor 5059);

9. Peraturan Pemerintah Nomor 27 Tahun 1999 tentang Analisis Mengenai Dampak Lingkungan Hidup (Lembaran Negara RI Tahun 1999 Nomor 59, Tambahan Lembaran Negara RI Nomor 3838);

10. Peraturan Pemerintah Nomor 38 Tahun 2007 tentang Pembagian Urusan Pemerintahan antara Pemerintah Pusat, Pemerintahan Daerah Provinsi, Pemerintahan Daerah Kabupaten/Kota (Lembaran Negara RI Tahun 2007 Nomor 82, Tambahan Lembaran Negara RI Nomor 4737);

11. Peraturan Pemerintah Nomor 26 Tahun 2008 tentang Rencana Tata Ruang Wilayah Nasional (Lembaran Negara RI Tahun 2008 Nomor 48, Tambahan Lembaran Negara RI Nomor 4833);

12. Peraturan Pemerintah Nomor 22 Tahun 2010 tentang Wilayah Pertambangan (Lembaran Negara RI Tahun 2010 Nomor 28, Tambahan Lembaran Negara RI Nomor 5110);

13. Peraturan Pemerintah Nomor 23 Tahun 2010 tentang Pelaksanaan Kegiatan Usaha Pertambangan Mineral dan Batubara (Lembaran Negara RI Tahun 2010 Nomor 29, Tambahan Lembaran Negara RI Nomor 5111);

14. Peraturan Pemerintah Nomor 55 Tahun 2010 tentang Pembinaan dan Pengawasan Penyelenggaraan Pengelolaan Usaha Pertambangan Mineral dan Batubara (Lembaran Negara RI Tahun 2010 Nomor 85, Tambahan Lembaran Negara RI Nomor 5142);

15. Peraturan Menteri Energi dan Sumber Daya Mineral Nomor 28 Tahun 2009 tentang Penyelenggaraan Usaha Jasa Pertambangan Mineral dan Batubara (Berita Negara RI Tahun 2009 Nomor 341);

16. Peraturan Daerah Kabupaten Morowali Nomor 20 Tahun 2003 tentang Penyelenggaraan Pengelolaan Usaha Pertambangan Umum (Lembaran Daerah Tahun 2003 Nomor 41);

17. Surat Keputusan Bupati Morowali Nomor 540.2/SK.002/DESDM/V/2011 tanggal 13 Mei 2011 tentang Revisi Izin Usaha Pertambangan Eksplorasi Kepada PT. HENGJAYA MINERALINDO.

MEMUTUSKAN:

Menetapkan : KEPUTUSAN BUPATI MOROWALI TENTANG PERSETUJUAN PENINGKATAN IUP EKSPLORASI MENJADI IUP OPERASI PRODUKSI KEPADA PT. HENGJAYA MINERALINDO

KESATU : Memberikan Izin Usaha Pertambangan Operasi Produksi kepada :

Nama Perusahaan	: **PT. HENGJAYA MINERALINDO**
Nama Direktur Utama	: ADI WIJOYO
Nilai Saham Perusahaan	: 5.000 Saham
Pemegang Saham	:
1. Nama	: ADI WIJOYO
Nilai saham	: 250 Saham
Pekerjaan	: Swasta
Alamat	: Kondominium Taman Aggrek 8/41 D
Kewarganegaraan	: Indonesia
2. Nama	: INGGRID HENTIANA
Nilai saham	: 250 Saham
Pekerjaan	: Swasta
Alamat	: Kondominium Taman Aggrek 8/41 D
Kewarganegaraan	: Indonesia
3. Nama	: MARTHEN HENTIANA
Nilai saham	: 1.000 Saham
Pekerjaan	: Swasta
Alamat	: Kondominium Taman Aggrek 8/41 D
Kewarganegaraan	: Indonesia
4. Nama	: NINGSIH WIJAYA KUSUMA
Nilai saham	: 250 Saham
Pekerjaan	: Swasta
Alamat	: Kondominium Taman Aggrek 8/41 D
Kewarganegaraan	: Indonesia
5. Nama	: HENG LEO SAPUTRA HIDAYAT
Nilai saham	: 1.000 Saham
Pekerjaan	: Swasta
Alamat	: Apartemen Mangga Dua Court, Mangga Dua Selatan
Kewarganegaraan	: Indonesia
6. Nama	: MARTIN UNSULANGI HENG
Nilai saham	: 1.000 Saham
Pekerjaan	: Swasta
Alamat	: Jl. Albasia 1 Blok I/21 Kedoya, Jakarta Barat
Kewarganegaraan	: Indonesia
7. Nama	: TAN LIEN KWI
Nilai saham	: 1.000 Saham
Pekerjaan	: Swasta
Alamat	: Kondominium Taman Aggrek 8/41 D
Kewarganegaraan	: Indonesia

8. Nama	:	JESSICA KUSUMA
Nilai saham	:	250 Saham
Pekerjaan	:	Swasta
Alamat	:	Kondominium Taman Aggrek 8/41 D
Kewarganegaraan	:	Indonesia
Alamat Perusahaan	:	Jl. Boulevard Barat Raya Inkopal Blok A No. 21-23 Kelapa Gading Telp. (021) 45859035-37 Fax. (021) 45859038
Komoditas	:	Nikel DMP
Lokasi penambangan :		
Desa	:	Padabaho, Bete-Bete, Pu'ungkeu dan Tangofa
Kecamatan	:	Bahodopi dan Bungku Selatan
Kabupaten	:	Morowali
Propinsi	:	Sulawesi Tengah
Kode wilayah	:	MW032
Luas	:	6.249 Ha

Peta dan daftar koordinat WIUP yang diterbitkan oleh Bupati Morowali sebagaimana tercantum dalam Lampiran I dan Lampiran II Keputusan ini.

Lokasi Pengolahan dan Pemurnian	:	Desa Padabaho, Bete-Bete, Pu'ungkeu dan Tangofa
Pengangkutan dan Penjualan	:	Desa Tangofa dan Pu'ungkeu
Jangka waktu berlaku IUP	:	**20 Tahun**

Jangka waktu Tahap Kegiatan :
a. Konstruksi selama 3 Tahun
b. Produksi selama 17 Tahun

KEDUA : Pemegang IUP Operasi Produksi mempunyai hak untuk melakukan kegiatan konstruksi, produksi, pengangkutan dan penjualan serta pengolahan dan pemurnian dalam WIUP untuk jangka waktu 20 tahun dan dapat diperpanjang 2 (dua) kali masing-masing 10 tahun. Terhitung mulai tanggal ditetapkannya Keputusan ini sampai dengan tanggal **26 Mei 2031** dan ***apabila dalam WIUP terdapat Kawasan Hutan (Hutan Lindung, Hutan Produksi Terbatas, Hutan Produksi Tetap dan Hutan Produksi yang dapat di Konversi dan areal Izin Usaha Pengelolaan Hasil Hutan Kayu (IUPHHK), maupun perijinan lainnya yang sah menurut peraturan perundang-undangan dilarang melakukan kegiatan apapun sebelum mendapat izin dari pejabat yang berwenang.***

KETIGA : IUP Operasi Produksi ini dilarang dipindahtangankan kepada pihak lain tanpa persetujuan Bupati Morowali.

KEEMPAT : PT. HENGJAYA MINERALINDO sebagai Pemegang IUP Operasi Produksi dalam melaksanakan kegiatannya mempunyai hak dan kewajiban sebagaimana tercantum dalam Lampiran III keputusan ini.

KELIMA : Selambat-lambatnya 60 (enam puluh) hari kerja setelah diterbitkannya Keputusan ini Pemegang IUP Operasi Produksi sudah harus menyampaikan RKAB kepada Bupati Morowali untuk mendapat persetujuan.

KEENAM : Terhitung sejak 90 (sembilan puluh) hari kerja sejak persetujuan RKAB sebagaimana dimaksud dalam diktum Kelima Pemegang IUP Operasi Produksi sudah harus memulai aktifitas di lapangan.

KETUJUH : Tanpa mengurangi ketentuan peraturan perudang-undangan maka IUP Operasi Produksi ini dapat diberhentikan sementara, dicabut, atau dibatalkan, apabila pemegang IUP Operasi Produksi tidak memenuhi kewajiban dan larangan sebagaimana dimaksud dalam diktum Ketiga, Keempat, dan Kelima dalam Keputusan ini.

KEDELAPAN : Keputusan Bupati ini mulai berlaku pada tanggal ditetapkan dan apabila terdapat kekeliruan akan diadakan perbaikan sebagaimana mestinya.

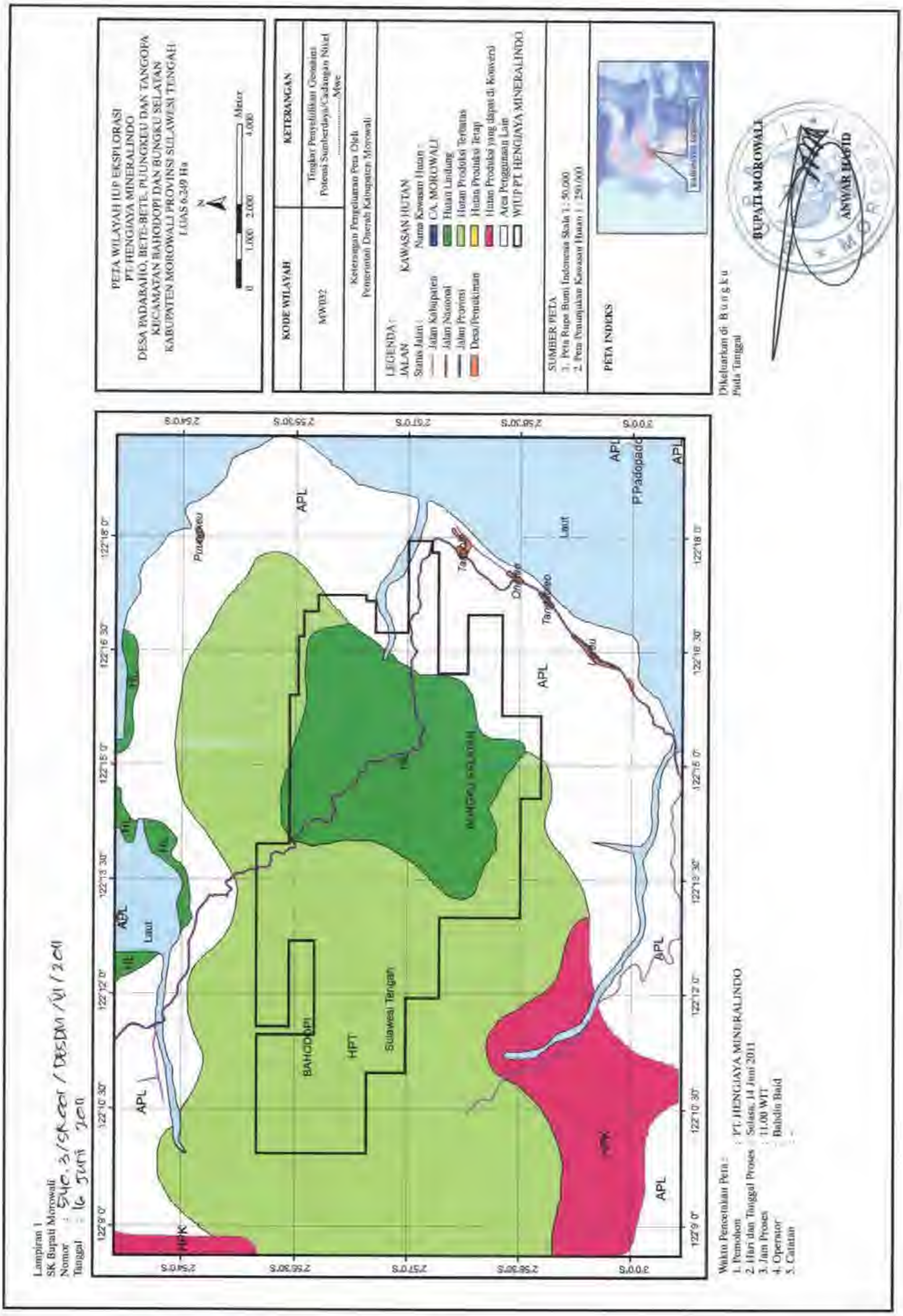
Ditetapkan di : Bungku
Pada Tanggal : 12 Juni 2011

BUPATI

ANWAR HAFID

Tembusan disampaikan kepada Yth :

1. Menteri Energi dan Sumber Daya Mineral di Jakarta;
2. Gubernur Sulawesi Tengah di Palu;
3. Direktur Teknik dan Lingkungan Mineral, Batubara dan Panas Bumi di Jakarta;
4. Direktur Pembinaan Program Mineral, Batubara dan Panas Bumi di Jakarta;
5. Direktur Pembinaan Pengusahaan Mineral dan Batubara di Jakarta;
6. Kepala Dinas Energi dan Sumber Daya Mineral, Prop. Sulawesi Tengah di Palu;
7. Kepala Dinas Energi dan Sumber Daya Mineral, Kab. Morowali di Bungku;
8. Camat Bahodopi di Bahodopi;
9. Camat Bungku Selatan di Kaleroang;
10. Direksi PT. HENGJAYA MINERALINDO di Jakarta.


Lampiran 1
SK Bupati Morowali
Nomor : 540.3/SK.001/DESDM/VI/2011
Tanggal : 16 Juni 2011
PETA WILAYAH IUP EKSPLORASI
PT. HENGJAYA MINERALINDO
DESA PADABAHO, BETE-BETE, PUUNGKEU DAN TANGOFA
KECAMATAN BAHODOPI DAN BUNGKU SELATAN
KABUPATEN MOROWALI PROVINSI SULAWESI TENGAH
LUAS 6.249 Ha
N
0 1.000 2.000 4.000 Meter
KODE WILAYAH
KETERANGAN
MW032
Tingkat Penyelidikan Geoteknis
Potensi Sumberdaya/Cadangan Nikel
.................Mwe
Keterangan Pengeluaran Peta Oleh
Pemerintah Daerah Kabupaten Morowali
LEGENDA :
JALAN
Status Jalan :
Jalan Kabupaten
Jalan Nasional
Jalan Provinsi
Desa/Pemukiman
KAWASAN HUTAN
Nama Kawasan Hutan :
CA. MOROWALI
Hutan Lindung
Hutan Produksi Terbatas
Hutan Produksi Tetap
Hutan Produksi yang dapat di Konversi
Area Penggunaan Lain
WIUP PT. HENGJAYA MINERALINDO
SUMBER PETA :
1. Peta Rupa Bumi Indonesia Skala 1 : 50.000
2. Peta Penunjukan Kawasan Hutan 1 : 250.000
PETA INDEKS
Dikeluarkan di Bungku
Pada Tanggal
BUPATI MOROWALI
ANWAR HAFID
122°9' 0"
122°10' 30"
122°12' 0"
122°13' 30"
122°15' 0"
122°16' 30"
122°18' 0"
2°54'0"S
2°55'30"S
2°57'0"S
2°58'30"S
3°0'0"S
APL
HPK
HL
Laut
Puungkeu
BAHODOPI
HPT
Sulawesi Tengah
BUNGKU SELATAN
P.Padopado
Wakto Pencetakan Peta :
1. Pemohon : PT. HENGJAYA MINERALINDO
2. Hari dan Tanggal Proses : Selasa, 14 Juni 2011
3. Jam Proses : 11.00 WIT
4. Operator : Bahdin Baid
5. Catatan : -

LAMPIRAN II

Surat Keputusan (SK) Bupati Morowali
Nomor : 540.3 / SK.001 / DESDM / VI / 2011
Tanggal : 16 Juni 2011

KOORDINAT WILAYAH IZIN USAHA PERTAMBANGAN OPERASI PRODUKSI
PT. HENGJAYA MINERALINDO

LOKASI
PROVINSI : SULAWESI TENGAH
KABUPATEN : MOROWALI
KECAMATAN : BAHODOPI DAN BUNGKU SELATAN
DESA : PADABAHO, BETE-BETE, PUUNGKEU DAN TANGOFA
KOMODITAS : NIKEL DMP
LUAS WILAYAH : 6.249 Ha
KODE WILAYAH : MW032

NO.	GARIS BUJUR (BUJUR TIMUR (BT))				GARIS LINTANG LINTANG UTARA (LU)/ LINTANG SELATAN (LS)			
	°	'	"	BT	°	'	"	LU/LS
1	122	9	57.11	BT	2	55	0	LS
2	122	11	29.99	BT	2	55	0	LS
3	122	11	29.99	BT	2	55	45.58	LS
4	122	12	43.24	BT	2	55	45.58	LS
5	122	12	43.24	BT	2	55	25.34	LS
6	122	11	36.37	BT	2	55	25.34	LS
7	122	11	36.37	BT	2	55	0	LS
8	122	14	0.47	BT	2	55	0	LS
9	122	14	0.47	BT	2	55	25.18	LS
10	122	15	57.13	BT	2	55	25.18	LS
11	122	15	57.13	BT	2	55	31.55	LS
12	122	16	43.09	BT	2	55	31.55	LS
13	122	16	43.09	BT	2	55	36.02	LS
14	122	17	3.2	BT	2	55	36.02	LS
15	122	17	3.2	BT	2	55	47.17	LS
16	122	17	16.12	BT	2	55	47.17	LS
17	122	17	16.12	BT	2	56	24.78	LS
18	122	17	11.01	BT	2	56	24.78	LS
19	122	17	11.01	BT	2	56	32.75	LS
20	122	16	46.44	BT	2	56	32.75	LS
21	122	16	46.44	BT	2	56	58.73	LS
22	122	17	58.99	BT	2	56	58.73	LS
23	122	17	58.99	BT	2	57	11.48	LS
24	122	17	58.73	BT	2	57	11.48	LS
25	122	17	58.73	BT	2	57	17.38	LS
26	122	17	50.75	BT	2	57	17.38	LS
27	122	17	50.75	BT	2	57	22.8	LS

NO.	GARIS BUJUR (BUJUR TIMUR (BT))				GARIS LINTANG LINTANG UTARA (LU)/ LINTANG SELATAN (LS)			
	°	'	"	BT	°	'	"	LU/LS
28	122	16	14.2	BT	2	57	22.8	LS
29	122	16	14.2	BT	2	57	47.18	LS
30	122	17	1.6	BT	2	57	47.18	LS
31	122	17	1.6	BT	2	58	14.43	LS
32	122	15	42.29	BT	2	58	14.43	LS
33	122	15	42.29	BT	2	58	46.15	LS
34	122	14	37.81	BT	2	58	46.15	LS
35	122	14	37.81	BT	2	58	30.21	LS
36	122	13	3.34	BT	2	58	30.21	LS
37	122	13	3.34	BT	2	57	26.14	LS
38	122	11	59.03	BT	2	57	26.14	LS
39	122	11	59.03	BT	2	56	58.25	LS
40	122	11	1.1	BT	2	56	58.25	LS
41	122	11	1.1	BT	2	56	27.81	LS
42	122	9	57.11	BT	2	56	27.81	LS

BUPATI

ANWAR HAFID

LAMPIRAN III
Surat Keputusan (SK) Bupati Morowali :
Nomor 540.3/SK.001/DESDM/VI/2011
Tanggal 15 Juni 2011

Hak dan Kewajiban

A. Hak

1. Memasuki WIUP sesuai dengan peta dan daftar koordinat;
2. Melaksanakan kegiatan IUP Operasi Produksi (Konstruksi, Produksi, Pengolahan Pemurnian dan Pengangkutan Penjualan) sesuai dengan ketentuan peraturan perundang-undangan;
3. Membangun fasilitas penunjang kegiatan IUP Operasi Produksi (Konstruksi, Produksi, Pengolahan Pemurnian dan Pengangkutan Penjualan) di dalam maupun diluar WIUP;
4. Dapat menghentikan sewaktu-waktu menghentikan kegiatan IUP Operasi Produksi (Konstruksi, Produksi, Pengolahan Pemurnian dan Pengangkutan Penjualan) di setiap bagian atau beberapa bagian WIUP dengan alasan bahwa kelanjutan dari kegiatan IUP Operasi Produksi (Konstruksi, Produksi, Pengolahan Pemurnian dan Pengangkutan Penjualan), tersebut tidak layak atau praktis secara komersial maupun karena keadaan kahar, keadaan yang menghalangi sehingga menimbulkan penghentian sebagian atau seluruh kegiatan usaha pertambangan;
5. Mengajukan permohonan pengusahaan mineral lain yang bukan merupakan asosiasi mineral utama yang diketemukan dalam WIUP;
6. Mengajukan pernyataan tidak berminat terhadap pengusahaan mineral lain yang bukan merupakan asosiasi mineral utama yang diketemukan dalam WIUP;
7. Memanfaatkan sarana dan prasarana umum untuk keperluan kegiatan IUP Operasi Produksi (Konstruksi, Produksi, Pengolahan Pemurnian dan Pengangkutan Penjualan) setelah memenuhi ketentuan peraturan perundang-undangan;
8. Dapat melakukan kerjasama dengan perusahaan lain dalam rangka penggunaan setiap fasilitas yang dimiliki oleh perusahaan lain baik yang berafiliasi dengan perusahaan atau tidak sesuai dengan ketentuan peraturan perundang-undangan;
9. Dapat membangun sarana dan prasarana pada WIUP lain setelah mendapat izin dari pemegang IUP yang bersangkutan.

B. Kewajiban

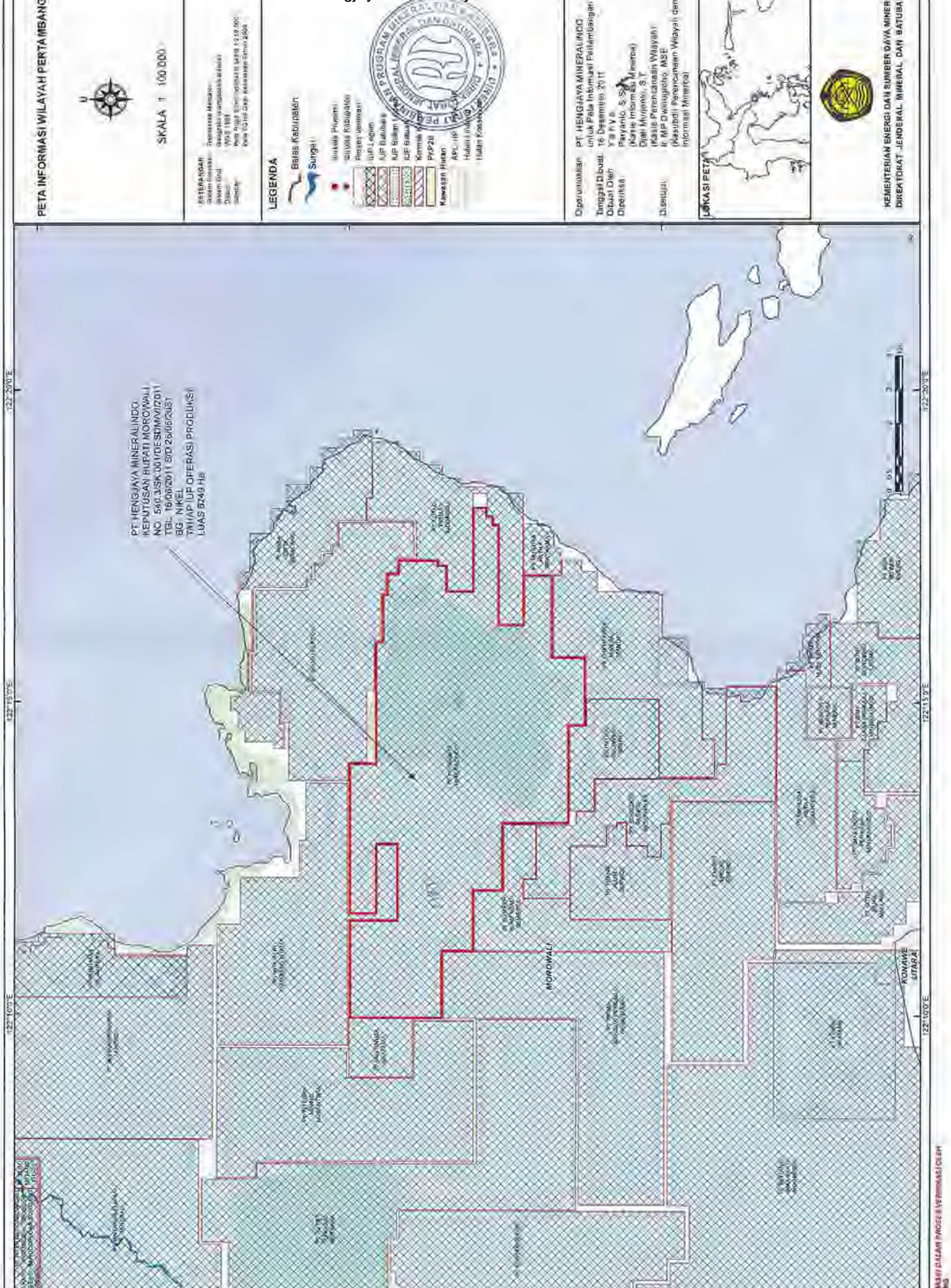
1. Memilih yurisdiksi pada Pengadilan Negeri tempat dimana lokasi WIUP berada;
2. Selambat-lambatnya 6 bulan setelah ditetapkannya keputusan ini, pemegang IUP Operasi Produksi harus sudah melaksanakan dan menyampaikan laporan pematokan batas wilayah IUP Operasi Produksi kepada Bupati;
3. Hubungan antara pemegang IUP Operasi Produksi dengan pihak ketiga menjadi tanggung jawab pemegang IUP Sesuai ketentuan perundang-undangan;
4. Melaporkan Rencana Investasi;
5. Menyampaikan rencana reklamasi;
6. Menyampaikan rencana pasca tambang;
7. Menempatkan jaminan penutupan tambang (sesuai umur tambang);
8. Menyampaikan RKAB selambat-lambatnya pada bulan November yang meliputi rencana tahun depan dan realisasi kegiatan setiap tahun berjalan kepada Bupati dengan tembusan kepada Menteri dan Gubernur;
9. Menyampaikan Laporan Kegiatan Triwulanan yang harus diserahkan dalam jangka waktu 30 (tiga puluh) hari setelah akhir dari triwulan takwim secara berkala kepada Bupati dengan tembusan kepada Menteri dan Gubernur;
10. Apabila ketentuan batas waktu penyampaian RKAB dan pelaporan sebagaimana dimaksud pada angka 8 (delapan) dan 9 (sembilan) tersebut di atas terlampaui, maka kepada pemegang IUP Operasi Produksi akan dibeikan peringatan tertulis;
11. Menyampaikan laporan produksi dan pemasaran sesuai dengan ketentuan peraturan perundang-undangan.

12. Menyampaikan Rencana Pengembangan dan Pemberdayaan Masyarakat sekitar wilayah pertambangan kepada Bupati;
13. Menyampaikan RKTTL setiap tahun sebelum penyampaian RKAB kepada Bupati;
14. Memenuhi ketentuan perpajakan sesuai dengan ketentuan peraturan perundang-undangan;
15. Membayar Iuran Tetap setiap tahun dan membayar Royalty sesuai dengan ketentuan peraturan perundang-undangan;
16. Menempatkan jaminan reklamasi sebelum melakukan kegiatan produksi dan rencana penutupan tambang sesuai ketentuan peraturan perundang-undangan;
17. Menyampaikan RPT (Rencana Penutupan Tambang) 2 Tahun sebelum kegiatan produksi berakhir;
18. Mengangkat seorang Kepala Teknik Tambang yang bertanggung jawab atas Kegiatan IUP Operasi Produksi (Konstruksi, Produksi, Pengolahan Pemurnian dan Pengangkutan Penjualan), Keselamatan dan Kesehatan Kerja Pertambangan serta Pengelolaan Lingkungan Pertambangan;
19. Kegiatan produksi dimulai apabila kapasitas produksi terpasang sudah mencapai 70% yang direncanakan;
20. Permohonan Perpanjangan IUP untuk Kegiatan Produksi harus diajukan 2 (dua) tahun sebelum berakhirnya masa izin ini dengan disertai pemenuhan persyaratan;
21. Kelalaian atas ketentuan tersebut pada butir 20, mengakibatkan IUP Operasi Produksi berakhir menurut hukum dan segala usaha pertambangan dihentikan. Dalam jangka waktu paling lama 6 (enam) bulan sejak berakhirnya keputusan ini, Pemegang IUP Operasi Produksi harus mengangkat keluar segala sesuatu yang menjadi miliknya, kecuali benda-benda/bangunan-bangunan yang dipergunakan untuk kepentingan umum;
22. Apabila dalam jangka waktu sebagaimana dimaksud dalam butir 21, pemegang IUP Operasi Produksi tidak melaksanakan maka barang/aset pemegang IUP menjadi milik pemerintah;
23. Pemegang IUP Operasi Produksi harus menyediakan data dan keterangan sewaktu-waktu apabila dikehendaki oleh pemerintah;
24. Pemegang IUP Operasi Produksi membolehkan dan menerima apabila pemerintah sewaktu-waktu melakukan pemeriksaan;
25. Menerapkan kaidah pertambangan yang baik;
26. Mengelola keuangan sesuai dengan sistem akuntansi Indonesia;
27. Melaporkan pelaksanaan pengembangan dan pemberdayaan masyarakat setempat secara berkala;
28. Mengutamakan pemanfaatan tenaga kerja setempat, barang dan jasa dalam negeri sesuai dengan ketentuan peraturan perundang-undangan;
29. Mengutamakan pembelian dalam negeri dari pengusaha lokal yang ada di daerah tersebut sesuai dengan ketentuan peraturan perundang-undangan;
30. Mengutamakan seoptimal mungkin penggunaan perusahaan jasa pertambangan lokal dan/atau nasional;
31. Dilarang melibatkan anak perusahaan dan/atau afiliasinya dalam bidang usaha jasa pertambangan di WUP yang diusahakannya, kecuali dengan izin Menteri;
32. Melaporkan data dan pelaksanaan penggunaan usaha jasa penunjang;
33. Menyerahkan seluruh data yang diperoleh dari hasil kegiatan IUP Operasi Produksi kepada Bupati dengan tembusan Menteri dan Gubernur;
34. Menyampaikan proposal yang sekurang-kurangnya menggambarkan aspek teknis, keuangan, produksi dan pemasaran serta lingkungan sebagai persyaratan pengajuan permohonan perpanjangan IUP Operasi Produksi;
35. Memberikan ganti rugi kepada pemegang hak atas tanah dan tegakan yang terganggu akibat kegiatan IUP Operasi Produksi;
36. Mengutamakan pemenuhan kebutuhan dalam negeri (DMO) sesuai ketentuan perundang-undangan;
37. Penjualan produksi kepada afiliasi harus mengacu kepada harga pasar;
38. Kontrak penjualan jangka panjang (minimal 3 tahun) harus mendapat persetujuan terlebih dahulu dari Menteri;

39. Perusahaan wajib mengolah produksinya didalam negeri.
40. Pembangunan sarana dan prasarana pada kegiatan konstruksi antara lain meliputi :
    a. Fasilitas-fasilitas dan peralatan pertambangan;
    b. Instalasi dan peralatan peningkatan mutu mineral/batubara;
    c. Fasilitas-fasilitas Bandar yang dapat meliputi dok-dok, pelabuhan-pelabuhan, dermaga-dermaga, jembatan-jembatan, tongkang-tongkang, pemecah-pemecah air, fasilitas-fasilitas terminal, bengkel-bengkel, daerah-daerah penimbunan, gudang-gudang, dan peralatan bongkar muat;
    d. Fasilitas-fasilitas transportasi dan komunikasi yang dapat meliputi jalan-jalan, jembatan-jembatan, kapal-kapal, feri-feri, pelabuhan-pelabuhan udara, rel-rel, tempat-tempat pendaratan pesawat, hanggar-hanggar, garasi-garasi, pompa-pompa BBM, fasilitas-fasilitas radio dan telekomunikasi, serta fasilitas-fasilitas jaringan telegraph dan telepon;
    e. Perkotaan, yang dapat meliputi rumah-rumah tempat tinggal, toko-toko, sekolah-sekolah, rumah sakit, teater-teater dan bangunan lain, fasilitas-fasilitas dan peralatan pegawai kontraktor termasuk tanggungan pegawai tersebut;
    f. Listrik, fasilitas-fasilitas air dan air buangan dan dapat meliputi pembangkit-pembangkit tenaga listrik (yang dapat berupa tenaga air, uap, gas atau diesel), jaringan-jaringan listrik, dam-dam, saluran-saluran air, sistem-sistem penyediaan air dan sistem-sistem pembuangan limbah (tailing), air buangan pabrik dan air buangan rumah tangga;
    g. Fasilitas-fasilitas lain-lain yang dapat meliputi namum tidak terbatas, bengkel-bengkel mesin, bengkel-bengkel pengecoran dan reparasi;
    h. Semua fasilitas tambahan atau fasilitas lain, pabrik dan peralatan yang dianggap perlu atau cocok untuk operasi pengusahaan yang berkaitan dengan WIUP atau untuk menyediakan pelayanan atau melaksanakan aktifitas-aktifitas pendukung atau aktifitas yang sifatnya insidentil.

BUPATI

ANWAR HAFID


PETA INFORMASI WILAYAH PERTAMBANGAN
SKALA 1 : 100.000
LEGENDA
Batas Kabupaten
Sungai
PT. HENGJAYA MINERALINDO
MOROWALI
KONAWE UTARA
LOKASI PETA
KEMENTERIAN ENERGI DAN SUMBER DAYA MINERAL
DIREKTORAT JENDERAL MINERAL DAN BATUBARA

SERTIFIKAT *CLEAR AND CLEAN*

Nomor : 008 /Min/12/2012

diberikan kepada

Nama	**: PT HENGJAYA MINERALINDO**
Alamat	**: Jl. Boulevard Barat Raya Ruko Inkopal Blok A No. 21-23 Kelapa Gading, Jakarta**
Surat Keputusan	**: Bupati Morowali, Sulawesi Tengah**
Nomor	**: 540.3/SK.001/DESDM/VI/2011**
Tahap	**: Operasi Produksi**
Jenis Komoditas	**: Mineral, Nikel**

Ditetapkan di Jakarta
pada tanggal : 14 Mei 2012
Direktur Jenderal Mineral dan Batubara,

DIREKTUR JENDERAL MINERAL DAN BATUBARA
KEMENTERIAN ENERGI DAN SUMBER DAYA MINERAL

Dr. Ir. Thamrin Sihite, ME.

Pada saat diterbitkannya sertifikat ini perusahaan telah memenuhi persyaratan :

1. Administrasi :
   a. Tidak tumpang tindih
   b. Dokumen perizinan

2. Teknis :
   a. Laporan eksplorasi
   b. Laporan studi kelayakan
   c. Persetujuan dokumen lingkungan

3. Kewajiban keuangan :
   a. Iuran tetap
   b. Royalti

DIREKTUR JENDERAL MINERAL DAN BATUBARA ★ KEMENTERIAN ENERGI DAN SUMBER DAYA MINERAL

Keterangan :
Apabila terdapat kekeliruan dalam penerbitan sertifikat ini, akan dilakukan perbaikan sesuai peraturan perundang-undangan yang berlaku.

MENTERI KEHUTANAN
REPUBLIK INDONESIA

KEPUTUSAN MENTERI KEHUTANAN REPUBLIK INDONESIA
NOMOR : SK.443/Menhut-II/2013

TENTANG

IZIN PINJAM PAKAI KAWASAN HUTAN UNTUK KEGIATAN OPERASI PRODUKSI NIKEL DAN SARANA PENUNJANGNYA PADA KAWASAN HUTAN PRODUKSI TERBATAS ATAS NAMA PT. HENGJAYA MINERALINDO, YANG TERLETAK DI KECAMATAN BAHODOPI DAN KECAMATAN BUNGKU SELATAN, KABUPATEN MOROWALI, PROVINSI SULAWESI TENGAH SELUAS 851,22 (DELAPAN RATUS LIMA PULUH SATU DAN DUA PULUH DUA PERSERATUS) HEKTAR

MENTERI KEHUTANAN REPUBLIK INDONESIA,

Menimbang : a. bahwa berdasarkan surat Menteri Kehutanan Nomor S.2/Menhut-VII/2013 tanggal 4 Januari 2013, PT. Hengjaya Mineralindo mendapat persetujuan prinsip penggunaan kawasan hutan untuk kegiatan operasi produksi nikel dan sarana penunjangnya seluas 862 (delapan ratus enam puluh dua) hektar, pada Kawasan Hutan Produksi Terbatas, terletak di Kabupaten Morowali, Provinsi Sulawesi Tengah, dengan kompensasi membayar Penerimaan Negara Bukan Pajak (PNBP) Penggunaan Kawasan Hutan dan melakukan penanaman dalam rangka rehabilitasi daerah aliran sungai dengan ratio 1 : 1 ditambah dengan luas rencana areal terganggu dengan kategori L3;

b. bahwa PT. Hengjaya Mineralindo telah memenuhi kewajiban sebagaimana surat Menteri Kehutanan Nomor S.2/Menhut-VII/2013 tanggal 4 Januari 2013, serta Peraturan Menteri Kehutanan Nomor P.18/Menhut-II/2011 tentang Pedoman Pinjam Pakai Kawasan Hutan, sebagaimana telah beberapa kali diubah terakhir dengan Peraturan Menteri Kehutanan Nomor P.14/Menhut-II/2013, yaitu:

1. Melaksanakan inventarisasi tegakan sesuai Berita Acara Supervisi Inventarisasi Tegakan Hutan pada Areal Izin Persetujuan Prinsip Penggunaan Kawasan Hutan Produksi, Untuk Kegiatan Operasi Produksi Nikel dan Sarana Penunjangnya pada Kawasan Hutan Produksi Terbatas atas nama PT. Hengaya Mineralindo, di Kabupaten Morowali, Provinsi Sulawesi Tengah, tanggal 28 Januari 2013;
2. Melaksanakan tata batas sesuai dengan Berita Acara Pelaksanaan Tata Batas Persetujuan Prinsip Penggunaan Kawasan Hutan Untuk Operasi Produksi Nikel dan Sarana Penunjangnya pada Kawasan Hutan Produksi Terbatas atas nama PT. Hengjaya Mineralindo, Kelompok Hutan Bungku Selatan, Kecamatan Bungku Pesisir, Kabupaten Morowali, Provinsi Sulawesi Tengah, yang disetujui dan disahkan oleh Kepala Balai Pemantapan Kawasan Hutan Wilayah XVI Palu tanggal 25 Pebruari 2013, seluas 851,22 (delapan ratus lima puluh satu dan dua puluh dua perseratus) hektar;

3. Pernyataan ...

3. Pernyataan Direktur PT. Hengjaya Mineralindo di hadapan Ferry Gustiawan, SH, Notaris di Bekasi sesuai Akta Nomor 2 tanggal 5 April 2013, sanggup:
   a) Melaksanakan reklamasi dan revegetasi pada kawasan hutan yang sudah tidak dipergunakan tanpa menunggu selesainya jangka waktu pinjam pakai kawasan hutan;
   b) Melaksanakan perlindungan hutan sesuai ketentuan peraturan perundang-undangan;
   c) Memberikan kemudahan bagi aparat kehutanan baik pusat maupun daerah pada saat melakukan monitoring dan evaluasi di lapangan;
   d) Menanggung seluruh biaya sebagai akibat adanya pinjam pakai kawasan hutan;
   e) Membayar Penerimaan Negara Bukan Pajak (PNBP) Penggunaan Kawasan Hutan dan melakukan penanaman dalam rangka rehabilitasi Daerah Aliran Sungai;
   f) Membayar Provisi Sumber Daya Hutan (PSDH), Dana Reboisasi (DR), dan penggantian nilai tegakan, dan kewajiban keuangan lainnya sesuai dengan ketentuan peraturan perundang-undangan;
   g) Mengembangkan ekonomi berkelanjutan masyarakat lingkar tambang dan memberdayaan masyarakat di sekitar areal;
4. Menyampaikan beseline penggunaan kawasan hutan;
5. Menyampaikan Revisi Rencana Kerja yang disesuaikan dengan hasil tata batas;
6. Menyampaikan rencana reklamasi dan revegetasi;
7. Memiliki Policy Advisor dan Tenaga Teknis Bidang Kehutanan;
8. Akta Pendirian Perusahaan, profil perusahaan, Nomor Pokok Wajib Pajak, dan Neraca Keuangan yang diaudit oleh Akuntan Publik;

c. bahwa berdasarkan Pasal 1 ayat (1) Peraturan Pemerintah Nomor 2 Tahun 2008 tentang Jenis dan Tarif Atas Jenis Penerimaan Negara Bukan Pajak yang Berasal dari Penggunaan Kawasan Hutan untuk Kepentingan Pembangunan di Luar Kegiatan Kehutanan yang Berlaku pada Departemen Kehutanan, Jenis Penerimaan Negara Bukan Pajak dalam Peraturan Pemerintah ini adalah Penerimaan Negara Bukan Pajak yang berasal dari penggunaan kawasan hutan untuk kepentingan pembangunan di luar kegiatan kehutanan yang luas kawasan hutannya di atas 30% (tiga puluh persen) dari daerah aliran sungai dan/atau pulau;

d. bahwa berdasarkan Pasal 7 ayat (2) huruf b angka 2 Peraturan Menteri Kehutanan Nomor P.18/Menhut-II/2011 tentang Pedoman Pinjam Pakai Kawasan Hutan, sebagaimana telah beberapa kali diubah terakhir dengan Peraturan Menteri Kehutanan Nomor P.14/Menhut-II/2013, izin pinjam pakai kawasan hutan pada provinsi yang luas kawasan hutannya di atas 30% (tiga puluh perseratus) dari luas daerah aliran sungai, pulau, dan/atau provinsi, dengan ketentuan penggunaan untuk komersial dikenakan kompensasi membayar Penerimaan Negara Bukan Pajak Penggunaan Kawasan Hutan dan melakukan penanaman dalam rangka rehabilitasi daerah aliran sungai dengan ratio 1:1 ditambah dengan luas rencana areal terganggu dengan kategori L3;

e. bahwa ...

e. bahwa berdasarkan Pasal 13 Peraturan Pemerintah Nomor 24 Tahun 2010 tentang Penggunaan Kawasan Hutan, sebagaimana telah diubah dengan Peraturan Pemerintah Nomor 61 Tahun 2012, dalam hal pemegang persetujuan prinsip telah memenuhi seluruh kewajiban Menteri menerbitkan izin pinjam pakai kawasan hutan;

f. bahwa berdasarkan surat Direktur Jenderal Planologi Kehutanan Nomor S.769/VII-PKH/2013 tanggal 3 Juni 2013, sesuai Peta Indikatif Penundaan Izin Baru Lampiran Keputusan Direktur Jenderal Planologi Kehutanan atas nama Menteri Kehutanan Nomor SK.6315/Menhut-VII/ IPSDH/2012 tentang Penetapan Peta Indikatif Penundaan Izin Baru Pemanfaatan Hutan, Penggunaan Kawasan Hutan, dan Perubahan Peruntukan Kawasan Hutan dan Areal Penggunaan Lain (Revisi III), Kawasan Hutan Produksi Terbatas yang terletak di Kabupaten Morowali, Provinsi Sulawesi Tengah seluas 851,22 (delapan ratus lima puluh satu dan dua puluh dua perseratus) hektar untuk kegiatan operasi produksi nikel dan sarana penunjangnya atas nama PT. Hengjaya Mineralindo, tidak terindikasi sebagai hutan alam primer dan lahan gambut, sehingga tidak termasuk dalam wilayah penundaan pemberian izin baru;

g. bahwa berdasarkan pertimbangan sebagaimana dimaksud di atas, perlu menetapkan Keputusan Menteri Kehutanan tentang Izin Pinjam Pakai Kawasan Hutan Untuk Kegiatan Operasi Produksi Nikel dan Sarana Penunjangnya pada Kawasan Hutan Produksi Terbatas atas nama PT. Hengjaya Mineralindo, yang Terletak di Kecamatan Bahodopi dan Bungku Selatan,Kabupaten Morowali, Provinsi Sulawesi Tengah seluas 851,22 (delapan ratus lima puluh satu dan dua puluh dua perseratus) hektar;

Mengingat : 1. Undang-Undang Nomor 41 Tahun 1999 tentang Kehutanan, sebagaimana telah diubah dengan Undang-Undang Nomor 19 Tahun 2004;

2. Undang-Undang Nomor 32 Tahun 2004 tentang Pemerintahan Daerah, sebagaimana telah beberapa kali diubah terakhir dengan Undang-Undang Nomor 12 Tahun 2008;
3. Undang-Undang Nomor 32 Tahun 2009 tentang Perlindungan dan Pengelolaan Lingkungan Hidup;
4. Peraturan Pemerintah Nomor 44 Tahun 2004 tentang Perencanaan Kehutanan;
5. Peraturan Pemerintah Nomor 45 Tahun 2004 tentang Perlindungan Hutan, sebagaimana telah diubah dengan Peraturan Pemerintah Nomor 60 Tahun 2009;
6. Peraturan Pemerintah Nomor 6 Tahun 2007 tentang Tata Hutan dan Penyusunan Rencana Pengelolaan Hutan, serta Pemanfaatan Hutan, sebagaimana telah diubah dengan Peraturan Pemerintah Nomor 3 Tahun 2008;
7. Peraturan Pemerintah Nomor 38 Tahun 2007 tentang Pembagian Urusan Pemerintahan antara Pemerintah, Pemerintahan Daerah Provinsi dan Pemerintahan Daerah Kabupaten/Kota;
8. Peraturan Pemerintah Nomor 76 Tahun 2008 tentang Rehabilitasi dan Reklamasi Hutan;

9. Peraturan ...

9. Peraturan Pemerintah Nomor 15 Tahun 2010 tentang Penyelenggaraan Penataan Ruang;
10. Peraturan Pemerintah Nomor 24 Tahun 2010 tentang Penggunaan Kawasan Hutan, sebgaimana telah diubah dengan Peraturan Pemerintah Nomor 61 Tahun 2012;
11. Peraturan Presiden Nomor 47 Tahun 2009 tentang Pembentukan dan Organisasi Kementerian Negara, sebagaimana telah beberapa kali diubah terakhir dengan Peraturan Presiden Nomor 91 Tahun 2011;
12. Keputusan Presiden Nomor 84/P Tahun 2009 tentang Pembentukan Kabinet Indonesia Bersatu II, sebagaimana telah diubah dengan Keputusan Presiden Nomor 59/P Tahun 2011;
13. Peraturan Presiden Nomor 24 Tahun 2010 tentang Kedudukan, Tugas dan Fungsi Kementerian Negara serta Susunan Organisasi, Tugas dan Fungsi Eselon I, sebagaimana telah beberapa kali diubah terakhir dengan Peraturan Presiden Nomor 92 Tahun 2011;
14. Instruksi Presiden Nomor 6 Tahun 2013 tentang Penundaan Pemberian Izin Baru dan Penyempurnaan Tata Kelola Hutan Alam Primer dan Lahan Gambut;
15. Peraturan Menteri Kehutanan Nomor P.18/Menhut-II/2007 tentang Petunjuk Teknis Tata Cara Pengenaan, Pemungutan dan Pembayaran Provisi Sumber Daya Hutan (PSDH) dan Dana Reboisasi (DR);
16. Peraturan Menteri Kehutanan Nomor P.56/Menhut-II/2008 tentang Tata Cara Penentuan Luas Areal Terganggu dan Areal Reklamasi dan Revegetasi untuk Perhitungan Penerimaan Negara Bukan Pajak Penggunaan Kawasan Hutan;
17. Peraturan Menteri Kehutanan Nomor P.60/Menhut-II/2009 tentang Pedoman Penilaian Keberhasilan Reklamasi Hutan;
18. Peraturan Menteri Keuangan Nomor 91/KMK.02/2009 tentang Tata Cara Pengenaan, Pemungutan dan Penyetoran Penerimaan Negara Bukan Pajak yang Berasal dari Penggunaan Kawasan Hutan untuk Kepentingan Pembangunan di Luar Kegiatan Kehutanan;
19. Peraturan Menteri Kehutanan Nomor P.40/Menhut-II/2010 tentang Organisasi dan Tata Kerja Kementerian Kehutanan, sebagaimana telah diubah dengan Peraturan Menteri Kehutanan Nomor P.33/Menhut-II/2012;
20. Peraturan Menteri Kehutanan Nomor P.14/Menhut-II/2011 tentang Izin Pemanfaatan Kayu, yang telah diubah dengan Peraturan Menteri Kehutanan Nomor P.20/Menhut-II/2013;
21. Peraturan Menteri Kehutanan Nomor P.18/Menhut-II/2011 tentang Pedoman Pinjam Pakai Kawasan Hutan, sebagaimana telah beberapa kali diubah terakhir dengan Peraturan Menteri Kehutanan Nomor P.14/Menhut-II/2013;
22. Peraturan Menteri Kehutanan Nomor P.63/Menhut-II/2011 tentang Pedoman Penanaman Bagi Pemegang Izin Pinjam Pakai Kawasan Hutan Dalam Rangka Rehabilitasi Daerah Aliran Sungai;
23. Keputusan Direktur Jenderal Planologi Kehutanan atas nama Menteri Kehutanan Nomor SK.2796/Menhut-VII/IPSDH/2013 tentang Penetapan Peta Indikatif Penundaan Izin Baru Pemanfaatan Hutan, Penggunaan Kawasan Hutan, dan Perubahan Peruntukan Kawasan Hutan dan Areal Penggunaan Lain (Revisi IV);

Memperhatikan : ...

Memperhatikan: 1. Keputusan Bupati Morowali Nomor 540.3/SK.001/DESDM/VI/2011 tanggal 16 Juni 2011, tentang Persetujuan Izin Usaha Pertambangan Operasi Produksi kepada PT. Hengjaya Mineralindo, untuk jangka waktu 30 (tiga puluh) tahun sampai dengan tanggal 16 Juni 2031;
2. Surat Menteri Kehutanan Nomor S.2/Menhut-VII/2013 tanggal 4 Januari 2013, hal Pemberian Persetujuan Prinsip Penggunaan Kawasan Hutan atas nama PT. Hengjaya Mineralindo untuk Kegiatan Operasi Produksi Nikel dan Sarana Penunjangnya di Kabupaten Morowali, Provinsi Sulawesi Tengah;
3. Berita Acara Supervisi Inventarisasi Tegakan Hutan pada Areal Izin Persetujuan Prinsip Penggunaan Kawasan Hutan Produksi, Untuk Kegiatan Operasi Produksi Nikel dan Sarana Penunjangnya pada Kawasan Hutan Produksi Terbatas atas nama PT. Hengjaya Mineralindo, di Kabupaten Morowali, Provinsi Sulawesi Tengah, tanggal 28 Januari 2013;
4. Berita Acara Pelaksanaan Tata Batas Persetujuan Prinsip Penggunaan Kawasan Hutan Untuk Operasi Produksi Nikel dan Sarana Penunjangnya pada Kawasan Hutan Produksi Terbatas atas nama PT. Hengjaya Mineralindo, Kelompok Hutan Bungku Selatan, Kecamatan Bungku Pesisir, Kabupaten Morowali, Provinsi Sulawesi Tengah, yang disetujui dan disahkan oleh Kepala Balai Pemantapan Kawasan Hutan Wilayah XVI Palu tanggal 25 Pebruari 2013;
5. Pernyataan Direktur PT. Hengjaya Mineralindo di hadapan Ferry Gustiawan, SH, Notaris di Bekasi sesuai Akta Nomor 2 tanggal 5 April 2013;

MEMUTUSKAN :

Menetapkan : **KEPUTUSAN MENTERI KEHUTANAN TENTANG IZIN PINJAM PAKAI KAWASAN HUTAN UNTUK KEGIATAN OPERASI PRODUKSI NIKEL DAN SARANA PENUNJANGNYA PADA KAWASAN HUTAN PRODUKSI TERBATAS ATAS NAMA PT. HENGJAYA MINERALINDO YANG TERLETAK DI KECAMATAN BAHODOPI DAN KECAMATAN BUNGKU SELATAN, KABUPATEN MOROWALI, PROVINSI SULAWESI TENGAH SELUAS 851,22 (DELAPAN RATUS LIMA PULUH SATU DAN DUA PULUH DUA PERSERATUS) HEKTAR.**

KESATU : Memberikan izin pinjam pakai kawasan hutan untuk kegiatan operasi produksi nikel dan sarana penunjangnya pada Kawasan Hutan Produksi Terbatas atas nama PT. Hengjaya Mineralindo yang terletak di Kecamatan Bahodopi dan Kecamatan Bungku Selatan,Kabupaten Morowali, Provinsi Sulawesi Tengah seluas 851,22 (delapan ratus lima puluh satu dan dua puluh dua perseratus) hektar, sebagaimana Peta Lampiran Keputusan ini, dengan rincian penggunaan sebagai berikut :

a. Areal penambangan, seluas 751,45 (tujuh ratus lima puluh satu dan empat puluh lima perseratus) hektar;
b. Sarana dan prasarana, seluas 62,69 (enam puluh dua dan enam puluh sembilan perseratus) hektar, dengan rincian :
   1. Disposal, seluas 54,70 (lima puluh empat dan tujuh puluh perseratus) hektar;
   2. Mess, seluas 2,76 (dua dan tujuh puluh enam perseratus) hektar;
   3. Stockpile, seluas 5,23 (lima dan dua puluh tiga perseratus) hektar;

c. Jalan ...

c. Jalan angkutan tambang seluas 37,08 (tiga puluh tujuh dan delapan perseratus) hektar,terdiri dari:
   1. Jalan tambang di dalam areal tambang, seluas 19,33 (sembilan belas dan tiga puluh tiga perseratus) hektar;
   2. Jalan angkutan tambang di luar areal tambang, seluas 17,75 (tujuh belas dan tujuh puluh lima perseratus) hektar.

KEDUA : Pemberian izin pinjam pakai kawasan hutan sebagaimana dimaksud dalam Amar KESATU adalah untuk pelaksanaan kegiatan operasi produksi nikel dan sarana penunjangnya, bukan untuk kegiatan lain serta arealnya tetap berstatus sebagai kawasan hutan.

KETIGA : PT. Hengjaya Mineralindo, berhak :

a. berada, menempati dan mengelola serta melakukan kegiatan-kegiatan yang meliputi kegiatan operasi produksi nikel dan sarana penunjangnya, serta melakukan kegiatan-kegiatan lainnya yang berhubungan dengan itu dalam kawasan hutan yang dipinjam pakai;
b. memanfaatkan hasil kegiatan yang dilakukan sehubungan dengan kegiatan operasi produksi nikel dan sarana penunjangnya pada kawasan hutan yang dipinjam pakai;
c. melakukan penebangan pohon dalam rangka pembukaan lahan dengan membayar penggantian nilai tegakan dan Provisi Sumber Daya Hutan (PSDH) dan/atau Dana Reboisasi (DR) sesuai dengan ketentuan peraturan perundang-undangan.

KEEMPAT : PT. Hengjaya Mineralindo, wajib:

a. membayar Penerimaan Negara Bukan Pajak Penggunaan Kawasan Hutan dan melakukan penanaman dalam rangka rehabilitasi daerah aliran sungai dengan ratio 1:1 ditambah dengan luas rencana areal terganggu dengan kategori L3;
b. menyampaikan Bank Garansi dari bank pemerintah yang besarnya 3/12 (tiga per dua belas) dari taksiran volume tebangan berdasarkan rekapitulasi LHC;
c. melaksanakan reklamasi dan revegetasi pada kawasan hutan yang sudah tidak dipergunakan, menggunakan bibit tanaman jenis pioner dan unggulan setempat tanpa menunggu selesainya jangka waktu izin pinjam pakai kawasan hutan;
d. membayar penggantian nilai tegakan dan PSDH dan DR serta kewajiban keuangan lainnya sesuai peraturan perundang-undangan, dengan mempekerjakan Tenaga Teknis Pengelolaan Hutan Produksi Lestari Pengujian Kayu Bulat Rimba (GANISPHPL- PKB-R);
e. melakukan pemeliharaan batas pinjam pakai kawasan hutan;
f. melaksanakan perlindungan hutan sesuai peraturan perundang-undangan;
g. memberdayakan masyarakat setempat melalui Program Bina Desa Hutan dan mempekerjakan Tenaga Teknis Pengelolaan Hutan Produksi Lestari Kelola Sosial (GANISPHPL-KESOS);
h. membangun sistem informasi kepada publik yang berkaitan dengan kerusakan lingkungan hidup dan pemberdayaan masyarakat;

i. menanggung ...

i. menanggung seluruh biaya sebagai akibat adanya pinjam pakai kawasan hutan;

j. melakukan koordinasi dengan instansi kehutanan provinsi dan kabupaten paling lambat 1 (satu) bulan sejak tanggal izin pinjam pakai kawasan hutan ini ditetapkan;

k. memberikan kemudahan bagi aparat kehutanan baik pusat maupun daerah pada saat melakukan monitoring dan evaluasi di lapangan;

l. menyerahkan rencana kerja pemenuhan kewajiban sebagaimana dimaksud pada huruf a sampai dengan huruf h kepada Menteri Kehutanan, selambat-lambatnya 100 (seratus) hari kerja setelah ditetapkan Keputusan Izin Pinjam Pakai Kawasan Hutan;

m. membuat laporan secara berkala setiap 6 (enam) bulan sekali kepada Menteri Kehutanan mengenai penggunaan kawasan hutan yang dipinjam pakai, dengan tembusan :
   1. Direktur Jenderal Planologi Kehutanan;
   2. Direktur Jenderal Bina Usaha Kehutanan;
   3. Direktur Jenderal Perlindungan Hutan dan Konservasi Alam;
   4. Direktur Jenderal Bina Pengelolaan Daerah Aliran Sungai dan Perhutanan Sosial;
   5. Kepala Dinas Kehutanan Provinsi Sulawesi Tengah;
   6. Kepala Dinas Kehutanan Kabupaten Morowali;
   7. Kepala Balai Pemantapan Kawasan Hutan Wilayah XVI Palu; dan
   8. Kepala Balai Pengelolaan Daerah Aliran Sungai Palu Poso;

   Laporan memuat :
   1. rencana dan realisasi penggunaan kawasan hutan;
   2. rencana dan realisasi reklamasi dan revegetasi;
   3. pemenuhan kewajiban membayar Penerimaan Negara Bukan Pajak Penggunaan Kawasan Hutan;
   4. rencana dan realisasi penanaman dalam wilayah daerah aliran sungai sesuai peraturan perundang-undangan; dan
   5. pemenuhan kewajiban lainnya sesuai izin pinjam pakai kawasan hutan;

n. membuat laporan dalam bentuk laporan keuangan yang diaudit oleh akuntan publik, khusus untuk kewajiban huruf a sampai dengan huruf h dan kewajiban sebagaimana dimaksud dalam Amar KEENAM setiap 6 (enam) bulan dengan dilampiri pos biaya kewajiban kepada Menteri Kehutanan dengan tembusan kepada Sekretaris Jenderal Kementerian Kehutanan dan Direktur Jenderal Planologi Kehutanan.

KELIMA : Ketentuan untuk melakukan penanaman dalam rangka rehabilitasi Daerah Aliran Sungai (DAS) sebagaimana dimaksud dalam Amar KEEMPAT huruf a mengacu pada Peraturan Menteri Kehutanan Nomor P.63/Menhut-II/2011.

KEENAM : Ketentuan untuk melakukan rehabilitasi, reklamasi dan/atau revegetasi pada kawasan hutan yang dipinjam pakai sebagaimana dimaksud dalam Amar KEEMPAT huruf a dan huruf c wajib mempekerjakan Tenaga Teknis Pengelolaan Hutan Produksi Lestari Rehabilitasi dan Reklamasi Pertambangan (GANISPHPL-REHAREKTAM) dan dilaksanakan sesuai dengan ketentuan peraturan perundang-undangan.

KETUJUH : ...

KETUJUH : PT. Hengjaya Mineralindo, dilarang:

a. memindahtangankan izin pinjam pakai kawasan hutan kepada pihak lain atau pengubahan nama perusahaan tanpa persetujuan Menteri Kehutanan;

b. menjaminkan atau mengagunkan areal izin pinjam pakai kawasan hutan kepada pihak lain;

c. melakukan penebangan pohon dalam kawasan hutan dengan radius atau jarak sampai dengan:

1. 200 (dua ratus) meter dari tepi mata air dan kiri kanan sungai di daerah rawa;
2. 100 (seratus) meter dari kiri kanan tepi sungai;
3. 50 (lima puluh) meter dari kiri kanan tepi anak sungai.

KEDELAPAN : Apabila di dalam kawasan hutan yang dipinjam pakai terdapat hak-hak pihak ketiga, penyelesaiannya menjadi tanggung jawab PT. Hengjaya Mineralindo yang dikoordinasikan oleh pemerintah daerah setempat.

KESEMBILAN : Apabila pemegang izin melakukan pelanggaran atas ketentuan-ketentuan sebagaimana dimaksud dalam izin ini, maka izin dicabut dan pemegang izin dikenakan sanksi sesuai dengan peraturan perundang-undangan, setelah diberi peringatan oleh Direktur Jenderal Planologi Kehutanan paling banyak 3 (tiga) kali dengan tenggang waktu masing-masing paling sedikit 30 (tiga puluh) hari kerja sejak diterimanya surat peringatan sebelumnya dan pemegang izin tidak melakukan usaha perbaikan dalam waktu 30 (tiga puluh) hari kerja sejak diterimanya surat peringatan yang ketiga.

KESEPULUH : Izin pinjam pakai kawasan hutan ini berlaku dan melekat sebagai izin pemanfaatan kayu, serta izin pemasukan dan penggunaan peralatan.

KESEBELAS : Penentuan areal terganggu, reklamasi dan revegetasi serta tata cara pengenaan, pemungutan dan penyetoran PNBP Penggunaan Kawasan Hutan berpedoman pada Peraturan Menteri Kehutanan Nomor P.56/Menhut-II/2008 dan Peraturan Menteri Keuangan Nomor 91/KMK.02/2009 sebagai tindak lanjut Peraturan Pemerintah Nomor 2 Tahun 2008.

KEDUA BELAS : a. Permohonan perpanjangan dilakukan oleh Pemegang Izin paling lambat 6 (enam) bulan sebelum berakhirnya jangka waktu izin;

b. Untuk perpanjangan izin sebagaimana dimaksud pada huruf a, Instansi Kehutanan melakukan evaluasi atas :

1. Kawasan hutan yang dipinjam pakai masih dipergunakan untuk operasi produksi nikel dan sarana penunjangnya oleh pemegang izin atau afiliasinya atau oleh pihak yang diperbolehkan berdasarkan ketentuan peraturan perundang-undangan;

2. Tidak ...

2. Tidak ada pelanggaran yang dilakukan oleh pemegang izin terhadap ketentuan-ketentuan dalam izin ini;
3. Telah memenuhi semua kewajiban dalam Keputusan ini.

KETIGA BELAS: Keputusan ini mulai berlaku pada tanggal ditetapkan dengan jangka waktu paling lama sampai dengan tanggal 16 Juni 2031, apabila dalam jangka waktu 2 (dua) tahun sejak ditetapkannya Keputusan ini tidak ada kegiatan nyata di lapangan, maka Keputusan ini batal dengan sendirinya.

Ditetapkan di Jakarta
pada tanggal 20 Juni 2013

MENTERI KEHUTANAN REPUBLIK INDONESIA,

ttd

ZULKIFLI HASAN

Salinan sesuai dengan aslinya
KEPALA BIRO HUKUM DAN ORGANISASI,

KRISNA RYA

Salinan Keputusan ini disampaikan kepada Yth.
1. Menteri Energi dan Sumber Daya Mineral;
2. Sekretaris Jenderal Kementerian Kehutanan;
3. Direktur Jenderal Planologi Kehutanan;
4. Direktur Jenderal Bina Usaha Kehutanan;
5. Direktur Jenderal Bina Pengelolaan DAS dan Perhutanan Sosial;
6. Direktur Jenderal Perlindungan Hutan dan Konservasi Alam;
7. Direktur Jenderal Mineral dan Batubara;
8. Gubernur Sulawesi Tengah;
9. Bupati Morowali;
10. Kepala Dinas Kehutanan Provinsi Sulawesi Tengah;
11. Kepala Dinas Pertambangan Provinsi Sulawesi Tengah;
12. Kepala Dinas Kehutanan Kabupaten Morowali;
13. Kepala Dinas Pertambangan Kabupaten Morowali;
14. Kepala Balai Pemantapan Kawasan Hutan Wilayah XVI Palu;
15. Kepala Balai Pemantauan Pemanfaatan Hutan Produksi Wilayah XIV Palu;
16. Kepala Balai Pengelolaan Daerah Aliran Sungai Ake Malamo;
17. Direktur Utama PT. Hengjaya Mineralindo.

BADAN KOORDINASI PENANAMAN MODAL

KEPUTUSAN KEPALA BADAN KOORDINASI PENANAMAN MODAL
NOMOR : 3 / 1 / IPPKH / PMA / 2018

TENTANG

IZIN PINJAM PAKAI KAWASAN HUTAN UNTUK KEGIATAN OPERASI PRODUKSI NIKEL DAN SARANA PENUNJANGNYA ATAS NAMA PT. HENGJAYA MINERALINDO SELUAS ± 994,32 (SEMBILAN RATUS SEMBILAN PULUH EMPAT DAN TIGA PULUH DUA PERSERATUS) HEKTAR PADA KAWASAN HUTAN PRODUKSI TERBATAS DI KABUPATEN MOROWALI, PROVINSI SULAWESI TENGAH

KEPALA BADAN KOORDINASI PENANAMAN MODAL,

Menimbang :

a. bahwa PT. Hengjaya Mineralindo merupakan pemegang izin usaha pertambangan operasi produksi sesuai Keputusan Bupati Morowali Nomor 540.3/SK.001/DESDM/VI/2011 tanggal 16 Juni 2011 seluas ± 6.249 Hektar di Kabupaten Morowali, Provinsi Sulawesi Tengah, dengan masa berlaku 20 (dua puluh) tahun sampai dengan tanggal 26 Mei 2031;

b. bahwa Direktur Utama PT. Hengjaya Mineralindo sesuai surat Nomor 21.1/HM-IPPKH-BKPM/XI/2015 tanggal 13 November 2015 dan Nomor 18.1/HM-IPPKH-BKPM/II/2017 tanggal 20 Februari 2017 mengajukan permohonan Izin Pinjam Pakai Kawasan Hutan untuk kegiatan operasi produksi Nikel dan sarana penunjangnya seluas ± 994,32 Hektar di Kabupaten Morowali, Provinsi Sulawesi Tengah;

c. bahwa sesuai surat Direktur Jenderal Planologi Kehutanan dan Tata Lingkungan Nomor S.1715/PKTL /REN/PLA.0/12/2017 tanggal 28 Desember 2017, Permohonan izin pinjam pakai kawasan hutan untuk kegiatan operasi produksi nikel dan sarana penunjangnya a.n. PT. Hengjaya Mineralindo telah memenuhi persyaratan sesuai dengan ketentuan dalam Peraturan Menteri Lingkungan Hidup dan Kehutanan Nomor P.50/Menlhk/Setjen/Kum.1/6/2016 tentang Pedoman Pinjam Pakai Kawasan Hutan dan telah memenuhi ketentuan teknis seluas ± 994,32 Hektar yang seluruhnya berada pada kawasan Hutan Produksi Terbatas serta tidak dibebani izin pemanfaatan hutan di Kabupaten Morowali, Provinsi Sulawesi Tengah;

d. bahwa berdasarkan pertimbangan tersebut huruf a sampai dengan huruf c, perlu menetapkan Keputusan Kepala Badan Koordinasi Penanaman Modal tentang Izin Pinjam Pakai Kawasan Hutan untuk Kegiatan Operasi Produksi Nikel dan Sarana Penunjangnya atas nama PT. Hengjaya Mineralindo seluas ± 994,32 (Sembilan Ratus Sembilan Puluh Empat dan Tiga Puluh Dua Perseratus) Hektar Pada Kawasan Hutan Produksi Terbatas di Kabupaten Morowali, Provinsi Sulawesi Tengah;

Mengingat :

1. Undang-Undang Nomor 5 Tahun 1990 tentang Konservasi Sumberdaya Alam Hayati dan Ekosistemnya;
2. Undang-Undang Nomor 41 Tahun 1999 tentang Kehutanan, sebagaimana telah diubah dengan Undang-Undang Nomor 19 Tahun 2004;
3. Undang-Undang Nomor 26 Tahun 2007 tentang Penataan Ruang;
4. Undang-Undang Nomor 18 Tahun 2013 tentang Pencegahan dan Pemberantasan Perusakan Hutan;
5. Undang-Undang Nomor 23 Tahun 2014 tentang Pemerintahan Daerah sebagaimana telah beberapa kali di ubah terakhir dengan Undang-Undang Nomor 9 Tahun 2015;
6. Peraturan Pemerintah Nomor 44 Tahun 2004 tentang Perencanaan Kehutanan;
7. Peraturan Pemerintah Nomor 45 Tahun 2004 tentang Perlindungan Hutan, sebagaimana telah diubah dengan Peraturan Pemerintah Nomor 60 Tahun 2009;
8. Peraturan Pemerintah Nomor 6 Tahun 2007 tentang Tata Hutan dan Penyusunan Rencana Pengelolaan Hutan Serta Pemanfaatan Hutan, sebagaimana telah diubah dengan Peraturan Pemerintah Nomor 3 Tahun 2008;
9. Peraturan Pemerintah Nomor 26 Tahun 2008 tentang Rencana Tata Ruang Wilayah Nasional;
10. Peraturan Pemerintah Nomor 76 Tahun 2008 tentang Rehabilitasi dan Reklamasi Hutan;
11. Peraturan Pemerintah Nomor 24 Tahun 2010 tentang Penggunaan Kawasan Hutan, sebagaimana telah beberapa kali diubah terakhir dengan Peraturan Pemerintah Nomor 105 Tahun 2015;
12. Peraturan Pemerintah Nomor 12 Tahun 2014 tentang Jenis dan Tarif Atas Jenis Penerimaan Negara Bukan Pajak Yang Berlaku Pada Kementerian Kehutanan;
13. Peraturan Pemerintah Nomor 33 Tahun 2014 tentang Jenis dan Tarif Atas Jenis Penerimaan Negara Bukan Pajak Yang Berasal Dari Penggunaan Kawasan Hutan Untuk Kepentingan Pembangunan di Luar Kegiatan Kehutanan Yang Berlaku Pada Kementerian Kehutanan;
14. Peraturan Pemerintah Nomor 104 Tahun 2015 tentang Tata Cara Perubahan Peruntukan dan Fungsi Kawasan Hutan;

15. Peraturan Presiden Nomor 97 Tahun 2014 tentang Penyelenggaraan Pelayanan Terpadu Satu Pintu;
16. Peraturan Presiden Nomor 165 Tahun 2014 tentang Penataan Tugas dan Fungsi Kabinet Kerja;
17. Peraturan Presiden Nomor 7 Tahun 2015 tentang Organisasi Kementerian Negara;
18. Peraturan Presiden Nomor 16 Tahun 2015 tentang Kementerian Lingkungan Hidup dan Kehutanan;
19. Peraturan Presiden Nomor 44 Tahun 2016 tentang Daftar Bidang Usaha Yang Tertutup dan Bidang Usaha Yang Terbuka Dengan Persyaratan di Bidang Penanaman Modal;
20. Instruksi Presiden Nomor 6 Tahun 2017 tentang Penundaan dan Penyempurnaan Tata Kelola Pemberian Izin Baru Hutan Alam Primer dan Lahan Gambut;
21. Peraturan Menteri Kehutanan Nomor P.56/Menhut-II/2008 tentang Tata Cara Penentuan Luas Areal Terganggu dan Areal Reklamasi dan Revegatasi Untuk Perhitungan Penerimaan Negara Bukan Pajak Penggunaan Kawasan Hutan, sebagaimana telah diubah dengan Peraturan Menteri Kehutanan Nomor P.84/Menhut-II/2014;
22. Peraturan Menteri Kehutanan Nomor P.60/Menhut-II/2009 tentang Pedoman Penilaian Keberhasilan Reklamasi Hutan;
23. Peraturan Menteri Keuangan Nomor 91/PMK.02/2009 tentang Tata Cara Pengenaan, Pemungutan dan Penyetoran Penerimaan Negara Bukan Pajak Yang Berasal Dari Penggunaan Kawasan Hutan Untuk Kepentingan Pembangunan di Luar Kegiatan Kehutanan;
24. Peraturan Menteri Kehutanan Nomor P.44/Menhut-II/2012 tentang Pengukuhan Kawasan Hutan, sebagaimana telah diubah dengan Peraturan Menteri Kehutanan Nomor P.62/Menhut-II/2013;
25. Peraturan Menteri Lingkungan Hidup dan Kehutanan Nomor P.97/Menhut-II/2014 tentang Pendelegasian Wewenang Pemberian Perizinan dan Non Perizinan di Bidang Lingkungan Hidup dan Kehutanan Dalam Rangka Pelaksanaan Pelayanan Terpadu Satu Pintu Kepada Kepala Badan Koordinasi Penanaman Modal, sebagaimana telah diubah dengan Peraturan Menteri Lingkungan Hidup dan Kehutanan Nomor P.1/Menhut-II/2015;
26. Peraturan Menteri Lingkungan Hidup dan Kehutanan Nomor P.18/Menlhk-II/2015 tentang Organisasi dan Tata Kerja Kementerian Lingkungan Hidup dan Kehutanan;
27. Peraturan Menteri Lingkungan Hidup dan Kehutanan Nomor P.43/MenLHK-Setjen/2015 tentang Penatausahaan Hasil Hutan Kayu Yang Berasal Dari Hutan Alam sebagaimana telah diubah dengan Peraturan Menteri Lingkungan Hidup dan Kehutanan Nomor P.60/MenLHK/Setjen/Kum.1 /7/2016;

28. Peraturan Menteri Lingkungan Hidup dan Kehutanan Nomor P.62/MenLHK-Setjen/2015 tentang Izin Pemanfaatan Kayu;
29. Peraturan Menteri Lingkungan Hidup dan Kehutanan Nomor P.29/Menlhk/Setjen/PHPL.3/2/2016 tentang Pembatalan Pengenaan, Pemungutan dan Penyetoran Penggantian Nilai Tegakan;
30. Peraturan Menteri Lingkungan Hidup dan Kehutanan Nomor P.32/MenLHK/Setjen/Kum.1/3/2016 tentang Pengendalian Kebakaran Hutan dan Lahan;
31. Peraturan Menteri Lingkungan Hidup dan Kehutanan Nomor P.50/Menlhk/Setjen/Kum.1/6/2016 tentang Pedoman Pinjam Pakai Kawasan Hutan;
32. Peraturan Menteri Lingkungan Hidup dan Kehutanan Nomor P.71/MenLHK/Setjen/HPL.3/8/2016 tentang Tata Cara Pengenaan, Pemungutan, dan Penyetoran Provisi Sumber Daya Hutan dan Dana Reboisasi, Ganti Rugi Tegakan, Denda Pelanggaran Eksploitasi Hutan dan Iuran Izin Usaha Pemanfaatan Hutan;
33. Peraturan Menteri Lingkungan Hidup dan Kehutanan Nomor P.89/Menlhk/Setjen/Kum.1/11/2016 tentang Pedoman Penanaman Bagi Pemegang Izin Pinjam Pakai Kawasan Hutan Dalam Rangka Rehabilitasi Daerah Aliran Sungai;
34. Peraturan Menteri Lingkungan Hidup dan Kehutanan Nomor P.93/Menlhk/Setjen/Kum.1/12/2016 tentang Panitia Tata Batas Kawasan Hutan;
35. Keputusan Menteri Lingkungan Hidup dan Kehutanan Nomor SK.6559/MenLHK-PKTL/PSDH/PLA.1/12/2017 tanggal 4 Desember 2017 tentang Penetapan Peta Indikatif Penundaan Pemberian Izin Baru Pemanfaatan Hutan, Penggunaan Kawasan Hutan dan Perubahan Peruntukan Kawasan Hutan dan Areal Penggunaan Lain (Revisi XIII);

Memperhatikan :

1. Keputusan Bupati Morowali Nomor 660.1/71.A/KHL/2011 tanggal 13 Juni 2011 tentang Kelayakan Lingkungan Kegiatan Penambangan Bijih Nikel di Kabupaten Morowali Provinsi Sulawesi Tengah oleh PT. Hengjaya Mineralindo;
2. Surat Gubernur Sulawesi Tengah Nomor 522/13/DISHUTDA tanggal 05 Maret 2015 hal Rekomendasi Ijin Pinjam Pakai Kawasan Hutan untuk Kegiatan Operasi Produksi a.n. PT. Hengjaya Mineralindo di Desa Tangofa Kecamatan Bungku Pesisir Kabupaten Morowali Provinsi Sulawesi Tengah;
3. Akta Pernyataan Direktur PT. Hengjaya Mineralindo Nomor 02 tanggal 21 September 2015 yang dibuat dihadapan Ferry Gustiawan, S.H Notaris di Kota Bekasi;
4. Surat Direktur Jenderal Mineral dan Batubara Nomor 2023/30/DJB/2015 tanggal 5 Nopember 2015 hal Pertimbangan Teknis Pinjam Pakai Kawasan Hutan untuk Kegiatan Operasi Produksi a.n. PT. Hengjaya Mineralindo (PT. HM);

MEMUTUSKAN :

Menetapkan : **KEPUTUSAN KEPALA BADAN KOORDINASI PENANAMAN MODAL TENTANG IZIN PINJAM PAKAI KAWASAN HUTAN UNTUK KEGIATAN OPERASI PRODUKSI NIKEL DAN SARANA PENUNJANGNYA ATAS NAMA PT. HENGJAYA MINERALINDO SELUAS ± 994,32 (SEMBILAN RATUS SEMBILAN PULUH EMPAT DAN TIGA PULUH DUA PERSERATUS) HEKTAR PADA KAWASAN HUTAN PRODUKSI TERBATAS DI KABUPATEN MOROWALI, PROVINSI SULAWESI TENGAH.**

KESATU : Memberikan Izin Pinjam Pakai Kawasan Hutan dengan kompensasi membayar Penerimaan Negara Bukan Pajak penggunaan kawasan hutan dan melakukan penanaman dalam rangka rehabilitasi Daerah Aliran Sungai, untuk kegiatan operasi produksi Nikel dan sarana penunjangnya atas nama PT. Hengjaya Mineralindo seluas ± 994,32 (sembilan ratus sembilan puluh empat dan tiga puluh dua perseratus) Hektar pada kawasan Hutan Produksi Tetap di Kabupaten Morowali, Provinsi Sulawesi Tengah, sebagaimana Peta Lampiran Keputusan ini.

KEDUA : Pemberian izin sebagaimana dimaksud dalam amar KESATU adalah untuk operasi produksi Nikel dan sarana penunjangnya, bukan untuk kegiatan lain serta arealnya tetap berstatus sebagai kawasan hutan.

KETIGA : Dalam jangka waktu paling lama 1 (satu) tahun setelah terbit Izin Pinjam Pakai Kawasan Hutan ini, PT. Hengjaya Mineralindo wajib:

a. menyelesaikan tata batas areal izin pinjam pakai kawasan hutan dengan supervisi oleh Balai Pemantapan Kawasan Hutan Wilayah XVI Palu;
b. menyampaikan *baseline* penggunaan kawasan hutan sesuai dengan hasil tata batas;
c. menyampaikan peta lokasi rencana penanaman dalam rangka rehabilitasi daerah aliran sungai;
d. menyampaikan pernyataan dalam bentuk akta notariil bersedia mengganti biaya investasi pengelolaan/ pemanfaatan hutan kepada pengelola/pemegang izin usaha pemanfaatan hutan sesuai ketentuan peraturan perundang-undangan;
e. menyampaikan revisi rencana kerja penggunaan kawasan hutan sesuai dengan hasil tata batas.

KEEMPAT : Dalam hal PT. Hengjaya Mineralindo tidak memenuhi kewajiban sebagaimana dimaksud pada Amar KETIGA, Izin Pinjam Pakai Kawasan Hutan menjadi batal dan dinyatakan tidak berlaku.

KELIMA : Penetapan areal kerja Izin Pinjam Pakai Kawasan Hutan oleh Direktur Jenderal Planologi Kehutanan dan Tata Lingkungan atas nama Menteri Lingkungan Hidup dan Kehutanan dengan dibebani kewajiban-kewajiban, dilaksanakan dengan ketentuan:

a. pemegang izin pinjam pakai kawasan hutan menyampaikan permohonan penetapan areal kerja berdasarkan hasil tata batas areal izin pinjam pakai kawasan hutan kepada Direktur Jenderal Planologi Kehutanan dan Tata Lingkungan;
b. permohonan penetapan areal kerja sebagaimana dimaksud pada huruf a, dilampiri dengan bukti pemenuhan kewajiban sebagaimana dimaksud Amar KETIGA.

KEENAM : PT. Hengjaya Mineralindo dilarang:

a. memindahtangankan Izin Pinjam Pakai Kawasan Hutan kepada pihak lain atau perubahan nama pemegang izin pinjam pakai tanpa persetujuan Menteri Lingkungan Hidup dan Kehutanan;
b. menjaminkan atau mengagunkan areal Izin Pinjam Pakai Kawasan Hutan kepada pihak lain;
c. melakukan kegiatan didalam areal Izin Pinjam Pakai Kawasan Hutan sebelum memperoleh penetapan batas areal kerja Izin Pinjam Pakai Kawasan Hutan, kecuali melakukan kegiatan tata batas, membuat kegiatan persiapan berupa pembangunan direksi kit (*base camp* sementara), dan/atau pengukuran sarana dan prasarana;
d. menggunakan merkuri dalam kegiatan pertambangan;
e. melakukan kegiatan lainnya yang dilarang sesuai Peraturan Perundang-undangan.

KETUJUH : Menyelesaikan hak-hak pihak ketiga, apabila terdapat hak-hak pihak ketiga di dalam areal izin pinjam pakai kawasan hutan dengan meminta bimbingan dan fasilitasi Pemerintah Daerah setempat.

KEDELAPAN : Izin Pinjam Pakai Kawasan Hutan ini dicabut dan pemegang izin dikenakan sanksi sesuai peraturan perundang-undangan, apabila melakukan pelanggaran atas ketentuan dalam izin pinjam pakai kawasan hutan ini.

KESEMBILAN : Izin Pinjam Pakai Kawasan Hutan ini berlaku dan melekat sebagai izin pemanfaatan kayu, serta izin pemasukan dan penggunaan peralatan.

KESEPULUH : Perpanjangan Izin Pinjam Pakai Kawasan Hutan diberikan berdasarkan hasil evaluasi terhadap pemenuhan kewajiban Izin Pinjam Pakai Kawasan Hutan dan diajukan oleh pemegang izin dalam jangka waktu paling lambat 2 (dua) bulan sebelum berakhirnya izin.

KESEBELAS : Keputusan ini mulai berlaku pada tanggal ditetapkan untuk jangka waktu paling lama sampai dengan tanggal 26 Mei 2031, kecuali apabila dicabut oleh Menteri Lingkungan Hidup dan Kehutanan.

Ditetapkan di Jakarta
pada tanggal 06 FEB 2018

A.n. MENTERI LINGKUNGAN HIDUP DAN KEHUTANAN REPUBLIK INDONESIA, KEPALA BADAN KOORDINASI PENANAMAN MODAL,

TTD

THOMAS TRIKASIH LEMBONG

Salinan sesuai dengan aslinya
KEPALA BIRO PERATURAN PERUNDANG-UNDANGAN, HUMAS DAN TATA USAHA PIMPINAN

BADAN KOORDINASI PENANAMAN MODAL REPUBLIK INDONESIA BKPM

ARIESTA R. PUSPASARI

Salinan Keputusan ini disampaikan kepada Yth:
1. Menteri Lingkungan Hidup dan Kehutanan;
2. Menteri Energi dan Sumber Daya Mineral;
3. Sekretaris Jenderal Kementerian Lingkungan Hidup dan Kehutanan;
4. Direktur Jenderal Planologi Kehutanan dan Tata Lingkungan;
5. Direktur Jenderal Pengelolaan Hutan Produksi Lestari;
6. Direktur Jenderal Pengendalian Daerah Aliran Sungai dan Hutan Lindung;
7. Direktur Jenderal Konservasi Sumber Daya Alam dan Ekosistem;
8. Direktur Jenderal Penegakan Hukum Lingkungan Hidup dan Kehutanan;
9. Direktur Jenderal Mineral dan Batubara;
10. Gubernur Sulawesi Tengah;
11. Bupati Morowali;
12. Kepala Dinas Kehutanan Provinsi Sulawesi Tengah;
13. Kepala Balai Pemantapan Kawasan Hutan Wilayah XVI Palu;
14. Kepala Balai Pengelolaan Hutan Produksi Wilayah XII Palu;
15. Kepala Balai Pengelolaan Daerah Aliran Sungai dan Hutan Lindung Palu Poso;
16. Direktur Utama PT. Hengjaya Mineralindo.

9.3 RESUME'S; DANIEL MADRE, TOBIAS MAYA AND CHARLES WATSON

DANIEL MADRE , MSc (COAL GEOLOGY)
COAL & MINERAL SPECIALIST

Summary

Daniel Madre has been an Australian coal and mineral specialist for 40 years with more than 32 years of full time coal work experience in Indonesia. He is specialist in exploration and for this reason is familiar with most of the coal projects in the country since their earliest stage of development. He has a diverse network of professionals throughout the industry. Daniel has a Master of Science degree in Geology. Daniel Madre is a member of the Australasian Institute of Mining and Metallurgy (member 100878), the Australian Institute of Geoscientists (member no 5632), Ikatan Ahli Geologi Indonesia (member no 5000) and Masyarakat Geologi, Ekonomi Indonesia (member no B-0718). Daniel is a Competent Person in Indonesia for KCMI Coal Resource estimates.

Daniel runs a successful exploration consultancy and has in-house capabilities that range from geology, drilling, mine design and planning. The company recently discovered coal in East Kalimantan and Sumatra which has resulted in several new coal mine developments. The company is formally registered by the Indonesian Department of Minerals and Energy to report coal and mineral resources.

Since 2005, the company diversified into nickel and mineral sands exploration and resource development. This work resulted in the development of the first nickel mine in Kalimantan. Other nickel projects investigated by the company are located in Sulawesi, Halmahera and Papua. Mineral sands projects have been investigated in Sumatra and West Papua.

Commodities

Coal, oil shale, nickel laterites, phosphate, gold, manganese and mineral sands

Worked in

Indonesia, Australia, USA, PNG

Experience

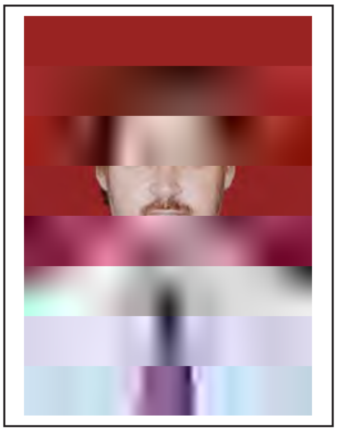
Nov, 2000 - present	PT Danmar Explorindo	Jakarta, Indonesia
Managing Director		
1996–Nov 2000	independent consultant	Jakarta, Indonesia
Consultant Geologist		
1988–1996	PT Petrosea	Jakarta, Indonesia
Manager of Geology		
1982–1988	Greenvale/Esperance group	Sydney, Australia
Exploration Manager		
1981–1982	ORE Pty Ltd	Sydney, Australia
Field geologist		
1980 – 1981	NWS Public Works Department	Sydney, Australia
Lab attendant		

Education

1986- 1989	University of Wollongong	Australia
Master of Science (geology)		
1978- 1980	University of Sydney	Australia
Bachelor of Science (geology and marine science)		

Articles & Publications	▪ 1987, The Geology of the Alpha Oil Shale Deposit, Fuel, Vol.66, Butterworths UK ▪ 1990, Torbanite Deposits of the World, Thesis: University of Wollongong ▪ 2000, Coal Geology of the Bengkulu Block, Journal Asian Earth Science, Elsevier Advances in Sedimentology Series, Elsevier Special editions ▪ 2005, Coal Geology of the Bengkulu Block. Proc. SE Asian Coal Geology Conference, Bandung ▪ 2012, Coal Deposits of Sumatra, Coal Trans Conference Bali ▪ 2012, Low Rank Coal Deposits of Indonesia, Coal Trans Conference Bali ▪ 2013, Tectonic Framework of Sumatra & the Distribution of Coal Deposits, Ozmine Conference, Jakarta ▪ 2014, Coal Potential of Sumatra, Coal Markets Workshop, Singapore ▪ 2014 Adding Value Through Optimizing Exploration Techniques, 2nd Asian Nickel Conference ▪ 2014 Coal Potential of Sumatra, World Coal Magazine volume 23 ▪ 2016 The Exploration Potential of Sumatra, Sumatra Miner Conference, Palembang Sumatra ▪ 2016 Which Indonesian Coal energy project will attract Korean investors through 2020, Coal Trans Korea ▪ 2016 Why Things are Improving in the Indonesian Coal Industry, RTC Kalimantan, Conference Balipapan, Indonesia

Resume



Name: Tobias Geoffrey Maya
Date of Birth: 26 March 1981
Marital Status: Married
Nationality: Australian

Address: Jl. H. Saidi II No. 16 RT.011 RW.07,
Cipete Utara, Kebayoran Baru,
Jakarta Selatan 12150,

Mobile: (+62) 0812 3869379 ;
Email : tobiasmaya@yahoo.com.au
tobias.maya@danmar.asia

Since 2004, Tobias has been working full time in the Indonesian coal and minerals exploration industry specializing in exploration geology, regional mineral studies, due diligence work, database validation and resource development. Tobias has a Bachelor of Science degree from the Charles Sturt University in NSW, Australia. He has also held a membership with the AusIMM since 2009.

Tobias has more than 15 years exploration experience throughout the country. This work includes the exploration and development of numerous nickel laterite projects. providing a key role in the optimization of exploration techniques that can be used to minimize costs & maximize project value, increasing confidence in estimation of Nickel laterite volumes to determine what are the controlling factors for project development within Indonesian deposits.

EDUCATION AND TRAINING

2006-2013	Completed BSc with major in Spatial Science with 2 minors in information technology and management Charles Sturt University, Wagga Wagga, NSW
2013	Certificate for successful completion of Valuation and Technical-Economic Assessment of Mining Projects, SRK Consultancy
2009	Certificate for successful completion of Mining and Minerals optimization course, Whittle Consultacy
1999-2001	Completed Geographic Information Systems (GIS)Diploma Wollongong TAFE
1998	Higher School Certificate; Bulli High School
1996	School Certificate; Bulli High School
1994	St Johns Ambulance First Aid Certificate

MEMBERSHIP OF PROFESSIONAL ORGANIZATIONS

Since 2009 Member of the AusIMM (No.304661)

EMPLOYMENT & WORK EXPERIENCE

2013 – Present **PT. Geo Search (full-time) part of the Danmar Group**

- President Director.
- Geophysical surveys
- Principle consultant to PT Danmar Explorindo

2004 – 2013 **PT. Danmar Explorindo (full-time)**

- Head GIS/Resource Geologist (SURPAC).
- Management Coal and Mineral Exploration, (Drilling, Survey, Resource Estimates).
- Business development / client relationship manager
- Coal Reconciliations of Operational Mines(monthly)
- Database validation (JORC)
- Training Personnel in GIS (SURPAC, Mapinfo, ESRI,).
- Drafting JORC reports under Principle Mr Daniel Madre, MSc (AusIMM member - 100878)

Provided above Consultancy services for following projects:

2018-present **PT.Hengjaya Mineralindo (HM)** - Morowali, Sulawesi.
-Laterite Nickel Exploration and database validation
-Resource Geology assessments
-Mine planning and production reconciliations
-UltraGPR survey 203km

2018-Present **PT.Kumamba Mining (KM**) - Sarmi, Papua, Indonesia
-Exploration management and database validation
- Geology assessments
- Trial UltraGPR survey 30km
- Trial Ground Magnetometer survey 30km

2018-present **PT.Halmahera Sukses Minerals (HSM)** - Halmahera, Maluku.
-Laterite Nickel Exploration and database validation
-Resource Geology assessments
-UltraGPR survey 75km

2017-2019 **PT.Sarana Mineralindo Perkasa (SMP)** - Morowali, Sulawesi..
- Laterite Nickel Exploration and database validation
-Resource Geology assessments
-Mine planning and pit optimization
-UltraGPR survey 85km

2017-2018 **PT.Ceria Nugraha Indotama (CNI)** - Kolaka, Sulawesi..
-Laterite Nickel Exploration and database validation
-UltraGPR survey 175km

2017-2018	**PT.Tiga Samudra Perkasa (TPS)** - Malili, Sulawesi -Laterite Nickel Exploration and database validation -Resource Geology assessments -UltraGPR survey 75km
2018-2019	**PT.Sulawesi Cahaya Mineral (SCM)** – North Konawe, Sulawesi -Laterite Nickel Exploration and Project support -UltraGPR survey 600km
2005-2019	**PT.Ratu Samban Mining (RSM)** - Bengkulu, Sumatra. -Thermal Coal Exploration management and database validation -Resource Geology assessments -Mine planning and production reconciliations -Nedo regional study 2011 -Jogmec regional study 2013 -Bathymetric survey
2009-2018	**PT.Gunung Bara utama (GBU)** - Kutai Barat, East Kalimantan. -Thermal Coal Exploration management and database validation -Resource Geology assessments -Pre-JORC study 2010 -JORC (2004) compliant reports 2011 & 2012
2005-2011	**PT.Itamatra Nusantara (ITM)** - Morowali, Central Sulawesi. -Laterite Nickel Exploration management and database validation -Resource Geology assessments -Bathymetric survey
2004-2010	**PT.Telen Indoclay (TIC) Long Ikis Nickel** - Pasir, East Kalimantan -Laterite Nickel Exploration management -database validation -Resource Geology assessments -Mine Construction and Production -Mine planning and production reconciliations -Grade control -Bathymetric survey
2010-2016	**PT.Trisula Kencana Sakti (TKS)** - Barito Utara, Central Kalimantan for **Golden Energy Mines (GEMS)** -Thermal Coal Exploration management and database validation -Resource Geology assessments -JORC (2004) compliant reports 2010 & 2012 -JORC (2012) compliant reports 2013
2010-2018	**PT.Moa Maju Kurina Utama (MMKU)** - Bulungan, North Kalimantan -Lignite Exploration management and database validation -Resource Geology assessments -Mine planning -JORC (2004) compliant reports 2010 & 2011 -JORC (2012) compliant reports 2013

2011-2015	**PT.Delta Samudra (DS)** - Kutai Barat, East Kalimantan -Lignite Exploration management and database validation -Resource Geology assessments -JORC (2004) compliant reports 2013
2012-2018	**PT.Berau Usaha Mandiri (BUM)** - Berau, East Kalimantan -Lignite database validation -Resource Geology assessments -Mine planning
2010-2015	**PT.Inti Putera Kanaan (IPK)** - Musi banyuisn, South Sumatra -Lignite Exploration management and database validation -Resource Geology assessments -Mine planning -JORC (2004) compliant report 2012
2006-2014	**PT.Mulawarman Putra Abadi Sakti (MPAS)** - East Kalimantan -PCI Coal Exploration management and database validation -Resource Geology assessments -JORC (2012) compliant reports 2014
2011-2013	**PT.Satria Lestari (SL)** - Tenggarong, East Kalimantan -Thermal Coal exploration management and database validation - Resource Geology assessment
2013	**Jingella Resources Pty Ltd** - Dingo, Queensland, Australia -PCI Coal database validation -Resource Geology assessments
2013	**Greenvale Mining Pty Ltd - (Alpha Oil shale)** Alpha, Queensland, Australia -Torbanite / Cannel Coal database validation -Resource Geology assessments
2013	**PT.Bumi Merapi Energi (BME)** - Lahat, South Sumatra -Thermal Coal database validation -Resource Geology assessments -Mine planning -JORC (2004) compliant report 2012
2010-2012	**PT.Komunitas Bangun Bersama (KBB)** - Samarinda, East Kalimantan -Lignite Resource Geology assessment -JORC (2004) compliant reports 2010 & 2012
2012	**PT.Delma Mining Corporation (DMC)** - Bulungan, North Kalimantan -Lignite database validation -Resource Geology assessments -JORC (2004) compliant report 2012

2012	**PT.Indonesia Pacific Energy (IPE) & PT.Mega Multi Cemerlang (MMC)** - Meulaboh, Aceh Barat & Nagan Raya, Aceh -Lignite database validation -Resource Geology assessments -JORC (2004) compliant report 2012
2012	**Draig Resources Pty. Ltd** - Teeg & Nariin Teeg mining license, ovorhangay Province, Central Mongolia -PCI COAL database validation -Resource Geology assessments -JORC (2004) compliant report 2012
2004-2010	**PT.Tunas Inti Abdai (TIA)** - Tanah Bumbu, South Kalimantan for **ABM investama (ABM)** -Thermal Coal Exploration management and database validation -Resource Geology assessments -JORC (2004) compliant reports 2010 & 2011
2010	**PT.Bukit Utama Sehjatera (BUS)** - Sorong, West Papua -Lignite Exploration management and database validation -Resource Geology assessments
2010	**PT.Sri Bangun Jaya Persada (SBJP)** - East Kalimantan -PCI COAL Exploration management and database validation -Resource Geology assessments
2006-2010	**PT.Mifa Bersaudara (MIFA) & PT.Bara Energy Leastari (BEL)** - Meulaboh, Aceh Barat & Nagan Raya, Aceh -Lignite Exploration management and database validation -Resource Geology assessments -Mine planning -JORC (2004) compliant report 2010
2009	**PT.Bakti Pertiwi Nusantara (BPN)** – Weda Utara, Central Halmahera, maluku -Laterite Nickel database validation -Resource Geology assessments -JORC (2004) compliant report 2009
2009	**Bildan.Pty.Ltd** - Pulau Talud, North sulawesi -Manganese Exploration management
2008	**PT.Berau Bara Energy (BBE)** - Berau, East Kalimantan -Thermal Coal database validation -Resource Geology assessments -JORC (2004) compliant report 2008
2008	**PT.Tripabara (TPB) -** Tapan, West Sumatra Province -Thermal Coal Exploration management and database validation

2008 **PT.Lion Power Energy (LPE) -** Prabumuliah, South Sumatra
-Lignite Exploration management and database validation
-Resource Geology assessments

2007-2008 **PT.Ratu Samban Mining (RSM) -** Krui, Lampung. Sumatra.
-Iron Sand Exploration management

2006-2008 **PT.Tekno Marina Cipta (TMC)** - Kota Bangun, East Kalimantan
-Thermal Coal Exploration management and database validation
-Resource Geology assessments

2004-2007 **CV. Gudang Hitam Prima (GHP/BBM)** - Sanga Sanga Coal Mine, Samarinda, East Kalimantan
-Thermal Coal Exploration management and database validation
-Resource Geology assessments
-Mine planning and production reconciliations

2006 **PT.Borneo Indobara (BIB) -** Tanah Bumbu, south kalimantan for SINAR MAS MINING
- Project Due diligence study Grimulya Block

2004-2006 **PT. Multi Prima Energy (MPE) -** Loa Raya Coal Mine, Tenggarong, East Kalimantan.
-Thermal Coal Exploration management and database validation
-Resource Geology assessments
-Mine planning and production reconciliations

Previous Employment

1999- 2004 Natural Beauty Floor Sanding (full-time)

- Surface preparation; punch & fill, sanding & edging
- Applying coating product

September 2000 Hydrographic Sciences Australia (2 weeks work experience)

- Re-editing Hydrographic charts
- Hydrographic chart compilation
- Sounding selection

CONFERENCE PAPER PRESENTATIONS

November 2018	**"Indoneisa, Hi-CV coal supply?"** - 7th annual Coaltrans Emerging Asia Marketes, Hanoi, Vietnam
May 2018	**" Developing efficiency in the Indonesian coal supply chain"** - 24th annual Coaltrans Asia, Bali,
September 2017	" **Exploration potential for new Nickel supplies in Indonesia"** - Metal Bulletin: 5th Asian Nickel Conference, Jakarta,
July 2016	**" Which Indonesian coal energy projects will attract Korean investors through 2020?"** - Korea Coaltrans Asia, Seoul,
March 2015	**"The Coal Potential of Sumatra"** - Sumatra Miner 2015 conference
September 2014	**"Adding value through optimizing exploration techniques"** - 2nd Asian Nickel Conference
December 2012	**"Low Rank Coal Deposits of Indonesia"** - IHS Mcloskey Asia Pacific Coal Outlook Conference 2012, Bali
June 2012	**"The Coal Deposits of Sumatra"** - 18th annual Coaltrans Asia, Bali

SOFTWARE EXPERIENCE

- SURPAC Mining software – Good Knowledge of Geodatabase, Surface modelling, Block Modelling, Pit optimisation, Pit design modules.
- WHITTLE Pit optimisation Software – good knowledge of Pit optimisation procedure and analysis
- ArcGIS 9.3 and ArcView 3.2 GIS Software – Good knowledge of Spatial interpolation techniquies and map design
- MapINFO and Surfer GIS software
- Microsoft 7-10, VISTA, XP and NT operation systems
- Microsoft office 2003, 2007 & 2010 Word, Excel, Access, Powerpoint
- Adobe acrobat 8 Professional
- AutoCAD 2009

REFERENCES

Daniel Madre (Director)
PT.Danmar Explorindo
SANUR, BALI
Ph. +62 81 23851151
daniel.madre@danmar.asia

CV – Charles Edward Watson

Date of Birth : 9th October 1951
Nationality : British
Address : 11 Cassidy Avenue, Lincoln 7608, Canterbury, New Zealand
Education : B.Sc (Hons) Geology, University of London (1971-1974)
Australasian Institution of Mining & Metallurgy, Fellow (2012)

Professional Experience :

Jul 2019 – Present : Technical Advisor, PT Henjaya Mineralindo, Indonesia

Technical audit of PT Hengjaya Mineralindo QA/QC operations at Tangofa Nickel Mine, Sulawesi; tasked with assessing sample preparation and assay capability and restrictions on production, sample optimization; increasing manpower, purchasing new equipment, drawing up and amending SOPs; gain external certification for the labs and other upgrade initiatives as deemed necessary as production ramps up from 70 k wmt to 200 k wmt.

Jan 2013 – Dec 2017: Managing Director, Mineral Services Ltd. Lincoln, New Zealand

Established, commissioned and managed Mineral Processing Laboratory at Kiunga, in the Western Province, Papua New Guinea, processing drill samples collected from a high quality magnetite source. Required training local staff in new skills and close monitoring to meet the throughput from the drill programme and have the results in place for an IPO in early 2018. Working in a very challenging environment, programme was completed and selected sample cons sent off for assay.

Established and operated Mineral Processing Facility at Greymouth providing heavy mineral separation, recovery and identification services to the West Coast alluvial gold mining sector and overseas clients. Undertook mineralogical examination and reporting on heavy mineral samples containing diamonds, gold and tin from various projects in West Africa.

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Commissioned and operated Gold Room at Greymouth for smelting of alluvial gold and the production of gold dore bars for Southern Gold Buyers; undertook fire assay of samples from gold dore bars to determine gold fineness prior to despatch of bars to Perth Mint for refining.

Apr 2010 – Dec 2012 : Geologist, Gold & Green Resources, Hokitika, New Zealand

Compiled Gold Exploration and Mining Permit applications for clients; compiled and submitted Resource Consent and Access Agreement applications for clients; mineralogical investigation of concentrates from West Coast gold mining operations; researched West Coast and Central Otago alluvial gold mining operations.

Jan 2009 – Mar 2010 : Technical Services Manager, Woodlark Mining Limited, PNG

Established, commissioned and managed Prep Lab at Woodlark Mining gold project; recovered gold grains from island wide pan con survey and classified based on morphology and surface textures of alluvial gold grains. Responsible for maintaining company relations with Provincial Government & the Mineral Resources Authority in Port Moresby.

Mar 2005 – Dec 2009 : Alotau Manager, Woodlark Mining Limited, Papua New Guinea

Established base for exploration operations on Woodlark Island supporting two drill gold sampling programme; Managed Logistics for field operations, including initial construction of Bomagai Camp, while establishing and managing gold Preparation Laboratory in Alotau.

Dec 2001 – Oct 2004 : Operations Manager, PT Galuh Cempaka, Indonesia

Managed operations at Galuh Cempaka Diamond Project following purchase from Ashton Mining / MMC JV; Designed drill sampling programme to increase diamond reserves; produced updated Feasibility Study prior to commencing Dry Mining operations.

2000 – May 2011 : Director, Tristate Resources, Mildura, Victoria, Australia
Established and commissioned Heavy Mineral Laboratory at Mildura to process samples produced from major Mineral Sand companies' drilling and bulk sampling activities in the Murray Basin.

Jan 1993 – Dec 1999 : Technical Advisor, PT Indo Mineratama, Indonesia
Provided technical and logistical support to IndoMin Resources and Ocean Resources projects; Compilation of technical data for IndoMin Resources IPO on Vancouver Stock Exchange; Undertook Technical Audit of Aokam Thai No. 3 Dredge prior to mobilisation to Ocean Resources Offshore Diamond Project; Commissioned Navstar DGPS system and instructed local staff in its use at the Offshore Diamond Project; Monitored drill programme Undertook detailed Scoping Study on Tin Tailings Project on Indonesian Tin Islands.

Oct 1989 – Dec 1992 : Operations Manager, Shell-Billiton Heavy Mineral Project, Indonesia
Managed field programmes from first reconnaissance through to follow-up drilling at Kumamba and other Mineral Sand projects; prepared semi-annual work programmes and budgets and submitted Monthly and Quarterly Reports to Government and Joint Venture partners; Established and managed fully equipped Heavy Mineral Laboratory at Pangkal Pinang for processing of samples from Heavy Mineral Sands project, gold, diamond and tin projects with particular reference to gold grain morphologies and surface textures as part of provenance studies..

Mar 1989 – Sep 1989 : Geologist, BP Minerals, Indonesia
Managed exploration programme at gold / zircon project in Central Kalimantan, Indonesia.

Sep 1987 – Mar 1989 : Project Manager, Acorn Diamonds Indonesia
Managed advanced exploration programme at alluvial diamond project in South Kalimantan; included bulk sampling with open pits and sheet pile caissons, plant operation, diamond and gold recovery and recording; supervised drilling programme utilising five drills; prepared budgets and work programmes for Government and management; active in preparation of Feasibility Study by Alluvial Dredges; undertook investor presentations in Australia & Europe.

Jan 1983 – Mar 1987 : Senior Geologist, De Beers, Kimberley, South Africa
Managed De Beers Kimberley Heavy Mineral Laboratory and co-ordinated operations at four other regional laboratories; Liaised with Exploration Managers over new techniques for improving operational efficiency and with Research Geologists to ensure new developments in mineral chemistry and surface texture analysis circulated into all laboratories.

Jan 1982 – Dec 1982 : Senior Geologist, De Beers, Lobatse, Botswana
Supervised loam sampling, geophysical surveys and RC Drill programme in Prospecting Licences for diamonds in South Western Botswana.

Aug 1977 – Dec 1981 : Staff Geologist, Zaire Exploration, Tshikapa / Lubumbashi, Congo
Supervised loam sampling, ground magnetometry and drilling programmes for diamonds in Kasai and Shaba (Katanga) provinces; follow up test work on kimberlites on Kundelungu Plateau; Responsible for staff of 800; introduced to diamond sorting, grading and purchasing.

Dec 1974 – Jul 1977 : Geologist, De Beers, Kimberley, South Africa
Introduction to all aspects of hard rock diamond exploration, eg loam and stream sampling, ground magnetometry, churn and reverse circulation drilling, laboratory techniques, target selection and mining operations.

C.E.Watson
29th June 2020

9.4 HENGJAYA LABORATORY REPORTS; PROCEDURES & QA/QC

Laboratory and Sample Analysis Procedures at the HM Laboratories JORC Compliant Report

C.E. Watson

July 2020

For:

Tony Green – Chief Operations Officer

Willem Dique – Operations Manager

Daniel Madre - Danmar

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Laboratory and Sample Analysis Procedures at the HM Laboratories
JORC Compliant Report - July 2020

Introduction

PT Hengjaya Mineralindo (HM) has two separate facilities at the Tangofa Camp site for processing and assaying samples collected in the exploration (drilling) programme and mining (production) operations at the site. These two facilities are the Sample Preparation Laboratory (Prep Lab), where the samples are converted from raw samples into 200# (75 micron) pulp samples, and the Assay Laboratory, where the 200# pulp samples are assayed using XRF Spectrometers to provide the elemental composition of the drill and mine samples, in particular, the weight percent of nickel, iron, cobalt, silicon dioxide, magnesium oxide and calcium oxide, and the grade of the valuable elements, nickel, iron and cobalt.

Samples are submitted from the exploration and infill drilling operations in polyweave sample bags, and the number of sample bags is determined by the source of the material, for exploration and mining channel samples, the wet sample weight is around 8 kgs per bag, each of these sample types representing a one metre advance in the drill hole, or from the bench face at the pit.

Other mining samples are Rush Assay (RA) samples, collected from the pit, and generally comprising 10 polyweave bags of material, Pit Stockpile (STP) samples collected from the Exportable Transit Ore (ETO) stockpile, comprising 10 to 13 polyweave bags and Jetty Stockpile (BB) samples collected from the hauling operations, 10 polyweave bags of sample, and finally, the Barging Samples (BG) samples collected from trucks transporting the ore from the Jetty Exportable Final Ore (EFO) stockpile and loading it onto the barges to be taken to the IMIP smelter, approximately 15 kms from the mine site, these samples are referred to as sub-lots and will often consist of seventy polyweave bags of sample.

The purpose of sampling and sample preparation is described in the AusIMM Field Geologists Manual, Fifth Edition , 2011, as being *"…the reduction in particle size, through crushing and pulverising, and its sample size, through splitting, while retaining the representativeness of the medium being sampled."*

At HM, mining samples of as much as 400 – 600 tons are mined and sampled (STP), and these samples processed at the Prep Lab to produce a 60 gm pulp sample from which a 10 gm pressed powder pellet is produced for XRF analysis. The expectation is that the result obtained on this 10 gm pressed powder pellet is, within acceptable limits, representative of the original 600 ton sample.

Gy and Francois-Bongarcon define representativeness by "...Sampling (or the resulting sample) is representative when it is at the same time accurate and reproducible."

At the HM operations at Tangofa, compositionally representative samples are obtained from the surrounding sample medium, the nickel laterite orebody, following the procedures described in the "JIS Method for Sampling and Method of Determination of Moisture Content of Garnierite Nickel Ore – JIS M-8109-1996". This standard describes how the samples should be collected at the different stages within the mining and ore handling operations from the pit to the barge taking the mined ore to the smelter at PT Indonesia Morowali Industrial Park (IMIP).

The standard describes what size the samples should be, how they should be collected, and what sized scoop should be used to collect these sample increments. Scoop sizes used range from the 125 D scoop, used for sampling the mining operations, with a maximum particle size of 125 mm, and a capacity of approximately 21,000 ml, through the scoop size 15 D scoop used in the sample prep lab on material with a maximum particle size of 16 mm, and a capacity of approximately 180 ml, through to the final 0.25 D scoop used in the final incremental stage of splitting the pulp sample for assay, with a maximum particle size of 0.25 mm, an a capacity of approximately 2 ml. The standard describes the methods to be used in the sample preparation stages, referring specifically to crushing, splitting, crushing, splitting, pulverising and a final incremental splitting to provide a sample compositionally representative of the ore taken from the pit during mining operations along with the reduction in the particle size of the sample at the Prep Lab.

This section has described the objective and theory for the mining samples which are delivered to and processed at the HM Prep Lab, but this report is primarily concerned with the results of the Exploration Drill sampling programme undertaken at the HM Mining Licence, and the sample preparation procedures for these exploration samples follows the same incremental procedures as for the mining samples, and to address the issue of materiality required in the JORC Code 2012, are described in more detail below.

1 Sample Preparation

1.1 Wet Sample Preparation

Exploration samples from the Danmar drill programme are delivered to the PT Hengjaya Mineralindo Sample Preparation Laboratory (prep lab) in batches of 100 samples, accompanied by a Job Sheet (Consignment Note), detailing the consignment number and the numbers of each sample contained therein. The sample bags, each containing a sample representing a 1 m advance in the drill hole, are laid out in sequence on the floor of the prep lab and the Laboratory Foreman checks each sample against the Job Sheet, and once all is in order the processing commences. Each 1 m drill sample weighs approximately 8 kgs, wet, on arrival at the prep lab.

The drill sample is emptied from the polyweave bag and placed on the floor, where it is broken down into smaller thumb sized pieces and built up into a cone. A metal quartering tool is then placed on top of this cone and pushed down to the floor and moved to separate the original cone of sample into four separate unconnected heaps of sample. A trowel then takes one complete quarter portion of sample and places this into one stainless steel tray, and then a further quarter sample from the opposite side of the quartered cone is then placed into the same tray and a ticket placed into this tray. The remaining two quarters are then placed into a second tray, another sample ticket with the same number added to the second tray. The two sample trays are then weighed, using a digital balance, and the weight of the trays and "wet" sample recorded, and the trays stacked on a trolley to be taken through for drying.

The trolleys containing the trays of drill samples are then placed into drying ovens and the samples dried at different durations and temperatures depending on the source material:

Exploration samples - 8 – 12 hrs at 105° to 110° C
Mining samples - 6 – 8 hrs at 105° to 115° C
Moisture Content - 24 hrs at 105° C

1.2 Dry Sample Preparation

Once the drying process has been completed, the sample trays are removed from the ovens and then weighed, and the weights recorded, The difference between the wet weight of the sample and tray and the dry weight of the sample and the tray is recorded as the moisture content, and the average moisture content of the saprolite samples recovered from the HM drilling programme is around 40% on average. With the dry weight of the drill sample and the moisture content of the sample now recorded, the sample is ready to move to the next stage, the dry sample processing stage.

The preparation of drill samples at the HM sample prep lab follows the JIS Method for Sampling and Method of Moisture Content of Garnierite Nickel Ore - JIS M 8109 – 1996, which is a manual incremental reduction method for reducing the size of the drill sample for assay purposes, using scoops of different sizes to obtain representative samples at each of the different stages of sample preparation. Our objective is to reduce the particle size of the sample by crushing and pulverising and the size of the sample through incremental splitting, while maintaining the representativeness of the medium being sampled.

The first stage in the processing of the dried exploration drill sample is crushing, and the two sample trays of dried sample are poured into a Jaw Crusher which reduces the dried sample to a – 10 mm product which is collected in a bin underneath the jaw crusher.

In the second stage, the jaw crusher product is poured into a Jones Riffle splitter which produces two similar sample products, one which is discarded, and the other bin of riffle splitter product is passed to the next stage in the processing operation.

In the third stage, the bin of Jones Riffle split product is poured into a Double Roll Crusher which reduces the -10 mm jaw crusher product into a – 3 mm product which is collected beneath the double roll crusher. This double roll crusher product is then presented to an operator for the next stage of incremental splitting.

Following the manual incremental reduction method described in the JIS M 8109 – 1996 standard, the fourth stage consists of the - 3 mm double roll crusher product being first levelled with a small metal backing plate and then 10 approximately identical increments are delineated in the tray, 5 increments along the long side of the tray, and 2 increments along the short side of the tray to produce a 2 x 5 matrix. Using a backing plate and a 5 d sized scoop, the scoop is thrust into the bottom of the sample in one increment and this material is removed and placed into a plastic bag. The 5 d scoop is then thrust into the remaining adjacent sample and this is then placed into a separate steel tray. Two smaller samples have now been collected from the original one increment. This process is repeated with the remaining 9 increments in the original tray until one plastic bag has been filled with ten scoops of the original sample and another 10 scoops have been collected from the same original sample and placed into a separate tray. Each of these two incremental split samples weighs approximately 500 gms each, and one will be labelled and sent to sample storage, while the other sample will be sent to the next stage in the processing cycle, the pulveriser.

In addition to the above, before discarding the remaining double roll crusher product, a further sample is collected, approximately every 20 samples, and placed in a brown paper envelope and numbered with a DR suffix, this being a Double Roll Crusher product sample that will be sent for assay to test the performance of the two crushing and splitting stages, often referred to as the Course Reject sample, or at HM, the Double Roll (DR) sample.

The fifth stage consists of the 500 gm -3 mm double roll sample being placed into a pulverizing bowl, a puck added, the lid is replaced and this unit placed inside the Essa Pulverizer using a cradle. The cradle is removed and the machine turned on and run for 5 minutes, after which the pulverizer bowl is removed from the machine using the cradle, the lid removed, the puck taken out, and the pulverised sample, the “pulp”, placed onto a tray, and passed on to the next stage of incremental splitting.

In the sixth stage of sample preparation, the pulp sample is then carefully mixed, flattened and cut into a 4 x 5 matrix to produce 20 increments in a similar way as for the double roll crusher product. Using the smallest sized 0.25 D scoop, and a metal backing plate, the scoop is thrust into one side of the increment, removed and placed in a brown paper envelope. The scoop is then thrust into the adjacent portion of the increment and then emptied into a second brown paper envelope. This process is continued until all 20 increments have been scooped and the pulp from each of the 20 increments have been transferred into two brown paper envelopes, one of which goes to the Assay Lab, and the second sample goes to storage. Any residual pulp remaining from this second incremental splitting is discarded to waste.

As part of the monitoring of the sample preparation process a particle sizing test is undertaken on one in ten of the pulverised product, the pulps, to ensure the pulverisation has been done properly. This is undertaken after the pulverized product has been taken from the pulverising bowl and prior to the incremental splitting stage. A small sample of material is weighed and then placed on a 200# (75 micron) stainless steel screen and screened until all the sample that can pass the 75 micron screen has passed, and the weight of the – 75 micron material and the weight of the+ 75 micron products are both weighed and recorded. If the weight of the – 75 micron product is more than 95% of the total pulp sample weight, then the pulverisation process is acceptable. If the weight of the – 75 micron product is less than 95% of the total weight then this is not acceptable and the sample will be returned to the pulveriser for further pulverisation to ensure more than 95 % of the sample passes the 200# screen.

In addition to the standard sample processing procedures described above, two further sample processing techniques are performed at the PT HM sample preparation laboratory to provide additional information for the geological and mining databases, these being Specific Gravity (density) testing and the measurement of the Moisture Content of selected samples.

1.3 Specific Gravity Measurement

During the drilling of each drill hole, samples are collected from each of the four geological lithologies encountered in the hole, namely soil or overburden, limonite, saprolite and bedrock. These density samples are collected at the drill site, with a small section of the drill core being taken, weighed and the weight recorded. The average weight of these specific gravity samples is generally between 700 gms and 800 gms. Following weighing, each sample is then wrapped in plastic cling wrap and sealed with masking tape to maintain the in situ moisture and sent to the sample preparation laboratory.

Upon arrival at the prep lab the samples are carefully unwrapped and placed in a sample tray containing each separate lithology sample from that drill hole, eg soil or overburden, limonite, saprolite and bedrock. The samples are then trimmed, weighed and placed back into a tray. A plastic measuring cylinder is then filled with a known volume of water, and the original level of water in the cylinder measured. The lithological sample is carefully lowered into the measuring cylinder and the displaced water level rises, and this second water level is measured and recorded. The mass of the lithological sample is then divided by the water displaced in the measuring cylinder to give the specific gravity, the density, of that particular lithology. Typical density measurements for the different lithologies recovered from the drilling programme at Bete Bete and Central Zone are:

Table 1: Lithology Densitie from Bete Bete and Central Zone

SpecificG avity gms/cc

Area		Min	Max	Mean
BB	Soil or overburden	1.40	2.23	1.78
BB	Limonite	1.43	2.18	1.72
BB	Saprolite	1.33	2.61	1.61
BB	Bedrock	1.61	3.49	3.49
CZ	Overburden	1.36	2.83	1.91
CZ	Limonite	1.30	2.48	1.91
CZ	Saprolite	1.27	2.59	1.61
CZ	Bedrock	1.72	3.39	2.64

1.4 Moisture Content

Moisture content is an important property of nickel laterite ore samples, saprolite being a hygroscopic mineral, absorbing water in its natural state. This can affect its behaviour during smelting, which can result in a lower price received per ton of smelted ore.

The moisture content of the drill samples is calculated through weighing the drill samples wet, before they are placed in the ovens for drying, and again when they have been removed from the ovens and prior to the first stage of crushing. The difference in weight between the weights of the samples before and after drying, divided by the original wet weight of the sample gives the moisture content as a percentage figure, as per the equation below:

Moisture Content: $$MC = \frac{w - d}{w} \times 100$$

w = wet weight
d = weight after drying

2. Sample Assay

The pulp samples of 50 – 60 gms from each consignment completed at the sample prep lab are sent to the Assay Lab at the Tangofa Camp where they are recorded into the production register and then placed into an oven to protect the samples from absorbing atmospheric moisture.

A new assay lab number is assigned to each pulp sample packet, this is undertaken at the same time as Certified Reference Materials (CRMs), pulp duplicate samples, coarse rejects, blank check and replicate check samples are inserted into the sample streams as part of the Quality Control procedures. After checking that the renumbering of these samples has been completed correctly, the samples are then taken through to the preparation room and placed in a dessicator to await the production of pressed pellets.

The sample numbers are written on the base of a Chemplex pellet cup and a 10 gm sample of pulp is carefully taken from the envelope containing the pulp sample, weighed and placed inside the Chemplex cup. This is then placed inside a 15 ton Hydraulic Press and the press pumped to a load of 12 tons , before the pressure is released, the die removed and the pressed powder pellet released. The pressed powder pellets are then placed in pyrex dishes, 9 pellets per dish, and returned to the dessicator before being taken through to the XRF Spectrometer Room.

HM presently have two Malvern Panalytical X-ray fluorescence (XRF) Spectrometers operating at the Tangofa assay lab, an Epsilon 3 and one more recent Epsilon 4 unit. These are compact energy dispersive spectrometers that are capable of undertaking elemental analysis configured with dedicated software specifically for the nickel laterite suite of elements. The Epsilon 4 uses a Nickel XRF 12 Element Suite for Ni, Fe, Co, MgO, SiO2, CaO, Al2O3, Cr2O3, MnO, P2O5, SO3 and TiO2 while the older Epsilon 3 unit uses a Nickel XRF 9 Element Suite for Ni, Fe, Co, MgO, SiO2, CaO, Al2O3, Cr2O3 and MnO. At the HM assay lab, mining samples are generally analysed using the Epsilon 3, while exploration drilling and barge samples are analysed using the Epsilon 4, 12 element suite XRF. XRF is regarded as the preferred method for assaying nickel laterite ores, and iron ores, because of its superior accuracy and precision.

HM has used pressed powder pellets in the XRF analysis of samples to date, but with lithium borate fusion the preferred method of sample preparation, an XrFuse 6 Electric Fusion Machine has been purchased for installation in a special facility for the production of fused beads for XRF assay and HM hopes to have this operational shortly.
As part of an upgrading of the assay facilities at HM, a Bruker Puma S2 XRF has been purchased and sent to site for use to the replace the older Epsilon 3, and to handle the increased production of exploration and mine samples. The Puma S2 XRF will allow for 20 samples to be processed in a run, double the present 10 samples processed in the Epsilon 3 and Epsilon 4 units.

The sample tray is removed from the spectrometer and each pressed pellet sample is placed sequentially into the sample holders in positions two to ten. An Oreas CRM Ni standard is placed into the first sample holder of each run as part of the Quality Control procedures. The pellet sample numbers are then checked to ensure that the correct samples are in the correct positions on the carousel and the spectrometer lid is closed. The machine operator checks that the sample consignment information and sample numbers have been entered correctly onto the software programme and the machine switched on, and the assaying run begins.

Each pressed powder pellet is subjected to a beam of X-rays which are reflected onto a detector which determines and records the elemental composition of the sample being assayed. Each sample is subjected to this procedure for approximately 4.5 mins each, and each run of ten samples takes approximately 45 min to complete. While the assaying is taking place, the information showing which numbered sample holder is being assayed, and the results of the samples assayed in that run appear on the computer screen, and the data is recorded. At the end of the run the machine stops, the lid is opened and the sample holder removed , the pressed pellets are removed from their sample cups and the equipment readied to receive a further ten pellets for the next run. The results from the analysis of the previous pressed powder pellets are then passed to the QA/QC lab staff for monitoring and printing of the assay results.

3. Quality Assurance/Quality Control at PT Hengjaya Mineralindo

The Quality Assurance and Quality Control programme at HM consists of four different aspects, these being:

a) Quality Assurance

Quality assurance (QA) is a proactive approach to ensure that the chemical analyses of samples are correct and accurate. Quality assurance systems and procedures occur before a batch of samples is sent to the laboratory for analysis. Quality assurance usually involves the addition of check samples including blanks, duplicates, replicates and standards.

b) Quality Control

Quality control (QC) is a reactive process of analysing the data returned from the lab. This is crucial for determining the quality of the data and revealing any deviations from the norm. This step should be conducted during the sampling campaign to ensure any issues are identified and quickly rectified.

A comprehensive quality control programme will monitor the different stages of the sampling, preparation and assaying stages with the aim of controlling and minimising any possible measurement error. This is done at the sample collection and splitting stage through controlling the sampling precision. It continues through the sample preparation and sub-sampling stages through controlling the sub-sampling precision and contamination during preparation. The final stage is controlling the analytical accuracy, analytical precision and contamination during assaying.

c) Reporting and Review

Continuous reviewing and reporting is important to ensure that processes are monitored for quality in order to identify problems and improve systems, and when identified should be incorporated into protocols for staff to follow.

d) Continuous Improvement

Quality data management should be dynamic, with protocols, procedures and sampling practices undergoing regular examination for continual improvement with the aim of removing sources of error and quality degradation. It is an ongoing process. Current international mining standards such as JORC Code 2012, require that a programme of data verification is included with any exploration programme to confirm the validity of the exploration data, and this is normally done by inclusion of JORC Code , 2012 Edition – Table 1 Report Template, a copy of which is attached to this section.

By implementing a Quality Assurance/Quality Control (QA/QC) programme, we are able to identify and measure any errors within the system, with the objective of reducing uncertainty within our ore reserve calculations, and adding value to our project, the company and all its stakeholders.

3.1 Controlling Sample Collection Quality

Sampling precision is monitored through coarse grained uncrushed samples being inserted into the submission batches during sampling operations. These samples are submitted as twin samples or field duplicates. With Danmar submitting all the material recovered from 1 m drill advances as a separate sample, the collection of coarse grained uncrushed twin samples is not possible.

Field duplicates are collected from the first split of the original reverse circulation drill samples, without any previous crushing, to measure the reverse circulation precision. As Danmar use Jacro drills with triple tube core barrels, producing 1 m lengths of HQ drill core, and the whole core going for sample preparation, the collection of this type of sample is also not possible.

3.2 Sample Preparation Quality

Sample preparation quality, reflecting sub-sampling precision and contamination during sample preparation, are measured by the insertion of coarse grained control samples that are placed in the sample stream prior to or during the sample preparation phase. Samples used for these tests are coarse blanks and coarse duplicates.

3.2.1 Coarse Blanks

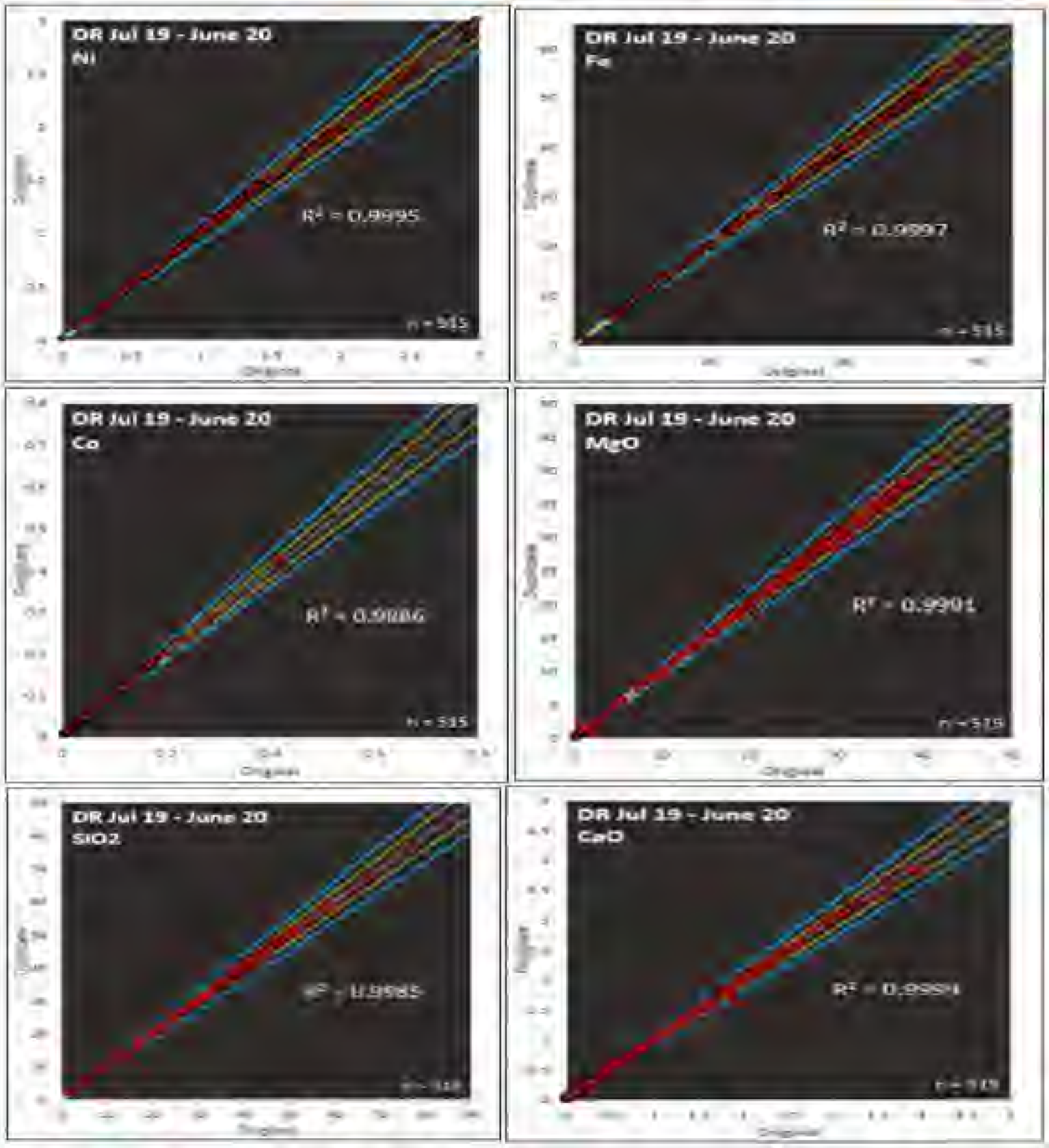
Coarse blanks are coarse samples of barren material, at HM limestone sourced from local outcrops and burrow pits are used, and the samples are inserted into the sample stream to test for contamination in the sample preparation stages. These samples are used after consignments of mine pit samples have been prepared to monitor that cross contamination has not occurred.

3.2.2 Coarse Duplicates

Coarse duplicate samples, often referred to as coarse rejects, and by HM QA/QC staff as DR samples, are collected from the Double Roll crusher product, during the incremental splitting of this product, at the same time as the sample is split to provide material for pulverising, and a representative sample of material is collected for storage.

Coarse duplicate samples are used to test the sub-sampling precision, testing the homogeneity of the pulverised sample. If the sample is insufficiently pulverised the precision will be poor. The samples are inserted into the sample batch stream under a different number to ensure the pulverisation and assaying follow the same procedures.

Figure 1: Scatterplot showing results of 515 Coarse Reject original vs duplicate assays



Coarse Reject Comparative Statistics						
	Ni	Fe	Co	MgO	SiO_2	CaO
Variance From Assay	**0.05%**	**0.75%**	**-0.05%**	**-9.37%**	**-11.11%**	**0.03%**
Abs Variance From Assay	0.03%	-0.02%	-0.56%	-3.31%	-0.29%	-1.04%
Coarse Rejects = Assay	192	25	197	14	12	27
Coarse Rejects < Assay	169	245	142	215	221	234
Coarse Rejects > Assay	154	245	176	286	282	254
n	515	515	515	515	515	515

Figure 1 is a scatterplot showing the results for the six elements Ni, Fe, Co, MgO, SiO2 from the original and duplicate sample results from a population of 515 assays undertaken during the period July 2019 to May 2020. The graphs show the original and duplicate elemental values in red plotted on a middle grey line representing the mean elemental values of these samples. The two yellow lines above and below the mean line represent the correlation between the assay variables with a variance of +5% and -5%, and the blue lines represent the variance between the assay variables of +10% and -10%. Scatterplots where the results slope from the lower left to upper right indicate a positive correlation, in this case the yellow line representing + 5% and the blue line +10%.

Figure 1 shows that with all six elements the red dots plot within the +10% and -10% variance lines, with some outliers occurring in Co, Cao and MgO scatterplots. This shows that there is a high correlation between the original and the duplicate assay values, and is further confirmed with the correlation coefficient values of > 0.99 for the major elements being assayed.

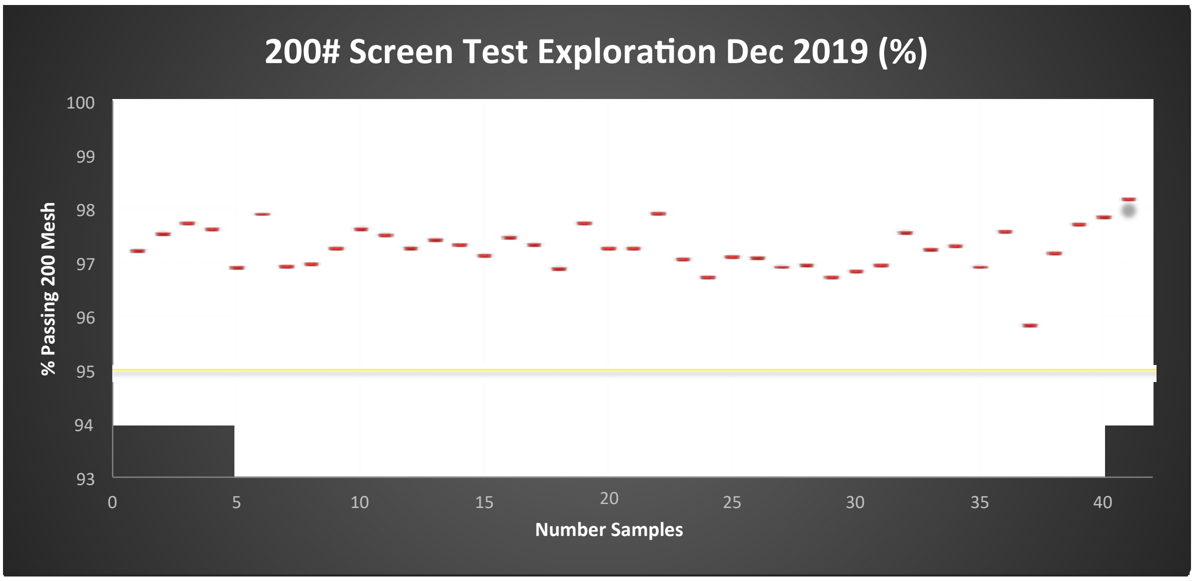
The table of Comparative Statistics shows the variance from assay values ranging from -11.11% for SiO2 through to 0.75% for Fe, Ni is 0.05 %.Values less than 10% variance are considered excellent for Nickel laterite deposits, indicating high precision repeatability for Ni, Fe, Co and CaO and lower precision for MgO and CaO. The assay results show the number of samples having a higher and lower assay value than the original assay to be very similar to identical, showing the results are varying normally above the mean, and that there is no bias in the coarse duplicate assays.

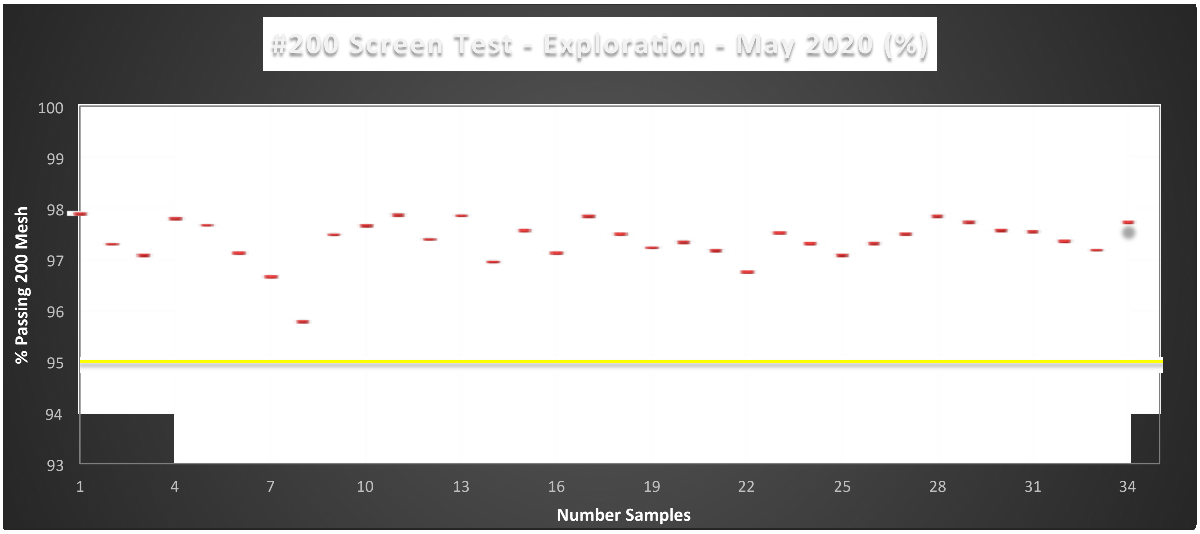
The results for the coarse duplicate assays confirm the high precision of the pulverisation stage and supports the use of the assay data for resource estimation purposes.

3.2.3 Particle Sizing Test- -200# Screen Test

The third test done as part of the regular monitoring of the Sample Preparation Quality at HM is the particle sizing test which is undertaken on a regular basis, one in ten samples. This test is done to test the quality of the sample crushing and pulverising stages. The fine pulverizer product, the majority of which passes a 200# screen, equivalent to 75 micron size, is collected at the incremental splitting stage from every tenth sample, and first weighed before being screened through a 200# sieve screen. Once all the material that can pass has passed the screen, the weights of the sample passing and the weight of the sample that cannot pass the screen are both weighed, and the figure calculated for the percentage of the - 75 micron material calculated. If the figure for the material passing the screen is more than 95%, then the quality of the pulverising is considered acceptable and the test is a pass. If the figure is less than 95% sample passing the 200# screen, then it is a fail, and the sample is returned for further pulverising.

Figure 2 : Screen Test Results - December 2019 and May 2020





These graphs show that in the tests undertaken during December 2019 and May 2020 97% of the tests return results of between 96% and 98% of the sample passing the 200# screen. These graphical representations illustrate that the repeatability precision of the pulverising process in reducing the sample size at the HM Prep Lab is high. From experience gained in the daily pulverising operations at HM, it has been found that running the pulveriser for 5 mins per run generally results in a product where more than 95% of the sample will pass the 200# mesh screen.

4 Sample Assay Quality

Sample assay quality includes analytical accuracy, analytical precision and contamination during assaying. It is assessed using fine grained, pulverised samples that are inserted into the sample steam after the preparation stage and before the assaying stage. Samples used in testing assay quality include pulp duplicates, Certified Reference Materials (CRMs) and fine blanks.

4.1 Accuracy and Precision

The AusIMM Field Geologists' Manual, (2011) defines accuracy as *"…the closeness of agreement between a test result and the 'true' value or accepted reference value."* Similarly, it defines precision as *"…the closeness of agreement between independent test results under stipulated conditions."*

Accuracy and precision are the two key elements in understanding data quality, and Figure 3 below, taken from "Guidance on maximising value through robust data quality management", (NZPAM, 2018), illustrates the relationship between accuracy and precision.

Figure 3:

4.1.1 Precision

Precision refers to the random measurement error that in replicate measurements varies unpredictably. It is assessed through a series of repeated measurements on the same sample material, or through successive measurements on different original-duplicate sample pairs, and requires both original and duplicate samples be included in the same sample batch.

The measure of precision is usually expressed in terms of imprecision, and is quantitatively measured using parameters such as standard deviation, variance or coefficient of variation when taking a series of repeated measurements. An inverse relationship exists between precision and the parameter being used, such that the higher the random error, the lower the precision, and vice versa.

4.1.2 Accuracy

Accuracy refers to the component of the measurement error that in replicate measurements remains constant or varies in a predictable manner. It is assessed by using Certified Reference Materials, eg OREAS 193, and by inserting these CRMs into the sample stream, it is possible to assess the performance of the assay lab undertaking the assay work for internal control, and to compare the performance against commercial laboratories and assess for any bias.

Accuracy is treated as a qualitative attribute, ie low or lower accuracy, high or higher accuracy, and should not be given a quantitative value. Accuracy is measured through the bias, which is the difference between the expectation of the test results and an accepted reference value. There is an inverse relationship between accuracy and bias, the higher the absolute value of the bias, the lower the accuracy, and vice versa.

4.1.3 Contamination

Contamination is the unintended transfer of material from one sample to another and can occur at any stage in the sample collection, preparation or assay stages through poor sample handling techniques in any of these stages.

Contamination is assessed by using blank samples, these being barren samples in which the elements being tested, at HM these are Ni, Fe, Co, Mg, Si and Ca, are known to be below the detection limit of the elements occurring in the Hengjaya nickel deposit.

Contamination is identified when the blank sample yields values significantly higher than the detection limit of the element being assayed.

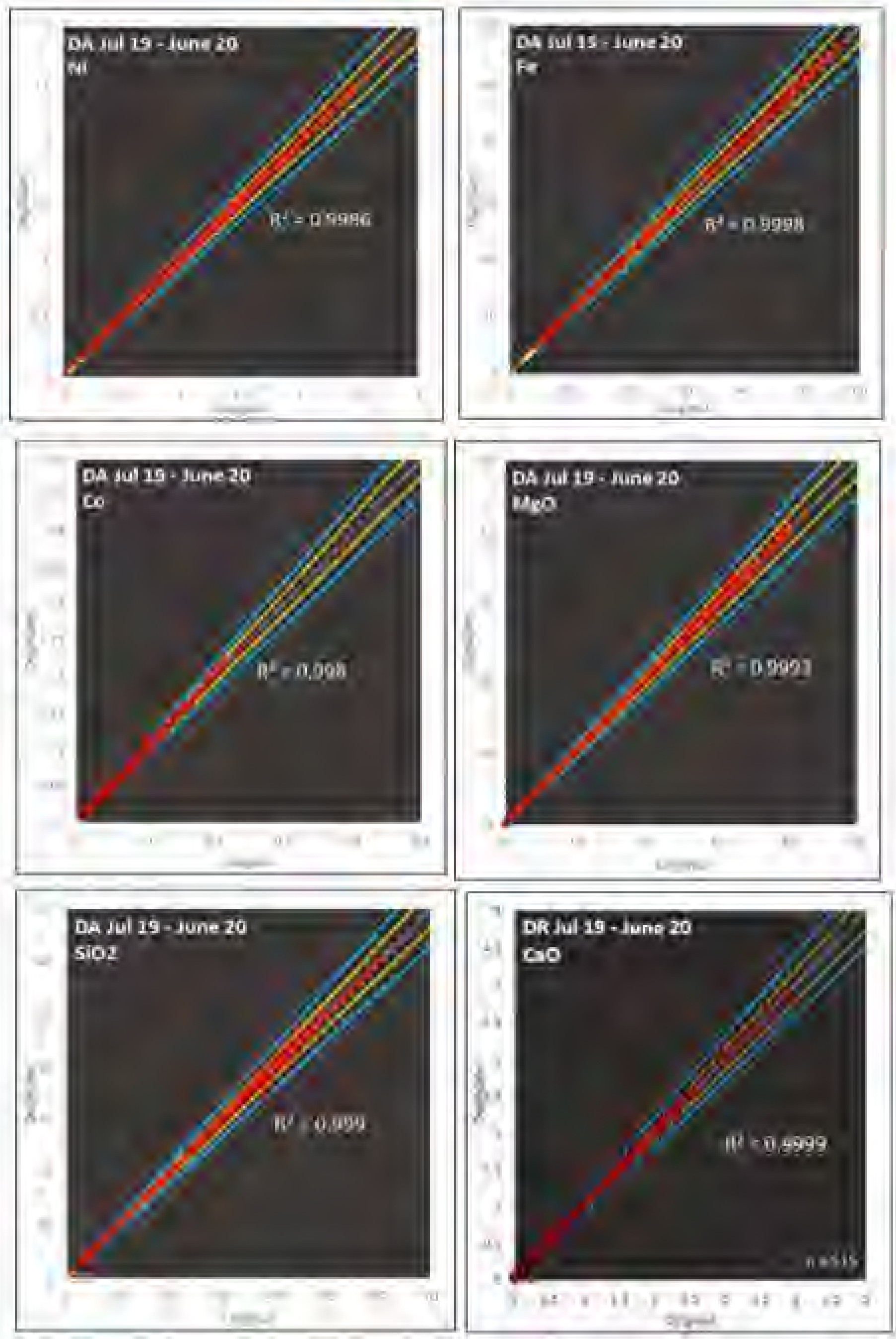
In order to be effective, blank samples are inserted after mineralized samples, and where possible, the matrix of the blank sample should be similar to the matrix of the sample being analysed. Blank samples are inserted between batches of mining and exploration samples and within exploration batch streams to test for contamination.

4.2 Pulp Duplicates, or Duplicate Assay

Pulp duplicates, or Duplicate Assays (DA) as they are called at HM are second splits of the fine grained pulp samples that are collected in the final incremental splitting of the samples after pulverising. Besides the incremental split sample that is taken and bagged for XRF assay at the HM assay lab, and the sample taken for storage and future reference if required, a third sample is collected from each batch and analysed at the same time as the original sample, but with a different sample number. The pulp duplicates are indicators of the analytical precision, which can be affected by the quality of the pulverisation process and the homogenisation of the sample.

Figure 4 shows scatterplots for the elements Ni, Fe, Co, MgO, SiO2 and CaO from original and duplicate assays from 515 pulp samples analysed between July 2019 and June 2020. The scatterplots are similar to those shown in Figure 1 for the Coarse Reject assays, but with one difference. The Duplicate assays, DA's, are test undertaken on – 75 micron material passing a 200 # screen, much finer than the – 3 mm material taken as Coarse reject, or Double Roll Crushed product. The finer particle size of this material results in better homogenisation which in turn results in better accuracy in the assay process.

Figure 4: Scatterplot showing results of 515 plots for Pulp original vs duplicate assays



Pulp Duplicate Comparative Statistics						
	Ni	Fe	Co	MgO	SiO_2	CaO
Variance From Assay	**-0.13%**	**-1.06%**	**0.00%**	**0.90%**	**3.16%**	**0.49%**
Abs Variance From Assay	-0.28%	-0.17%	-0.12%	-0.12%	-0.02%	-1.63%
Coarse Rejects = Assay	202	23	186	19	14	38
Coarse Rejects < Assay	133	216	168	246	253	254
Coarse Rejects > Assay	180	276	161	250	248	223
n	515	515	515	515	515	515

The scatterplots for the pulp duplicates show that the majority of the plots for Ni, Fe and Co fall within the two yellow lines representing a +/- 5% variance from the assay, a high precision, which is reflected in the correlation coefficients of 0.998, 0.998 and 0.997 respectively.

The Pulp Duplicate Comparative Statistics show variance values range from -1.06% to 3.16% for the six elements, with variance values of less than 10% (either negative or positive) considered excellent with samples from Nickel laterite deposits, and shows high precision repeatability and a high correlation of the duplicate assay with the original assay. The absolute variance shows a range from -1.63% to -0.02% which indicates a very good repeatability of the pulp duplicate and original assays. Finally, the table shows the number of assays being higher or lower in grade are once again showing there is an almost equal chance of any pulp duplicate being higher or lower than the original assay.

As with the case for the Coarse Reject duplicate assays, the pulp repeatability is considered excellent and supports the use of the results from the primary assays for resource calculations.

4.3 Check Standards, or Certified Reference Materials (CRM's)

Certified Reference Materials, CRM's, are samples with certified grades, prepared under specially controlled conditions and have a certified mean value for the contained elements in that standard, along with associated confidence and tolerance limits. They are used in Quality Control to monitor the values of the standard against those of the unknown samples being assayed and allow the accuracy of the assay process to be monitored.

HM use CRMs produced by OREAS (Ore Research & Exploration P/L, from Victoria, Australia. OREAS CRMs currently used are Standards 182, 187, 192, 193, 194 and 195. These standards have certified Nickel values, certified standard deviations and state the 95% Confidence Limits with low and high values. Table 2 below shows these values for the 6 OREAS standards used at the HM Assay Lab.

Table 2: OREAS Certified Reference Materials

OREAS Standard	Description	Constituent - wt %					
		Ni	Fe	Co (ppm)	MgO	SiO2	CaO
182	Certified Value	0.71	20.58	728	9.16	46.77	0.251
	Within Lab SD	0.01	0.163	19	0.073	0.26	0.005
	95% Confidence Limit - Low	0.70	20.42	714	9.11	46.63	0.246
	95% Confidence Limit - High	0.71	20.74	743	9.21	46.91	0.255
187	Certified Value	1.37	13.62	636	17.99	46.66	0.341
	Within Lab SD	0.009	0.10	9	0.103	0.227	0.005
	95% Confidence Limit - Low	1.36	13.52	625	17.89	46.53	0.336
	95% Confidence Limit - High	1.39	13.72	648	18.08	46.78	0.345
192	Certified Value	1.77	12.67	404	21.32	43.48	0.313
	Within Lab SD	0.015	0.082	9	0.131	0.163	0.006
	95% Confidence Limit - Low	1.76	12.59	399	21.22	43.42	0.309
	95% Confidence Limit - High	1.79	12.75	410	21.43	43.74	0.317
193	Certified Value	1.93	13.66	495	20.25	42.72	0.362
	Within Lab SD	0.019	0.104	14	0.127	0.186	0.005
	95% Confidence Limit - Low	1.91	13.56	492	20.15	42.54	0.358
	95% Confidence Limit - High	1.94	13.76	499	20.34	42.89	0.367
194	Certified Value	2.13	11.53	428	22.83	43.02	0.311
	Within Lab SD	0.020	0.086	12	0.151	0.222	0.005
	95% Confidence Limit - Low	2.11	11.44	419	22.72	42.86	0.307
	95% Confidence Limit - High	2.15	11.62	437	22.94	43.17	0.315

To convert Fe2O3 to Fe, multiply OREAS Certified Value x 70%

OREAS Standards 182, 187, 192 and sometimes 193 are used in assaying exploration samples while 192, 193, 194 and occasionally 195 are used in assaying mining samples.

In a mine sampling programme it is considered best practice to use at least three different CRMs for the most economically important elements and significant contaminants, covering the expected range of likely concentrations. At HM these are based on a low grade CRM with a value close to the deposit cut off grade; a medium grade CRM with a grade close to the average grade of the deposit ; and a high grade CRM for the deposit. Other CRM's are used when assaying Exploration drilling samples to more accurately reflect the values that will be returned in an exploration drill programme, one which covers low results from areas outside the ore body and high grade values from within the ore deposit zones.

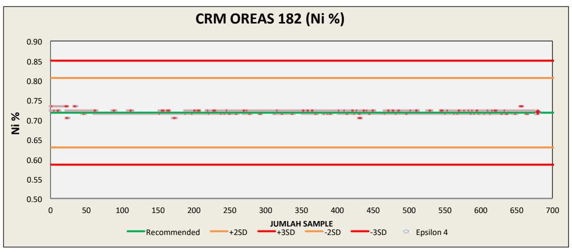
Ni values for the OREAS standards used at HM vary from 0.71% (182), 1.37% (187), 1.77% (192), 1.93% (193) and 2.13% (194). Corresponding values for Fe vary from 20.58% (182), 13.62% (187), 12.67% (192), 13.66% (193) and 11.53% (194). As the Ni value increases, the Fe value generally decreases.

CRMs are generally placed into the sample stream at a frequency of one in 20 samples with mine samples and higher frequency of one in 10 exploration samples, this higher value due to the first sample in each run on the Epsilon 3 and Epsilon 4 XRF spectrometers being a standard described in the Standard Operating Procedure, allowing us a higher level of confidence in the accuracy of our exploration sample assay results.

Figures 5, 6, 7, 8 and 9 are Shewart Control Charts for the results of assays using the OREAS standards 182, 187, 192, 193 and 194 over a six month period. The assay results obtained over a period of time are plotted on a chart of showing certified values against the number of samples assayed, with one line showing the certified mean value, and two green lines showing the expected value plus/minus two standard deviations, also referred to as Upper and Lower Warning Limits, and two red lines representing the Upper and Lower Control Limits at three standard deviations.

The probability of a +/- 3 standard deviation failure is only 0.3% and should be a rare event. For normally distributed data, approximately 5% of the results are expected to breach the +/- 2 standard deviation warning limits. The assay results should plot out as random, with no pattern or trends. They should be distributed "normally" and fit a Gaussian Bell curve. Acceptable accuracy will be shown when 68% of the results lie within one standard deviation of the mean, and 95% of the results lie within two standard deviations of the mean and 99.7% of the results should plot within three standard deviations of the mean.

Figure 5: OREAS Standard 182 – 679 analyses



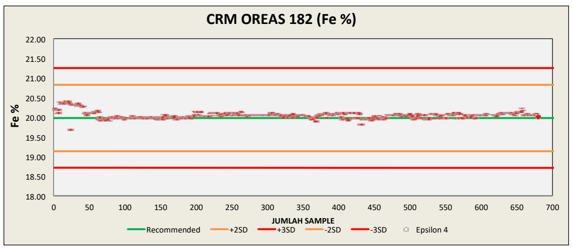


Figure 5, using the OREAS 182 standard in 679 analyses, shows an acceptable accuracy with 95% of the assays plotting within two standard deviations of the mean, and equally distributed about the mean, showing excellent precision and accuracy.

Figure 6: OREAS Standard 187 - 729 analyses

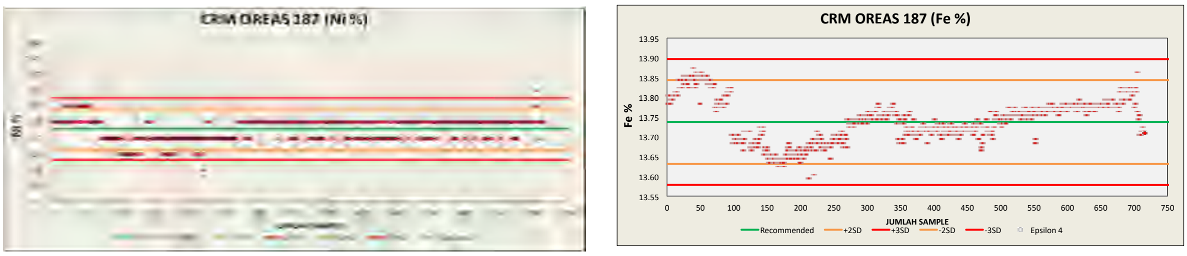


Figure 7: OREAS Standard 192 – 462 analyses

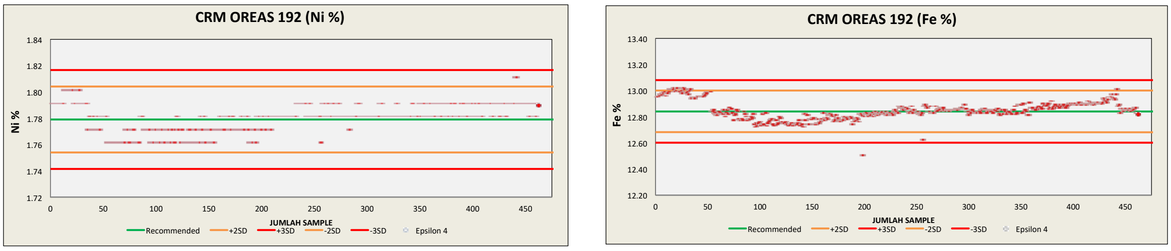


Figure 8: OREAS Standard 193 – 129 analyses

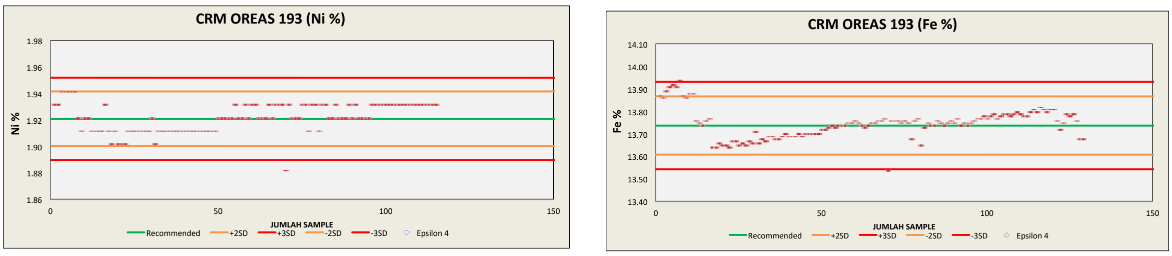


Figure 9: OREAS Standard 194 – 75 analyses

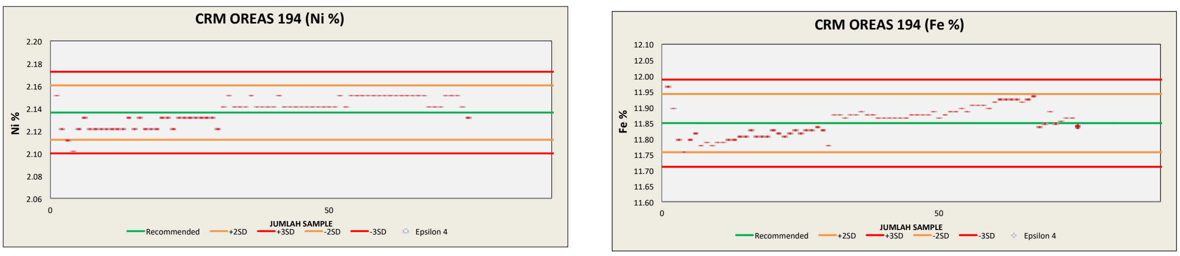


Figure 5, the OREAS Standard 182 shows the results plotting tightly along the line representing Ni value of 0.71 wt % and Fe value of 20.58 wt %, equally distributed above and below these figures.

Figure 6, the OREAS Standard 187 Ni value 1.37 wt % and Fe value 13.62 wt %, Figure 7, OREAS Standard 192 Ni value 1.77 wt % and Fe value of 12.67%, Figure 8, OREAS Standard 193 Ni value 1.93 wt % and Fe value of 13.66 % and Figure 9, OREAS Standard 194, Ni value 2.13 wt % and Fe value of 11.53 wt % do not exhibit excellent accuracy and precision.

Although these figures show acceptable accuracy, with 95% of the analyses plotting within two standard deviations of the mean, and approximately similar numbers plotting above and below the mean value, these figures show poorer accuracy in the left of the charts. This is considered the result of poor calibration in the initial weeks following commencement of XRF analysis in July 2019, and was monitored by technicians from the supplier during Q4 2019 and resolved with the introduction of the accurately calibrated Epsilon 4 unit in January 2020.

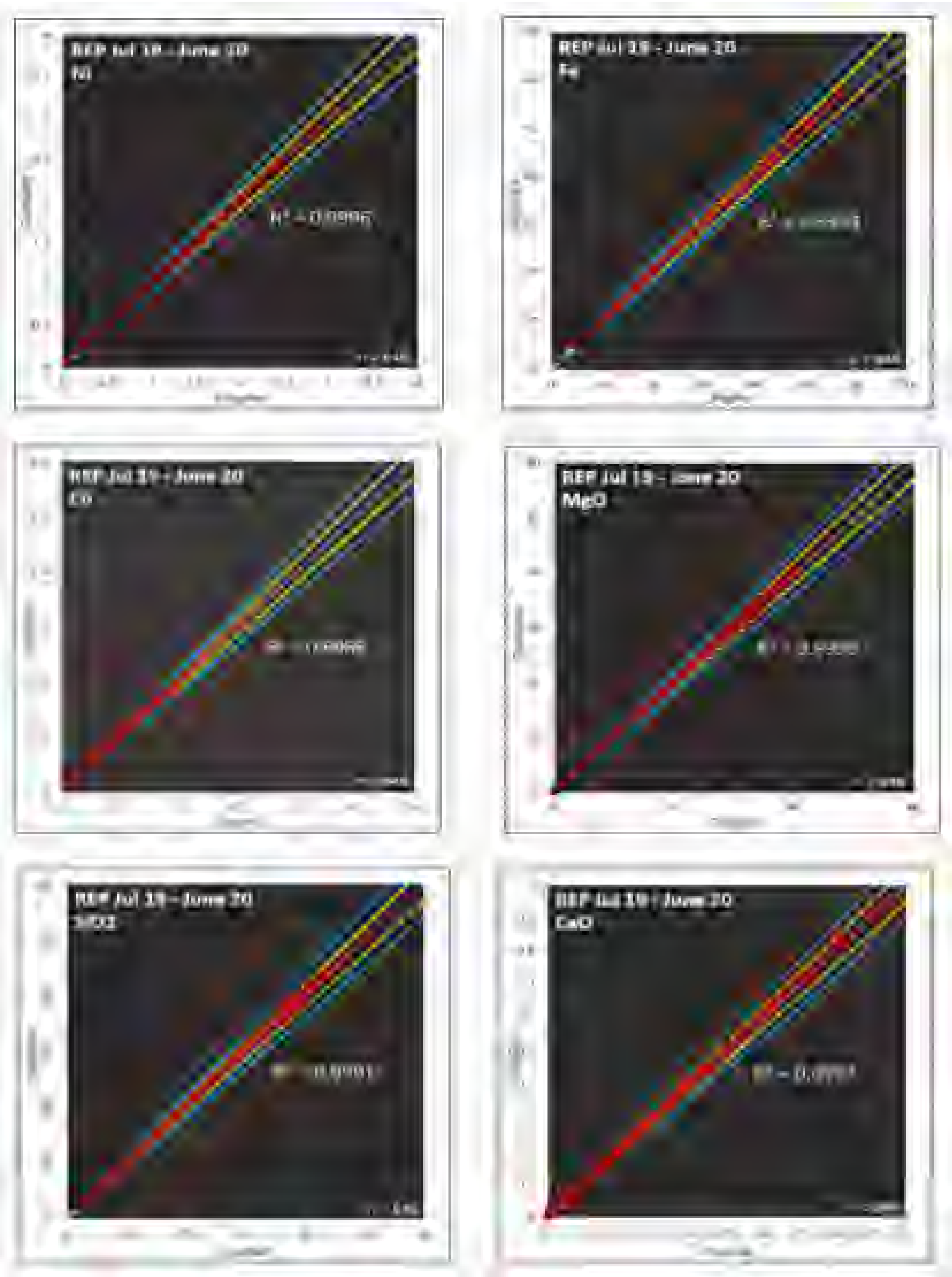
Following recommendations to produce and use specially prepared OREAS Standards from saprolite material mined from the HM ore body, using a standard with a similar matrix to the original samples being assayed, four samples of representative material were collected, prepared and readied for dispatch to OREAS in Australia in March 2020, but was then disrupted due to the lockdown of operations and travel restrictions due to Covid-19.

4.4 Replicate Samples

These are two portions of the same pulp samples that are used to produce two separate pressed pellets that are given different sample numbers and inserted into the same batch, or Job Sheet. At HM they are taken as part of the standard package of check samples, these being one DA or pulp assay, one DR or coarse reject assay, one REP or replicate sample and one CRM. Assay data from these replicate samples is used to monitor the assay error, allowing action to be taken should this error be high.

Figure 10 shows scatterplots for the Ni, Fe, Co, MgO, SiO2 and CaO for 846 analyses undertaken during the period July 2019 to June 2020. The format of the scatterplots is the same as for the previous scatterplots for the Coarse Rejects (DR) and the Pulp Duplicates (DA).

Figure 10: Scatterplot showing results of 846 plots for original vs replicate assays



Replicate Comparative Statistics						
	Ni	Fe	Co	MgO	SiO_2	CaO
Variance From Assay	**0.00**	**0.01**	**0.00**	**-0.02**	**-0.03**	**0.00**
Abs Variance From Assay	-0.06%	0.02%	-0.03%	0.32%	-0.13%	1.77%
Coarse Rejects = Assay	424	52	302	46	41	70
Coarse Rejects < Assay	223	400	279	395	380	440
Coarse Rejects > Assay	199	394	265	405	425	336
n	846	846	846	846	846	846

The scatterplots for replicate sample assays show the majority of the results plotting within the two 5% variance lines for the six elements, all, except Co, show correlation coefficients of more than 0.999, indicating high precision..

The Replicate Comparative Statistics table shows a variance of between -0.03% to 0.01% which at less than 10% variance is considered excellent, and consistent with high precision repeatability. There is also an even spread of the duplicate assay being both similar to , higher than, and lower than the primary assay in the case of Ni and Co, whilst for Fe, MgO, SiO2 and CaO, the duplicate assay is similar to the original assay in a lesser amount, with the remaining values are split almost identically between values higher than and lower than the original. This confirms a normal distribution of assay values for these elements and indicates there is no systematic bias occurring in this check analyses programme.

4.5 Check Samples, Interlaboratory Checks

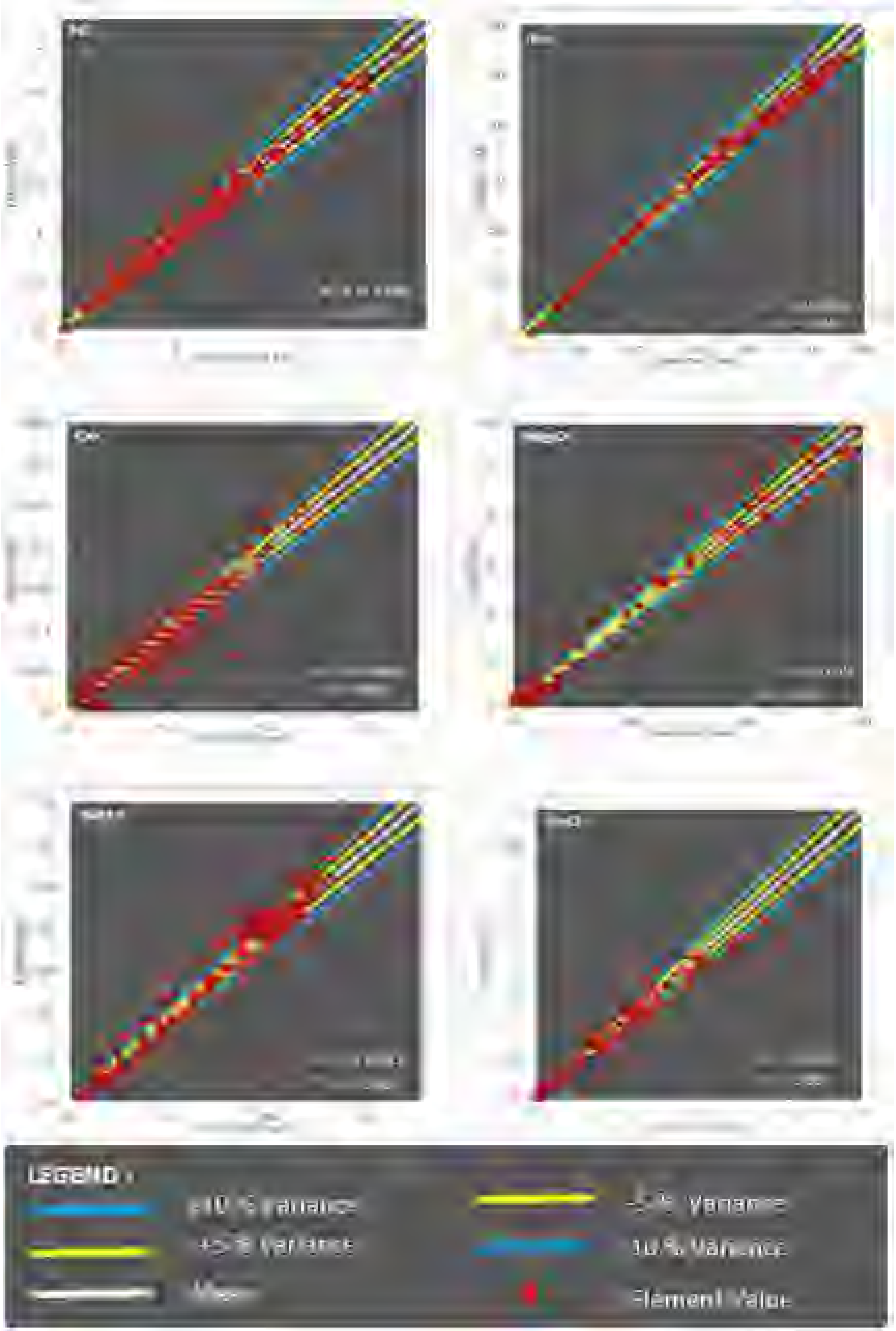
4.5.1 HM vs PT Geoservices

Check samples are second splits of both the coarse reject samples and the finer 200 # pulp samples that are routinely assayed at the HM Assay Lab and submitted to second, commercial laboratories under a different sample number. These samples are used to assess the assay accuracy of the HM laboratory relative to the secondary, Geoservices Laboratory, and for the mining, a comparison between the pulps collected by the Intertek Laboratory at the IMIP smelter, and then returned to the Tangofa site where they are assayed using the Epsilon 4 XRF Spectrometer for comparative purposes.

Batches of samples were sent to the Geoservices Laboratory in Kendari on a periodic basis where the coarse reject samples underwent pulverising and incremental splitting, to be sent for XRF assay at the Geoservices Analytical Laboratory in Bandung. Geoservices forwarded the HM pulp sample checks to their analytical lab as a different consignment, and once assayed, the results are returned to the Assay Laboratory at the Tangofa site.

Figure 11 shows the results of the inter laboratory check sample tests comparing the results of 335 split 200# pulp samples assayed at the original HM assay laboratory with samples sent to the Gesoservices assay Laboratory in Bandung.

Figure 11: Scatterplot showing results of 335 plots of HM original vs Geoservices duplicate assays


LEGEND :
Mean
Element Value

#200 Comparative Satistics						
	Ni	Fe	Co	MgO	SiO2	CaO
Variance From Assay	2.34%	101.71%	0.18%	-48.19%	-54.26%	117.51%
Abs Veriance From Assay	3.79%	6.37%	-10.05%	-40.09%	8.89%	-17.11%
#200 = Assay	20	0	23	1	0	4
#200 < Assay	228	283	142	185	182	212
#200 > Assay	87	52	170	149	153	119
n	335	335	335	335	335	335

The scatterplots show differing precision for the different elements, with good correlation between the results for Fe and CaO, 0.9958 and 0.9941 respectively, Ni, MgO and SiO2 have lower correlations at 0.9795, 0.9749 and 0.9742, while Co has the lowest correlation at 0.9166.

Reasons for the differences in these results are: HM assays undertaken using pressed powder pellets where Geoservices use Borate Fusion XRF and Loss of Ignition (LOI) gravimetric determination at 1000° C; using commercial laboratory XRF equipment for more accurate assay results with more experienced laboratory personnel, and calibration issues with the Epsilon 4 during Q4 2019. HM have recognised these issues and taken action to upgrade and improve the equipment, sample preparation and assay facilities and staffing through recruitment and undertaking ISO 9001:2015 Certification with SGS.

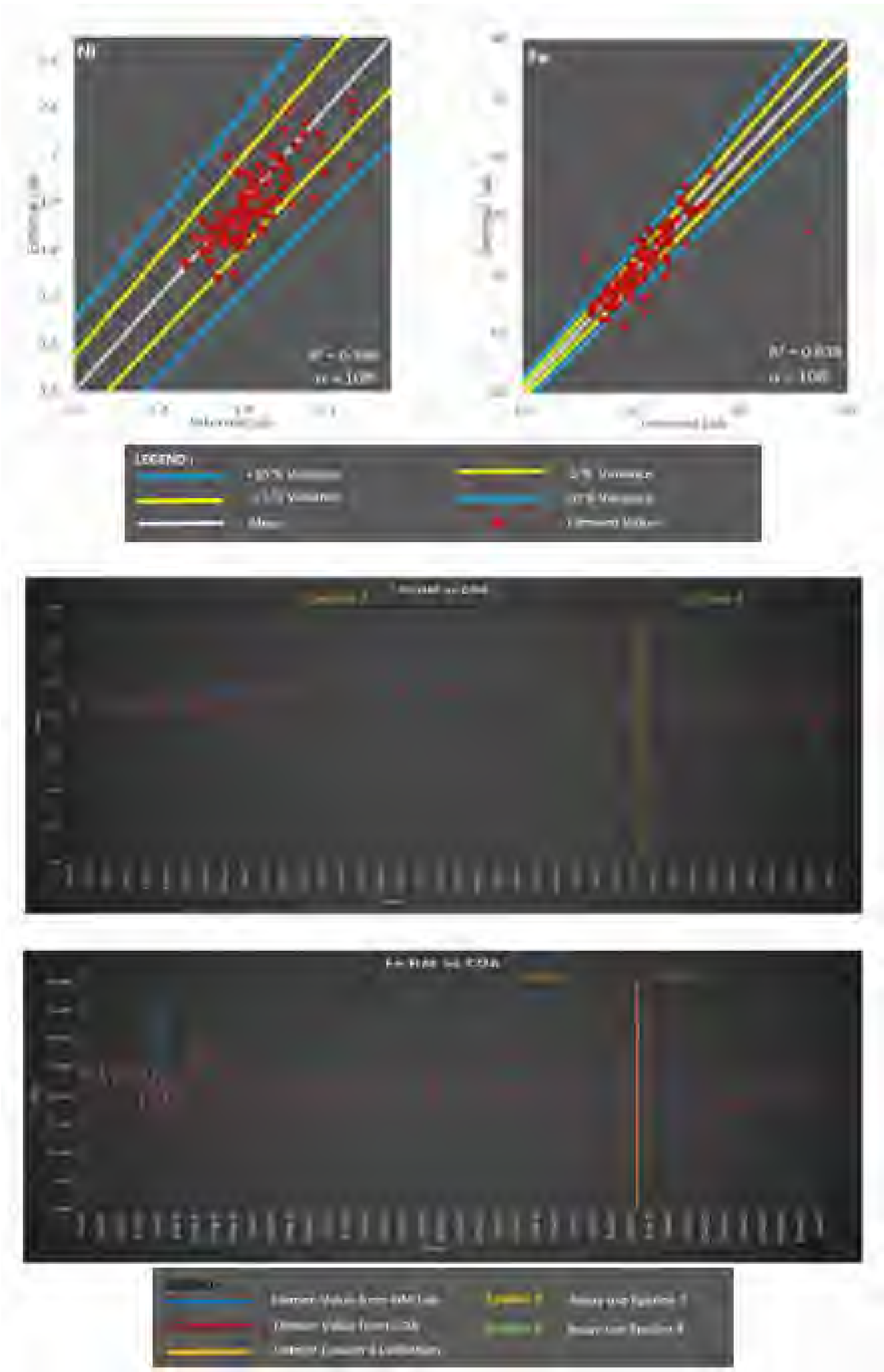
Whilst the scatterplots for Ni and Fe are similar to the previous scatterplots for the coarse rejects, pulp duplicate and replicates, those for MgO, SiO2 and CaO show less precision than before, and the Co scatterplot is difficult to explain. Whilst all other elements are measured in weight percent, Co is reported in ppm and as such has a significantly lower concentration.

Ni values show the best variance at 2.34% and absolute variance of 3.79%. Ni and Co are the only elements where 20 and 23 external lab checks repeat the original assay. An approximately even spread of assay values both higher and lower than the primary assay are shown for Co, MgO and SiO2, while with Ni and Fe more assays show a lower value than the original assay.

4.5.2 PT Intertek Utama Services vs HM

When the barges carrying ore to the IMIP smelter arrive, samples are collected from the saprolite ore and assayed at the Intertek Facility at IMIP, and these results used to determine the price paid for the nickel laterite ore. These results are provided in a Certificate of Assay (COA) and Certificate of Quality by PT Intertek Utama Services, Indonesia, and duplicate pulp samples are returned to HM for assay at the HM laboratory, to provide a comparison check with the COA's from Intertek.

Figure 12: Scatterplots and charts showing comparison of 108 saprolite samples assayed at PT Intertek Utama and HM


Ni
Fe
LEGEND :

The scatterplots for Ni and Fe show the majority of the sample assays plotting within the +5% and -5% variance lines, and minor assays plotting within the +10% and -10% variance lines. The Fe scatterplot shows more assay results plotting outside of the +10% and -10% lines, indicating better accuracy for the Ni than the Fe.

The two charts below the scatterplots show the results for Ni and Fe from July 2019 to April 2019 and show both higher and lower assay values for these two elements during this time, but an improved accuracy from the comparative assays once the Epsilon 4 commences production.

Because of the lockdown at Tangofa and regional travel restrictions in place in Central Sulawesi from March to June 2020, no consignments of check samples were sent for Interlaboratory Checks and no samples sent out for checking have been returned to site. To better understand these non-nickel results, once pulps have been returned to site, a vigorous re-checking of these samples will be undertaken and samples from work completed during March to June carefully selected and sent out to different commercial laboratories to resolve these issues. A revised Standard Operating Procedure is being prepared and HM will accelerate the introduction of fused beads for the XRF analysis, replacing pressed powder pellets, and bringing an additional XRF unit into production are expected to improve the accuracy and precision of our results across all areas.

5. Control Sample Insertion Rates

HM operates a quality control programme at its Tangofa Laboratories where different types and sub-types of control samples are inserted into the sample stream in order to monitor precision, accuracy and possible contamination at the different stages in the sampling, sample preparation and sample assaying sequence.

Sample Collection is usually controlled through the use of twin samples and field duplicates, but due to all the Jacro triple barrel drill core being sent for sample preparation and assay, these are not possible at HM.

Sample Preparation is controlled through the use of coarse blanks, course duplicates and 200# particle sizing tests at the HM sample prep lab.

Sample Assay is controlled at HM through the use pulp duplicates (DA), Check Standards (CRMs), Replicate Samples, and Interlaboratory check samples.

Quality control programs are designed to cater for the specific requirements at different projects and depend on the source of the samples and the average size of the batches. At HM, the Prep Lab and Assay Lab process both mining and exploration samples and careful consideration has gone into the frequency at which control checks are inserted into the sample stream.

Mendez (2011) described the frequency of control samples using information from International QA/QC consultants, Exploration and Mining Companies, various authors and the Toronto Stock Exchange and found that a figure of 20% (1 in 5) of the total samples assayed comprise control samples of various types. He mentioned that individual proportions of the various control sample types should reflect the probability of higher occurrences of problems within the analysis, and with the development of projects, the absolute and relative proportions of control samples can be adjusted depending on the objectives. He suggested a general purpose insertion rate as shown in Table 3 below.

Prior to April 2019, all exploration samples were sent to Geoservices in Kendari for sample preparation and assay. With Danmar contracted to undertake the drilling programme the decision was taken to process the exploration samples in house at the Tangofa Assay Lab. This work was undertaken using the Epsilon 3 XRF spectrometer initially, and then using the Epsilon 4 XRF spectrometer purchased and installed during June 2019. Because of the risks associated with the introduction of new equipment to assay the exploration samples it was decided to make modifications to the insertion frequency of control samples as recommended by Mendez and increase the number of Replicate and CRMs used in the Quality Control programme.

Table 3: Core Drilling Quality Control Programme: Suggested Insertion Rates

Sample Type	Sample Sub-type	Suggested Insertion Rate	
Duplicates	Twin Samples	2%	6%
	Coarse Duplicates	2%	
	Pulp Duplicates	2%	
CRMs	CRMs	6%	6%
Blanks	Coarse Blanks	2%	4%
	Pulp Blanks	2%	
Check Samples	Check Samples	4%	4%

Table 4 shows the insertion frequency of control samples used at HM during the period November 2019 to May 2020.

Assay Lab Quality Control
Nov 2019 to May 2020

Exploration Samples

Month	Consignments			Sample Type				Total	Danmar		Total
	No	EXP Nos.	Samples	DA	DR	Rep	CRM	HM Checks	Blank	Pulp	Checks
Nov-19	22.5	74 - 96	2,149	56	56	81	255	2,597	93	93	2,783
Dec-19	24.5	96 - 122	2,250	49	49	98	290	2,736	98	98	2,932
Jan-20	18.5	123 - 141	1,702	37	37	74	222	2,072	74	74	2,220
Feb-20	18.5	141 - 159	1,702	37	37	74	222	2,072	74	74	2,220
Mar-20	21.5	160 - 181	1,992	43	43	86	258	2,422	86	86	2,594
Apr-20	25.0	181 - 205	2,045	45	45	91	268	2,494	88	88	2,670
May-20	17.5	205 - 222	1,608	35	35	70	210	1,958	69	69	2,096
Total:	**148**		**13,448**	**302**	**302**	**574**	**1,725**	**16,351**	**582**	**582**	**17,515**

Table 4 shows the number of samples submitted for assay, and the number of Coarse Rejects (DR), Pulp Duplicates (DA), Replicates and CRMs inserted into the sample stream to monitor the precision, accuracy and contamination in the sample preparation and assay programme during the period November 2019 to May 2020.

The Coarse Reject and Pulp Duplicate samples comprise 2.2% and 2.2% respectively of the samples submitted. These figures are similar to those proposed by Mendez, of 2% and 2% respectively.

Replicate samples and CRMs comprise 4.3% and 12.8% respectively of the samples submitted. Although Mendez does not appear to specifically include replicates, this figure of 4.3% allows an additional measurement of the Assay Quality at the HM labs. The CRM total presently used is significantly more than suggested by Mendez, but HM believes that during the initial year of processing exploration samples this figure is worthwhile, allowing us to introduce new equipment and personnel to the Quality Control operations whilst maintaining precision and accuracy in the sample preparation and assay.

Table 3 also shows the four blank and 4 pulp duplicate samples that Danmar submit with each batch of 92 original samples in Job Sheets (consignments) of 100 samples per consignment. This equates to a control sample insertion frequency of 4.3% for each control sample sub-type, as against 2% and 6% as suggested by Mendez.

As production increases at the HM mining operations from 70,000 wmt per month to 200,000 wmt per month, and further new equipment in the shape of fused bead equipment and the Bruker S2 Puma XRF spectrometer are introduced to handle the increased sample throughput, HM will look to vary these proportions of CRMs to better reflect the different volumes and sample types being submitted to the Sample Prep and Assay Labs.

6 Reporting, Review and Continuous Improvement

With the changes in management undertaken during 2019 the decision was taken to improve the facilities at the HM QA/QC department to better manage the throughput in terms of sample production, turn around time and enhancing the QA/QC department to manage this increased production.

Additional personnel with suitable qualifications were employed to assist in this process, bringing to the operations additional skills and experiences gained at other Nickel exploration and mining operations

These staff have driven the upgrading of reporting through better data management and the introduction of detailed Monthly Reporting and providing management with better, targeted information, and through the introduction of new Standard Operating Procedures (SOPs) at the two labs to reflect these changes in the department.

Following a review of the operations, the decision was taken to replace the use of pressed powder pellets for use in the XRF spectrometers with fused beads, and equipment has been purchased and will be installed at a special facility at Tangofa for this activity.

An additional Bruker S2 Puma XRF spectrometer has been purchased for the assay lab which will replace an older Epsilon 3 XRF Spectrometer and allow for larger numbers of samples to be analysed in each run.

Additional ovens, Jones Riffle Splitters, Jaw Crushers, Double Roll Crushers and pulverizers have been purchased for the Sample Prep Lab and are being introduced to handle the increased production.

Finally, operations have moved onto a 24/7 footing to accommodate and better manage the increased production of 200,000 wmt per month. All of these are examples of the Continuous Improvement that has been introduced into the HM operations during the past 12 months.

Two other targets have been identified by HM management and steps taken to progress these different aspects. The first is to combine and relocate the existing Sample Prep Lab and Assay lab under one roof, which will lead to an improved working environment for all the staff and better time management and production.

The second target is to gain ISO 9001:2015 Certification for the QAQC laboratories, which will take time, but once obtained, will allow us to take a significant step in striving to obtain higher standards in QA/QC. Current international mining standards such as JORC Code 2012, require that a programme of data verification is included with any exploration programme to confirm the validity of the exploration data, and this is normally done by inclusion of JORC Code , 2012 Edition – Table 1 Report Template, a copy of which is attached as Table 5.

By implementing a Quality Assurance/Quality Control (QA/QC) programme, we are able to identify and measure any errors within the system, with the objective of reducing uncertainty within our ore reserve calculations, and adding value to our project, the company and all its stakeholders.

Criteria	JORC Code explanation	Commentary
	• *Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.* • *The total length and percentage of the relevant intersections logged.*	
Sub-sampling techniques and sample preparation	• *If core, whether cut or sawn and whether quarter, half or all core taken.* • *If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.* • *For all sample types, the nature, quality and appropriateness of the sample preparation technique.* • *Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.* • *Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.* • *Whether sample sizes are appropriate to the grain size of the material being sampled.*	• With the exception of a small density sample of approximately 700 to 800 gms taken from each of the four geological horizons observed in each drill hole, all the drill core submitted to the lab for analysis • Reduction in size of large primary drill sample to small pulp sample used in pressed powder pellet for XRF assay without affecting accuracy or precision follows JIS Method for Sampling and Method of Determination of Moisture Content of Garnierite Nickel Ore, JIS M-8109-1996,with drill core submitted to HM Prep Lab where it is dried for 12 hrs at 105 °C and then crushed, riffle split, crushed again, split and pulverized to a particle size that corresponds to 95% passing 75 micron Test Screen. Pulp samples of approx. 50 gms are taken from the pulverized samples for assay. Coarse reject and pulp duplicates taken after splitting to monitor precision of products; 200# Screen tests indicate precision of pulverising in reducing sample size is high.
Quality of assay data and laboratory tests	• *The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.* • *For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.* • *Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.*	• Pulp samples produced at the HM Sample Prep Lab are sent to the HM Assay Lab at Tangofa Camp for analysis by X-ray fluorescence (XRF), the preferred method for assaying nickel laterite ores because of its superior accuracy and precision. • QC analyses data from the different sampling stages to control and minimise any sampling error as follows: • No field duplicates are submitted as all sample core submitted for sample prep and assay. • Sub-sampling precision and contamination controlled during sample preparation with coarse rejects, coarse blanks and 200# screen tests. • Sub-sampling analytical accuracy, analytical precision and contamination during assaying controlled by CRMs (standards), pulp duplicates, replicates and external laboratory checks. • Scatterplots and comparative statistics for coarse rejects confirm high precision of pulverisation stage and 200# screen tests show repeatability of pulverising stages to be high. • Scatterplots and comparative statistics for pulp duplicate assays and replicate assays confirm high precision repeatability and no systemic bias in these check analyses programmes. • Pulp OREAS certified reference materials (CRMs) for 5 Nickel laterite suite standards 182, 187,192, 193 and 194 show Control charts with good precision and good accuracy through good precision and less accuracy, but with 95% of analyses plotting within 2 standard deviations which is acceptable. • Check samples sent out to Geoservices for assay showed a good correlation between the results for Ni and Fe, but poorer correlation for other elements, in particular, Co. Further assays to be undertaken to understand reasons for these results.
Verification of sampling and	• *The verification of significant intersections by either independent or alternative company personnel.* • *The use of twinned holes.*	·

8. Conclusions

The author was employed by PT Hengjaya Mineralindo to undertake a review of the sample processing and sample assay operations at their Tangofa Camp in Central Sulawesi and implement changes and upgrades to procedures and protocols to accommodate the increase in production form 70,000 wmt of saprolite ore to 200,000 wmt of ore during a 12 month period.

A QA/QC Department was operating and the sample preparation laboratory was following the operating procedures described in the JIS Method for Sampling and Method of Determination of Moisture Content of Garnierite Nickel Ore, JIS M-8109-1996, an English translation of Japanese Industrial Standard by H.Kanazawa.

A Quality Assurance programme was in place, involving the addition of check samples including blanks, duplicates, replicates and CRM Standards. A Quality Control programme was in place to monitor the different stages of sample preparation and assaying, monitoring and controlling sample precision in the preparation stage and controlling analytical accuracy and precision and contamination during the assaying stage.

Scatterplots and comparative statistics for the coarse rejects show confirm the high precision of the pulverisation stage and 200# Screen Tests show the repeatability precision of the pulverising process in reducing the sample size to be high.

Scatterplots and comparative statistics for pulp duplicates show high precision repeatability and a high correlation of the duplicate assay with the original assay.

Scatterplots and comparative statistics for the replicates confirm high precision repeatability and a normal distribution of assay values indicating no systematic bias in the check analysis programme.

Shewart Control Charts for the five OREAS CRM standards used at the assay lab show graphics with the 95% of the analyses plotting within 2 standard deviations which is acceptable, and exhibiting good precision and accuracy with OREAS 182 standards through good precision but lower accuracy with some of the other standards. Calibration issues were experienced with the Epsilon 4 XRF unit before being resolved by technicians form the manufacturers Jakarta agent.

Scatterplots and comparative statistics for the Interlaboratory Check samples, with the exception of Ni and, could be better, and this is an area where increased checking will be undertaken in the coming months. It is anticipated that with the introduction of fused beads to replace pressed powder pellets, a new Puma S2 XRF to provide increased throughput and additional manpower to specifically address this area that we will see an improvement in the results from our Interlaboratory Check programme with a number of different commercial laboratories.

The author believes that the sample procedures, protocols and methods presently in place at Hengjaya Mineralindo, and taking the comments made in the previous paragraph into consideration, are of acceptable standards, and the data generated by the assay laboratory is of an acceptable standard for use in ore resource estimations.

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C.E.Watson
July 2020

9.5 HENGJAYA STATISTICAL ANALYSIS

DESCRIPTIVE STATISTICS FOR PT HENGJAYA MINERALINDO

BASED ON NICKEL GRADE

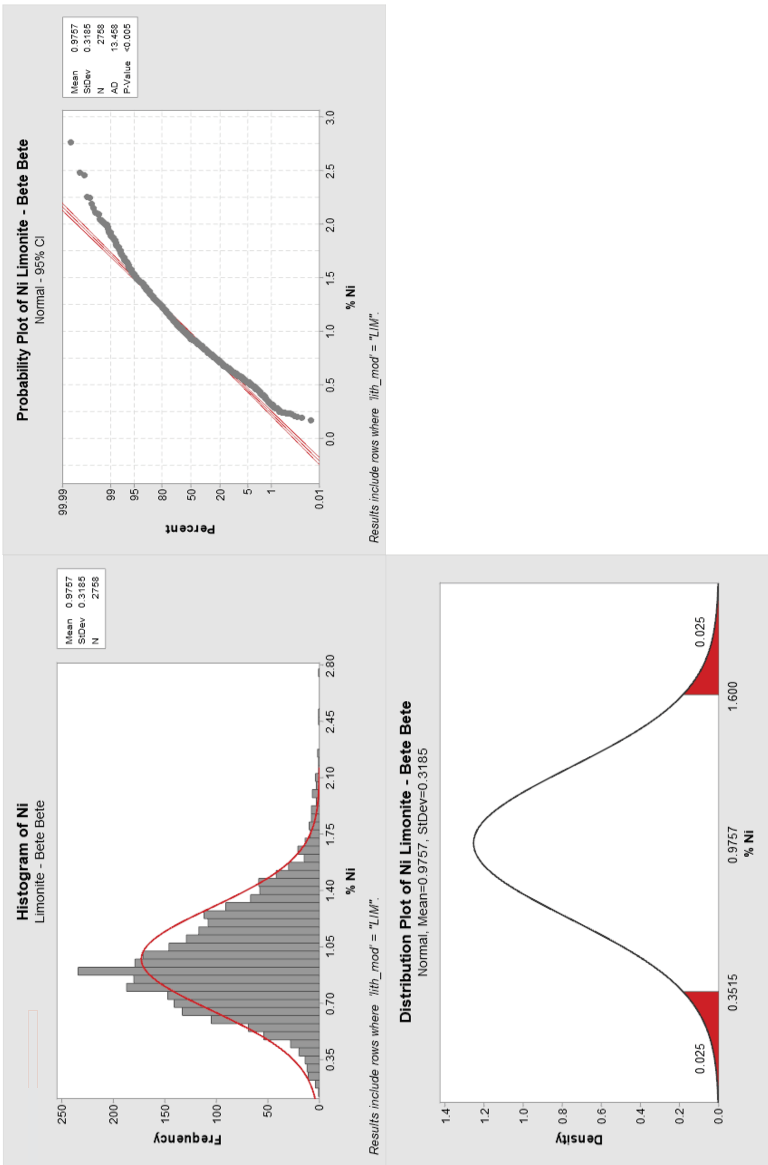
JULY 2020

BETE BETE

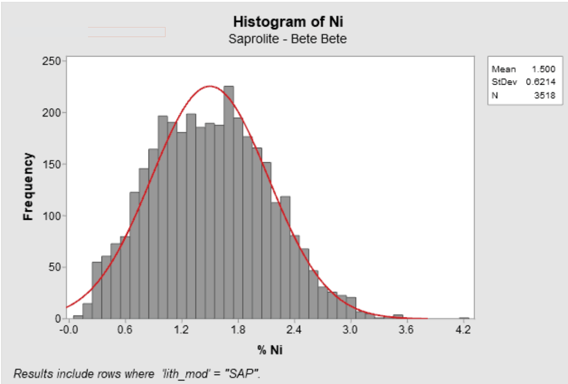
Descriptive Statistics (Bete Bete)

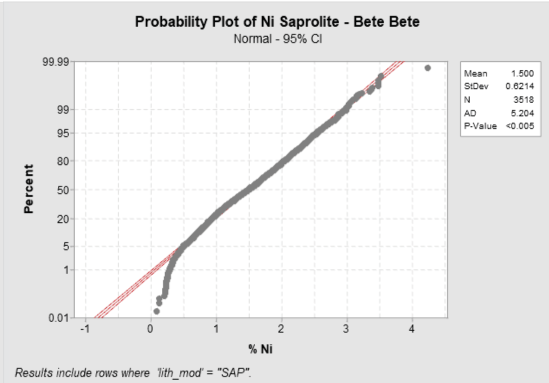
Element	Profile	N Samples	Mean	Median	StDev	CoefVar	Minimum	Maximum	Skewness
Ni	LIM	2758	**0.98**	**0.93**	0.32	0.32	0.17	**2.76**	0.68
	SAP	3518	**1.50**	**1.49**	0.62	0.41	0.09	**4.23**	0.20
Fe	LIM	2758	46.82	48.71	6.58	0.14	6.43	58.82	-3.04
	SAP	3518	13.57	11.09	7.35	0.54	4.73	51.24	1.66
MgO	LIM	2758	2.13	1.08	3.80	1.78	0.27	42.06	6.10
	SAP	3518	23.99	25.66	8.93	0.37	0.01	42.27	-0.54
SiO2	LIM	2758	5.47	2.84	6.56	1.19	0.96	52.46	2.99
	SAP	3518	38.59	40.36	5.96	0.15	3.40	52.51	-2.35
Co	LIM	2758	0.13	0.12	0.09	0.64	0.01	0.85	2.24
	SAP	3518	0.03	0.03	0.04	1.04	0.01	1.12	10.81

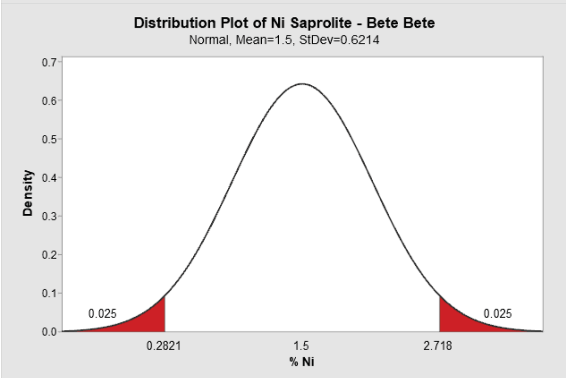
Ni - Limonite


Histogram of Ni
Limonite - Bete Bete
Mean 0.9757
StDev 0.3185
N 2758
Frequency
% Ni
Results include rows where 'lith_mod' = "LIM".
Probability Plot of Ni Limonite - Bete Bete
Normal - 95% CI
Mean 0.9757
StDev 0.3185
N 2758
AD 13.458
P-Value <0.005
Percent
% Ni
Results include rows where 'lith_mod' = "LIM".
Distribution Plot of Ni Limonite - Bete Bete
Normal, Mean=0.9757, StDev=0.3185
0.025
0.3515
0.9757
1.600
Density
% Ni

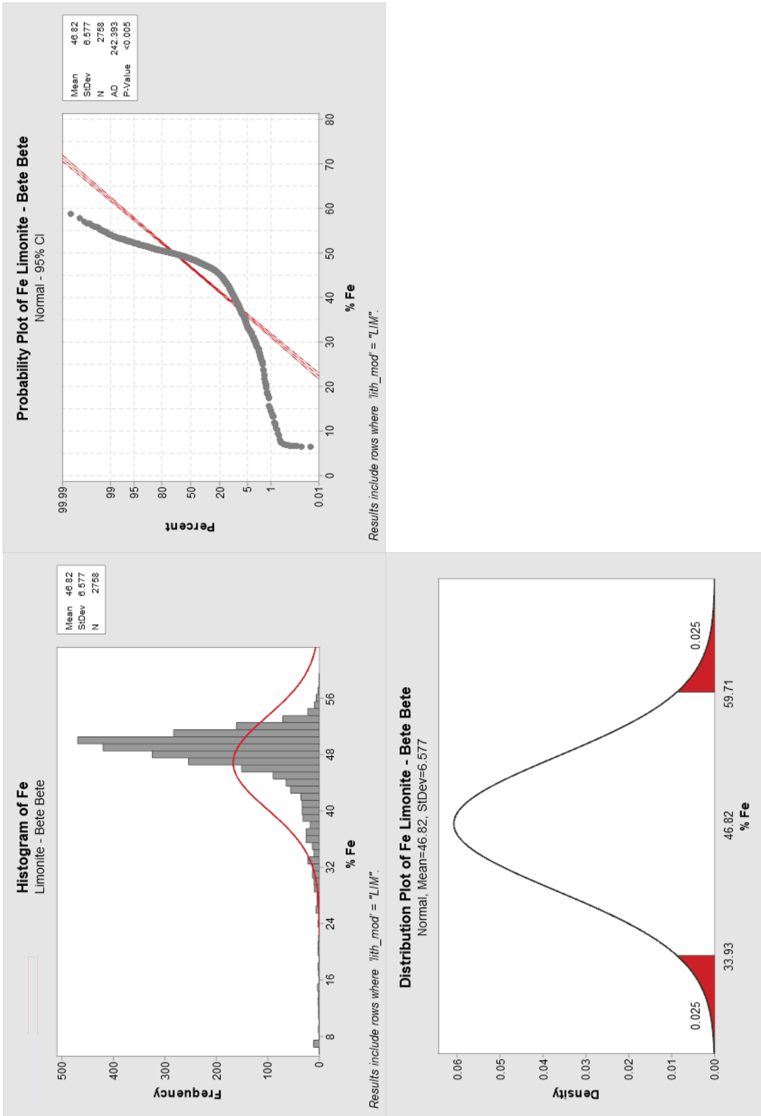
Ni - Saprolite



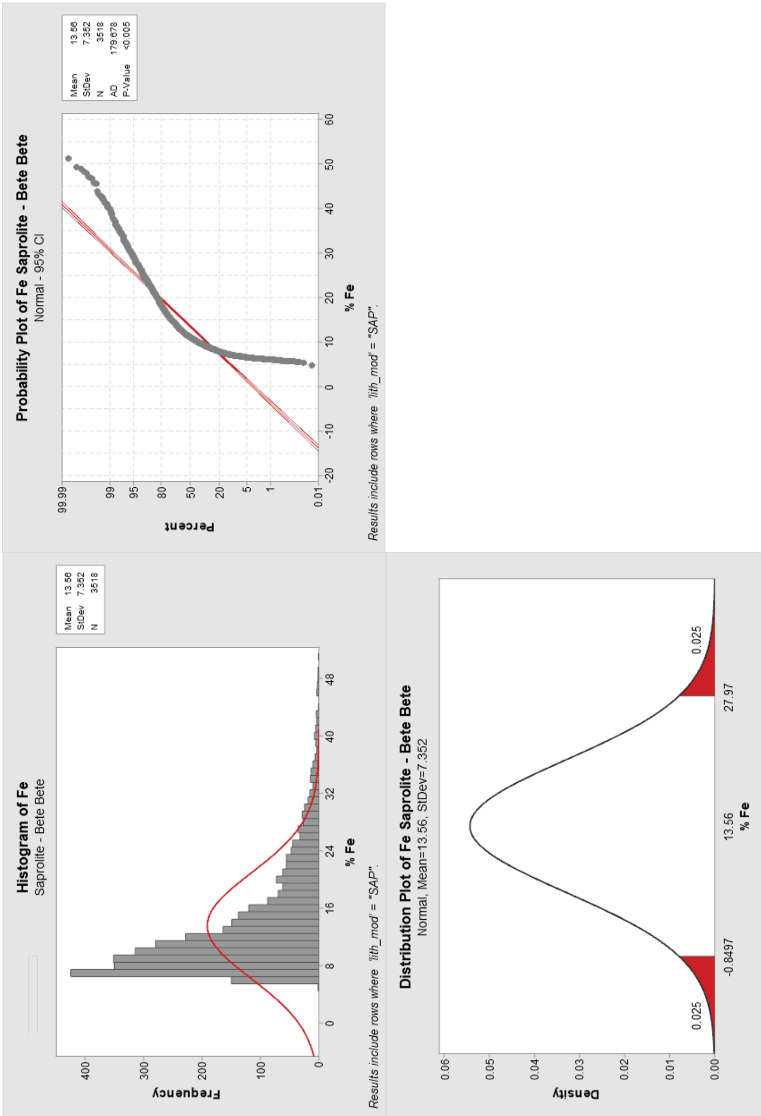




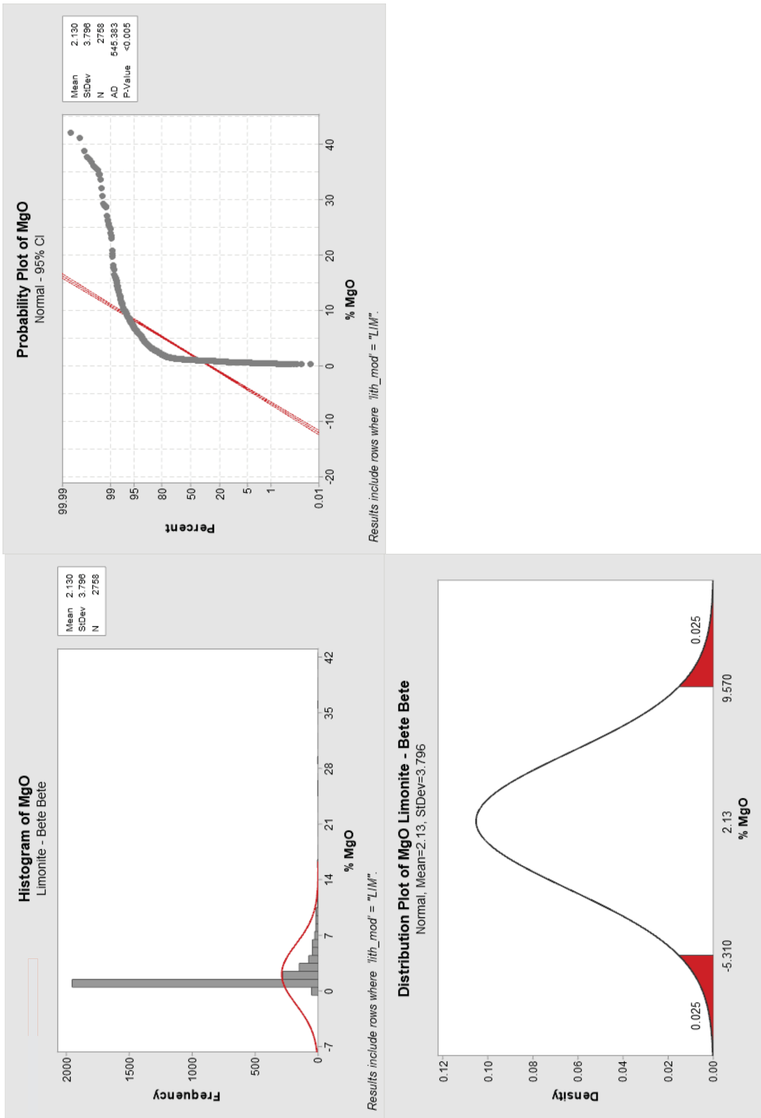
Fe - Limonite


Probability Plot of Fe Limonite - Bete Bete
Normal - 95% CI
Mean 46.82
StDev 6.577
N 2758
AD 242.393
P-Value <0.005
Percent
% Fe
Results include rows where 'lith_mod' = "LIM".
Histogram of Fe
Limonite - Bete Bete
Mean 46.82
StDev 6.577
N 2758
Frequency
% Fe
Results include rows where 'lith_mod' = "LIM".
Distribution Plot of Fe Limonite - Bete Bete
Normal, Mean=46.82, StDev=6.577
Density
0.025
0.025
33.93
46.82
59.71
% Fe

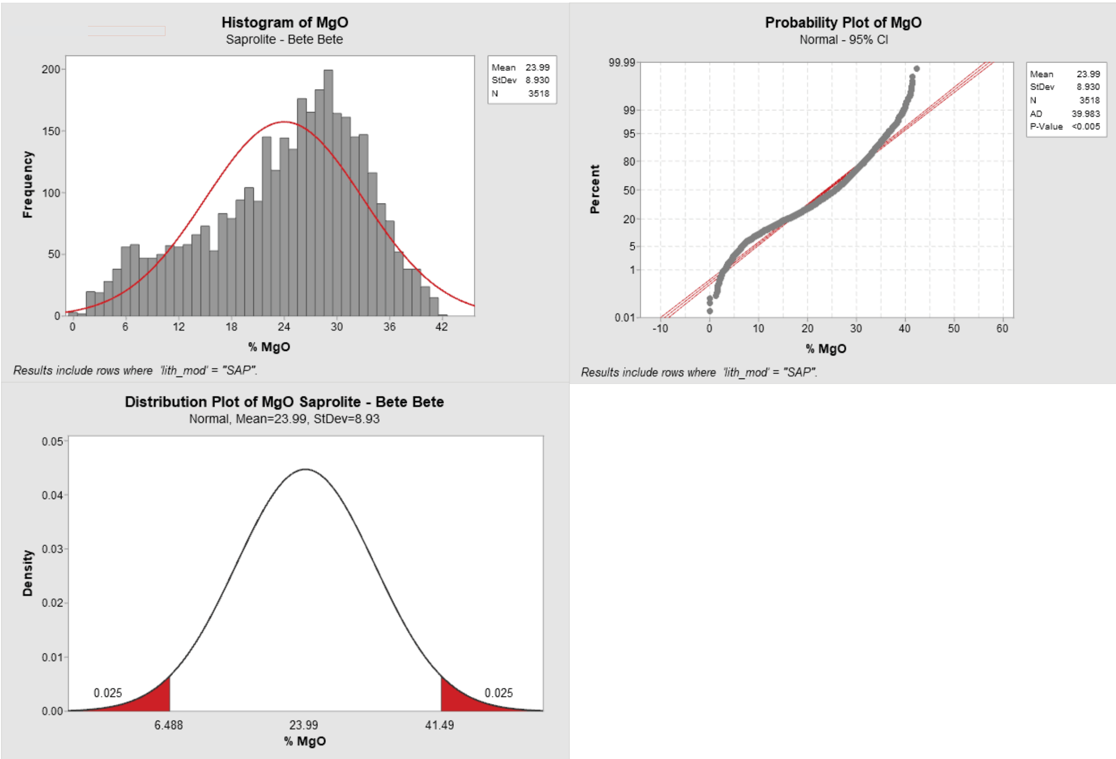
Fe - Saprolite



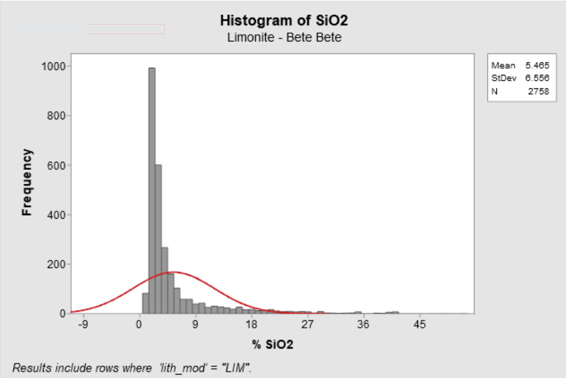
Mgo - Limonite

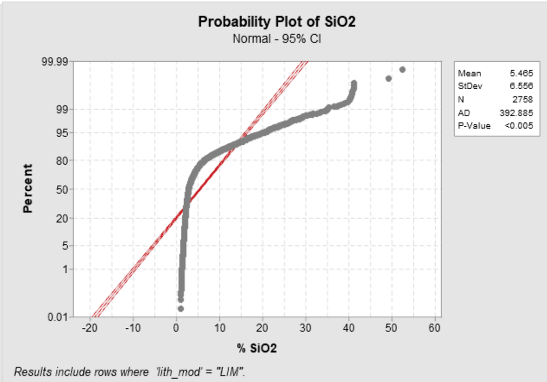


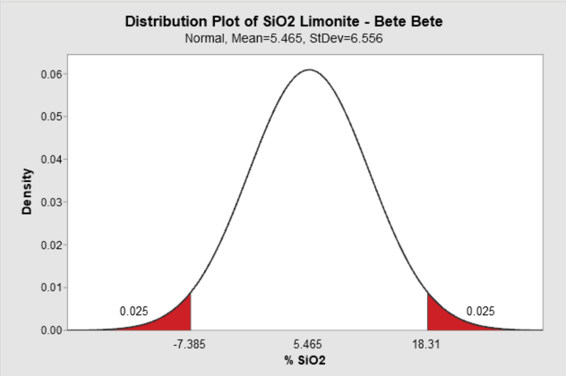
Mgo - Saprolite



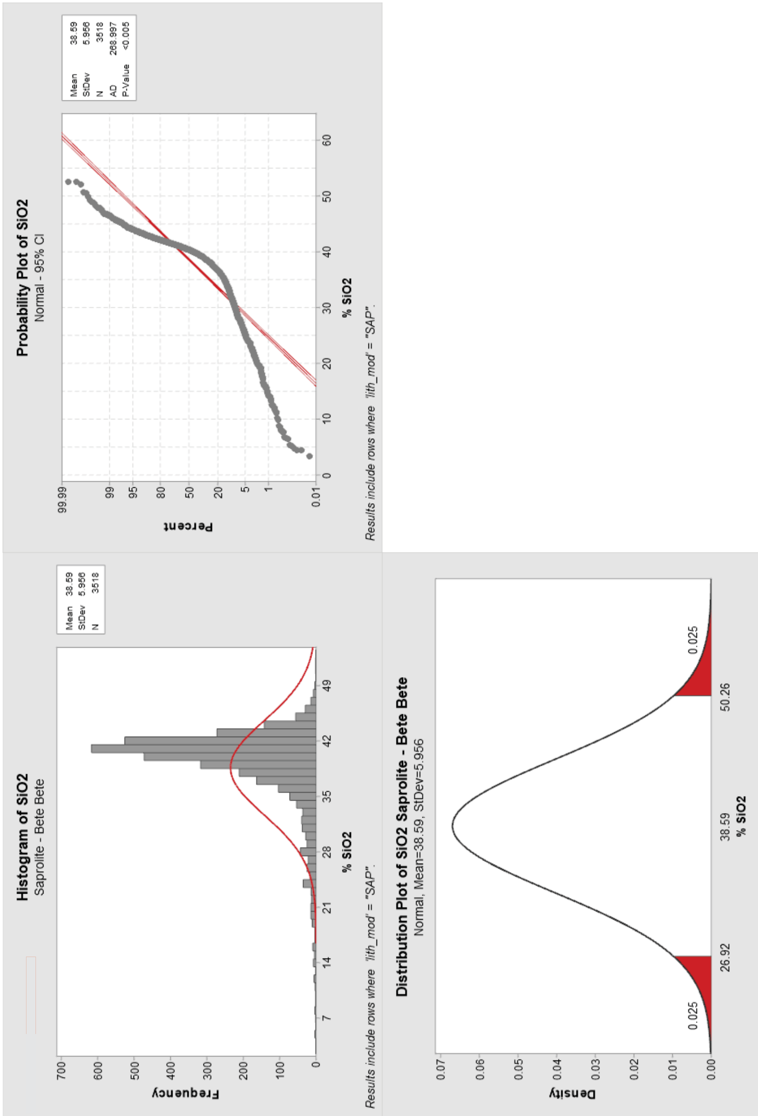
SiO2 - Limonite



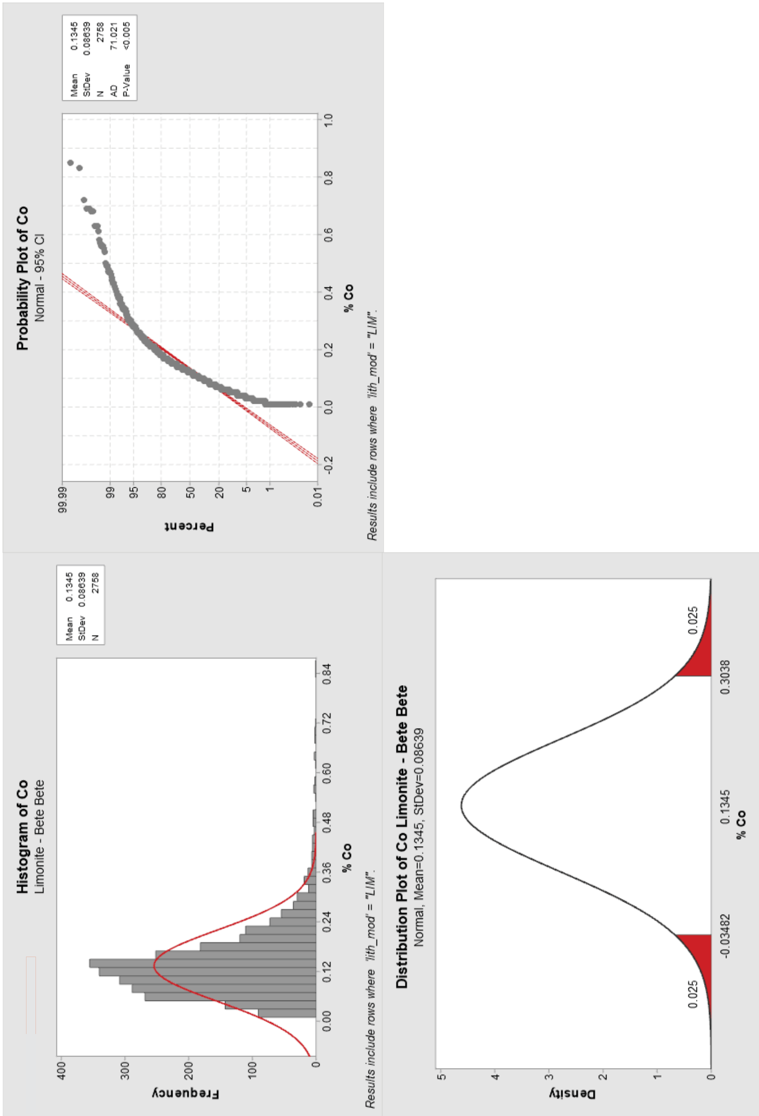




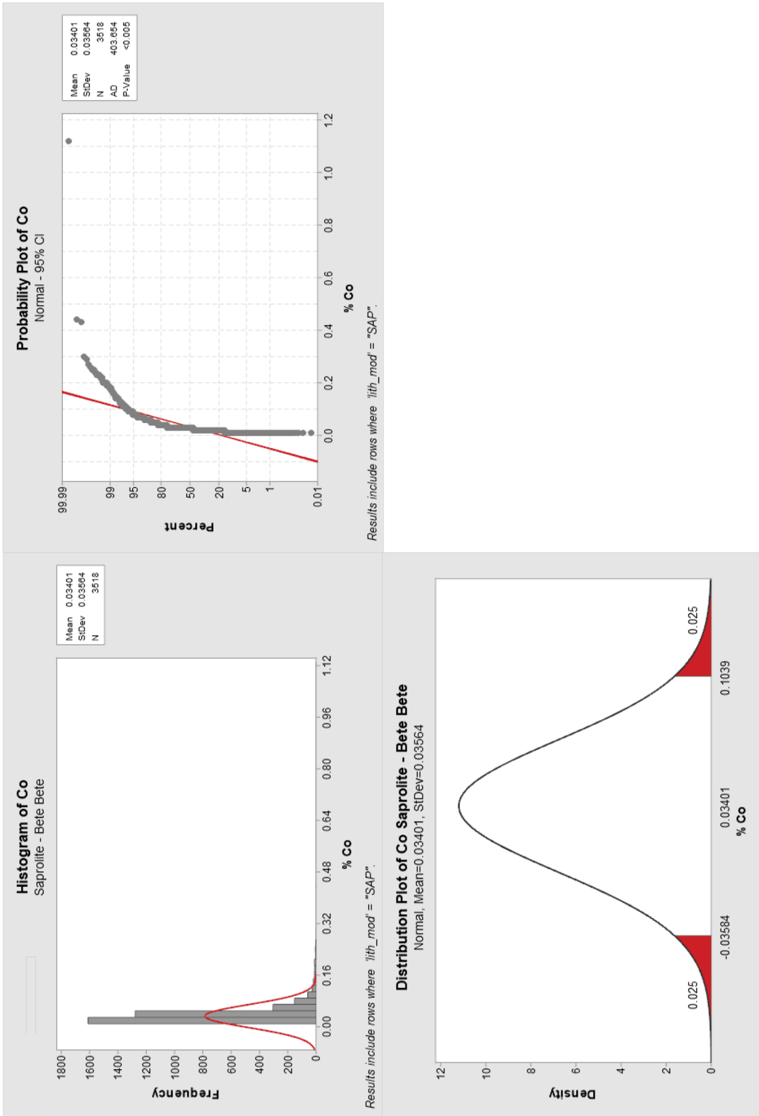
SiO2 - Saprolite



Co - Limonite


Probability Plot of Co
Normal - 95% CI
Mean 0.1345
StDev 0.08639
N 2758
AD 71.021
P-Value <0.005
Percent
% Co
Results include rows where 'lith_mod' = "LIM".
Histogram of Co
Limonite - Bete Bete
Mean 0.1345
StDev 0.08639
N 2758
Frequency
% Co
Results include rows where 'lith_mod' = "LIM".
Distribution Plot of Co Limonite - Bete Bete
Normal, Mean=0.1345, StDev=0.08639
Density
0.025
0.025
-0.03482
0.1345
0.3038
% Co

Co - Saprolite

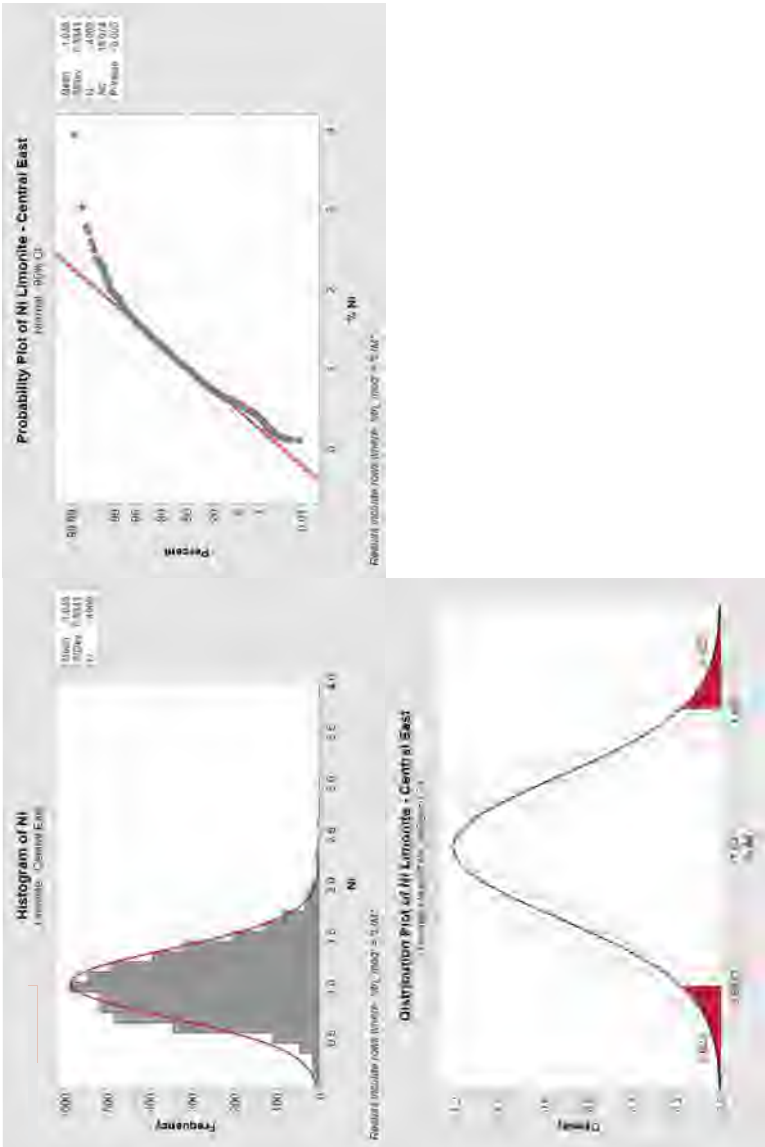


CENTRAL EAST

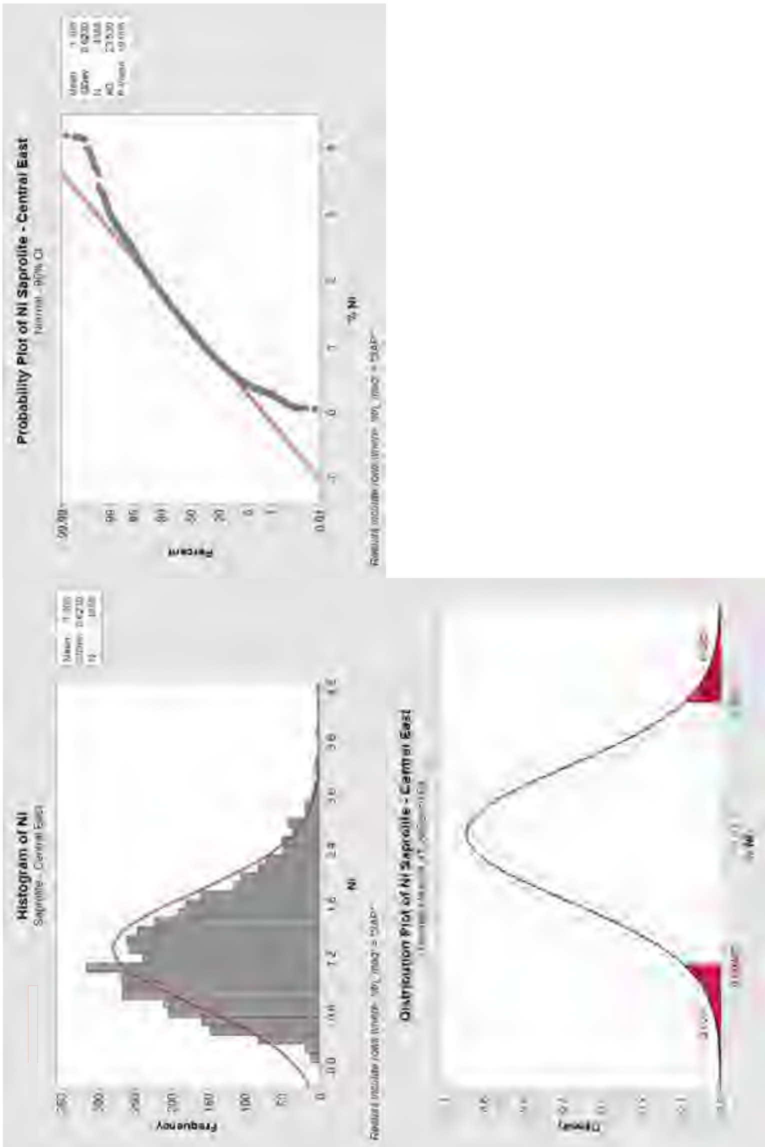
Descriptive Statistics (Central East)

Element	Profile	N Samples	Mean	Median	StDev	CoefVar	Minimum	Maximum	Skewness
Ni	LIM	4909	1.04	1.01	0.33	32.24	0.10	3.94	0.69
	SAP	4358	1.31	1.24	0.62	47.70	0.05	4.20	0.72
Fe	LIM	4909	41.59	43.90	8.79	21.15	3.66	59.65	-1.27
	SAP	4358	13.94	11.65	7.24	51.95	1.84	53.15	1.53
MgO	LIM	4909	1.45	0.84	2.71	186.57	0.00	40.59	7.97
	SAP	4358	19.52	21.04	10.59	54.24	0.01	46.27	-0.24
SiO2	LIM	4909	13.33	7.36	14.32	107.42	0.00	91.57	2.11
	SAP	4356	43.24	42.34	11.34	26.21	4.70	97.65	0.85
Co	LIM	4909	0.11	0.10	0.08	70.95	0.00	1.20	3.62
	SAP	4358	0.03	0.02	0.03	96.62	0.00	0.48	4.41

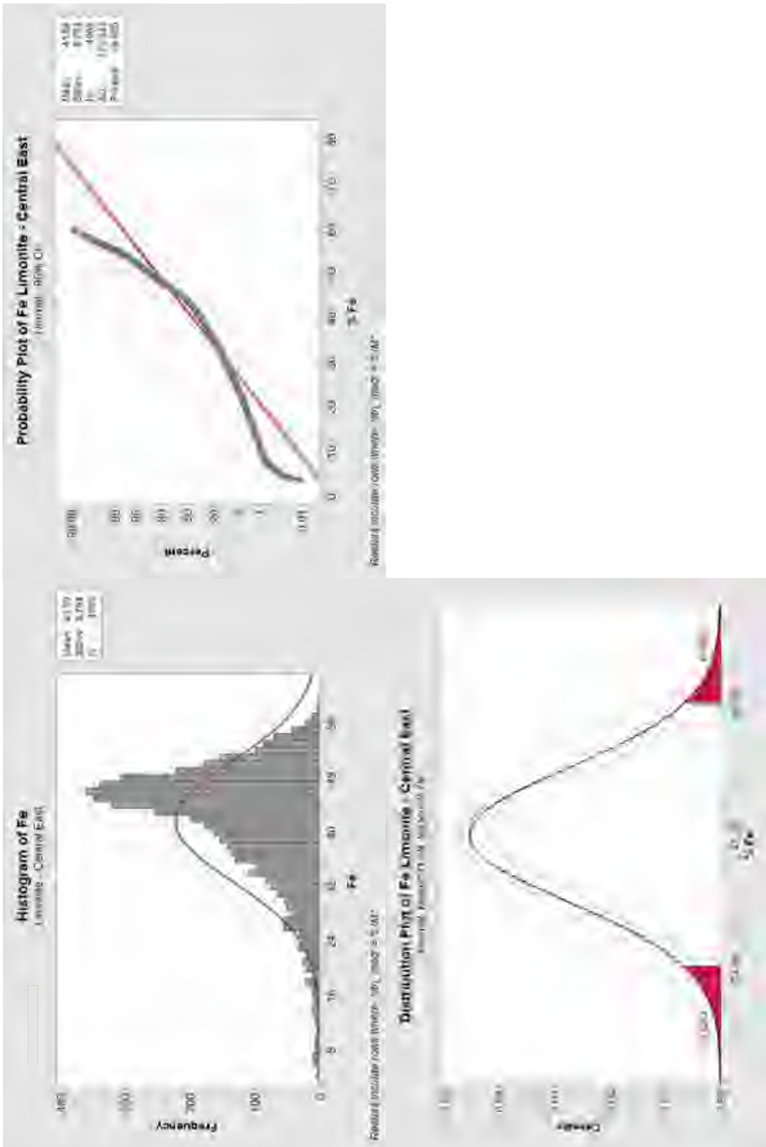
Ni - Limonite


Probability Plot of Ni Limonite - Central East
Histogram of Ni
Distribution Plot of Ni Limonite - Central East

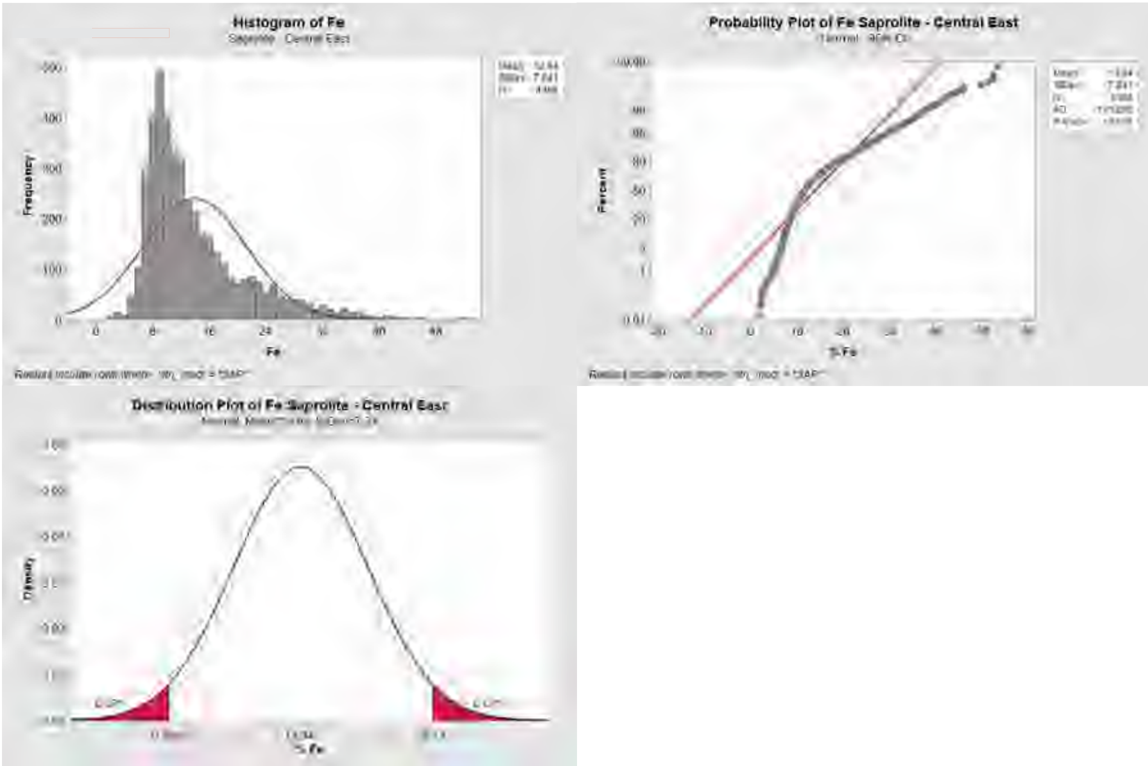
Ni - Saprolite



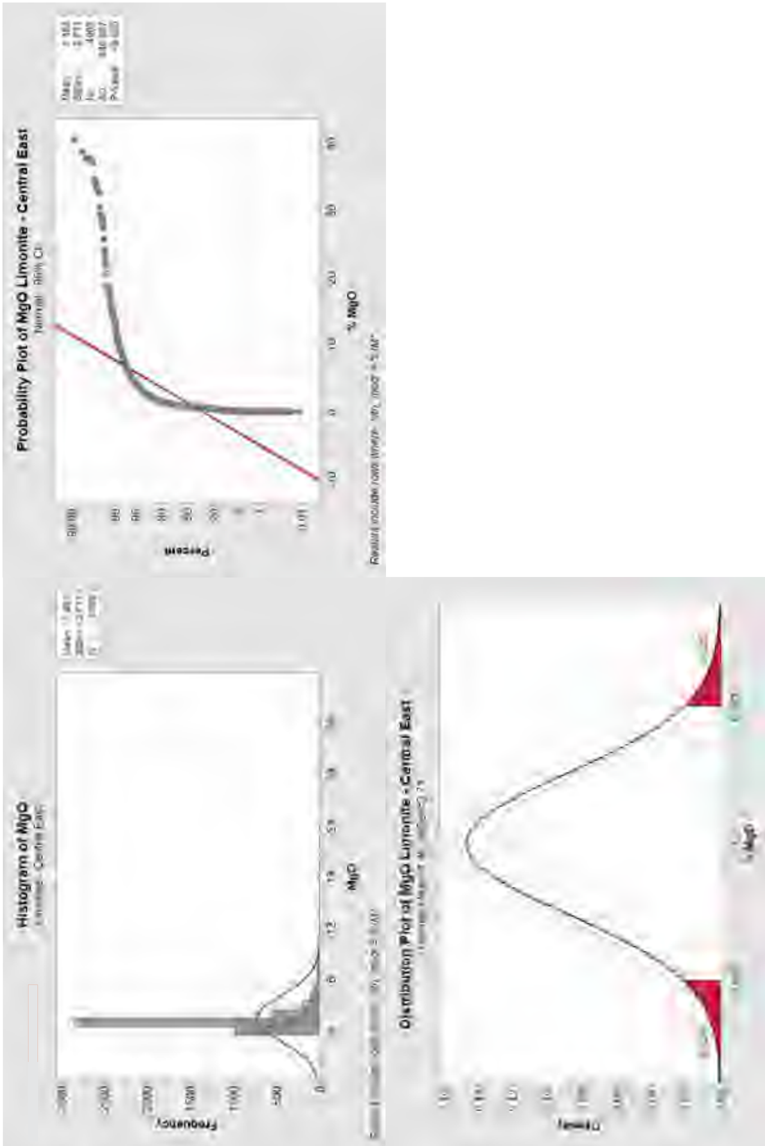
Fe - Limonite


Probability Plot of Fe Limonite - Central East
Histogram of Fe
Distribution Plot of Fe Limonite - Central East

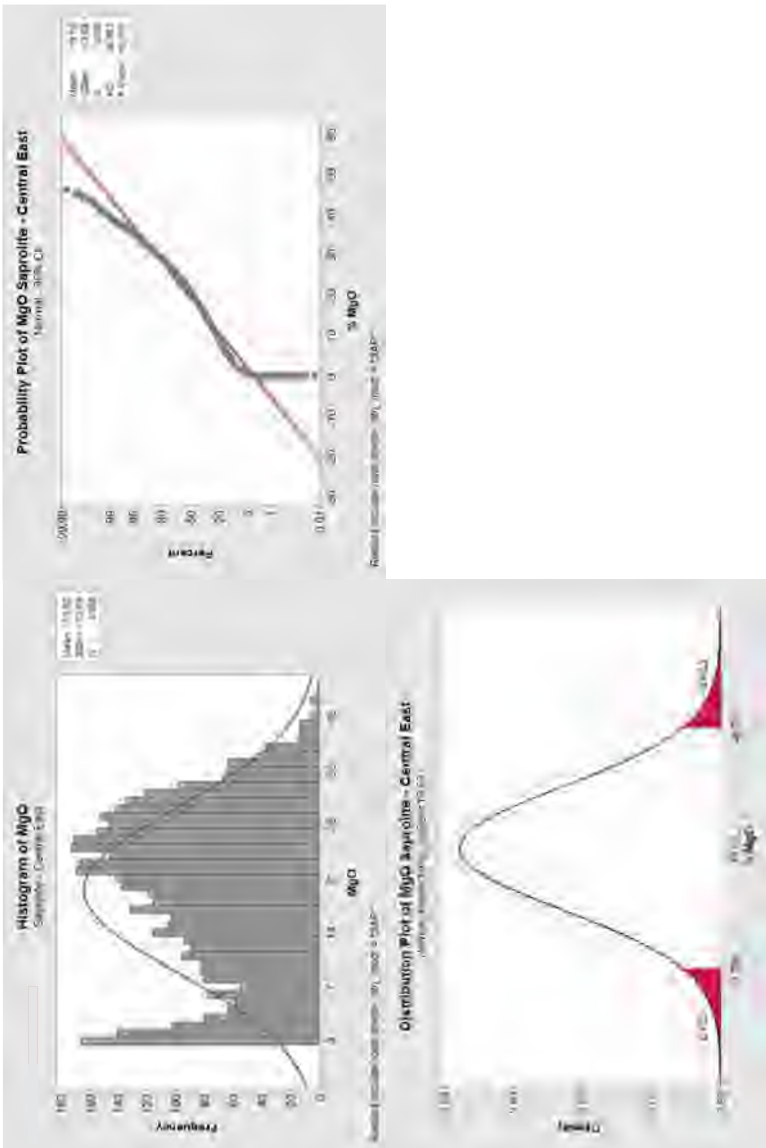
Fe - Saprolite



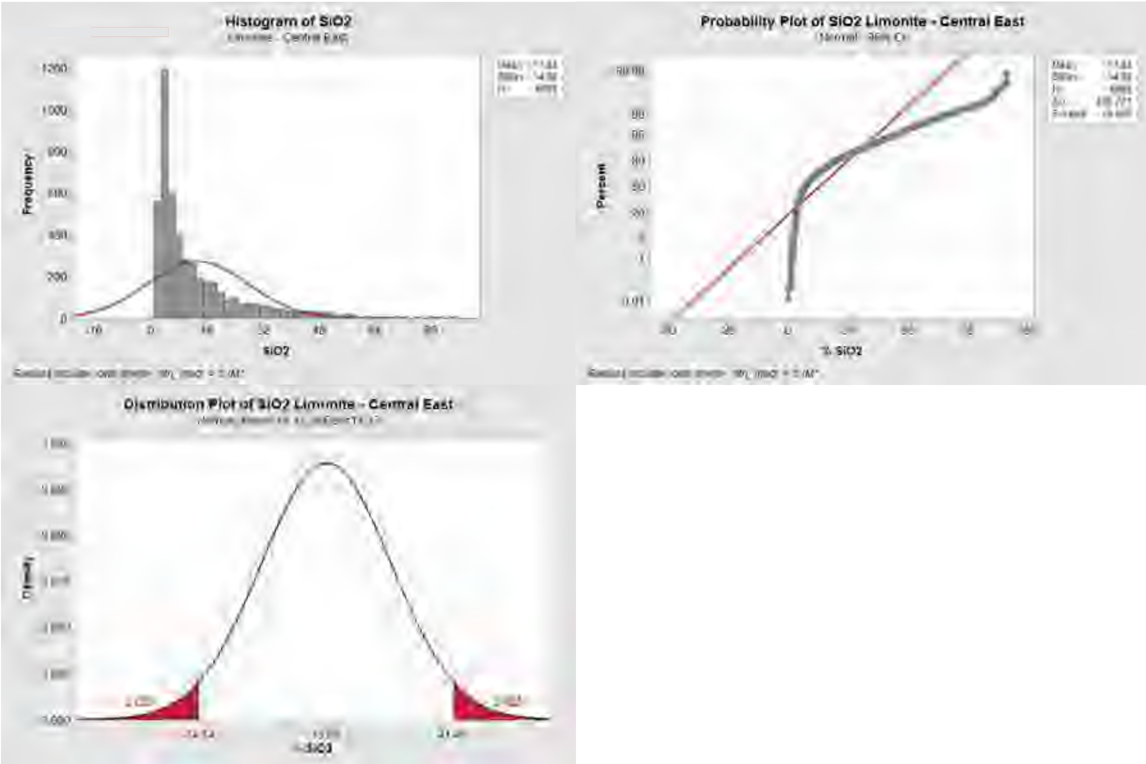
MgO - Limonite



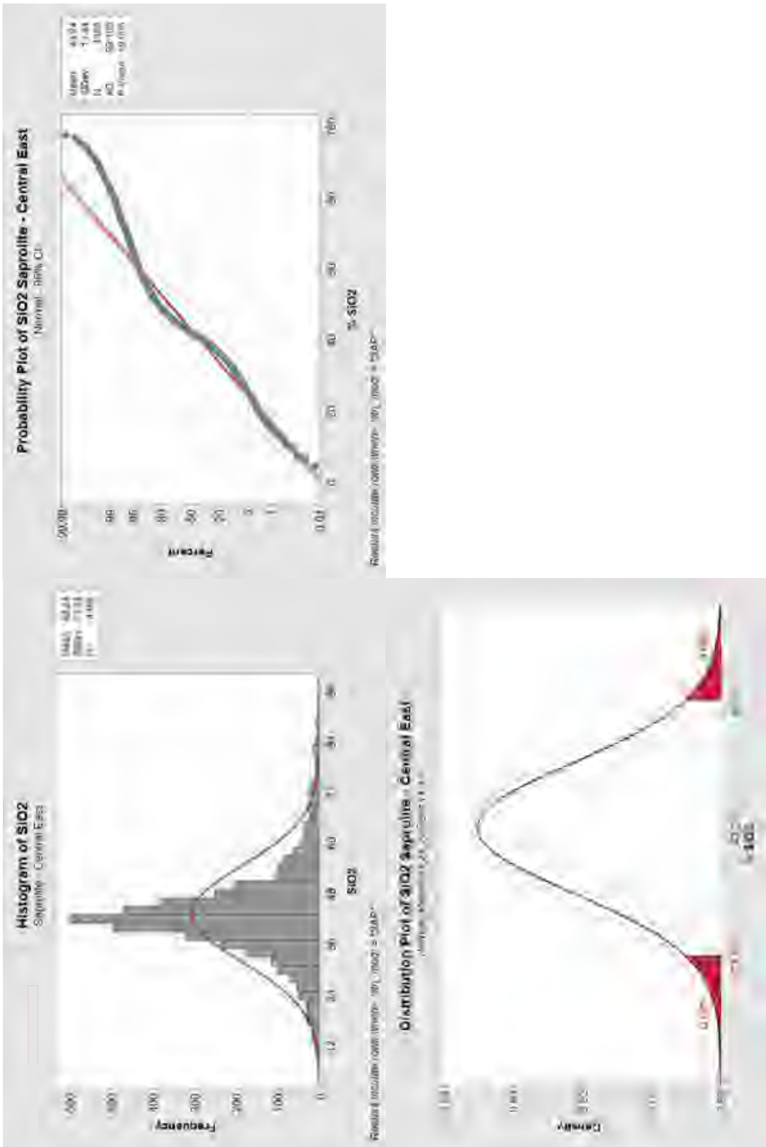
MgO - Saprolite



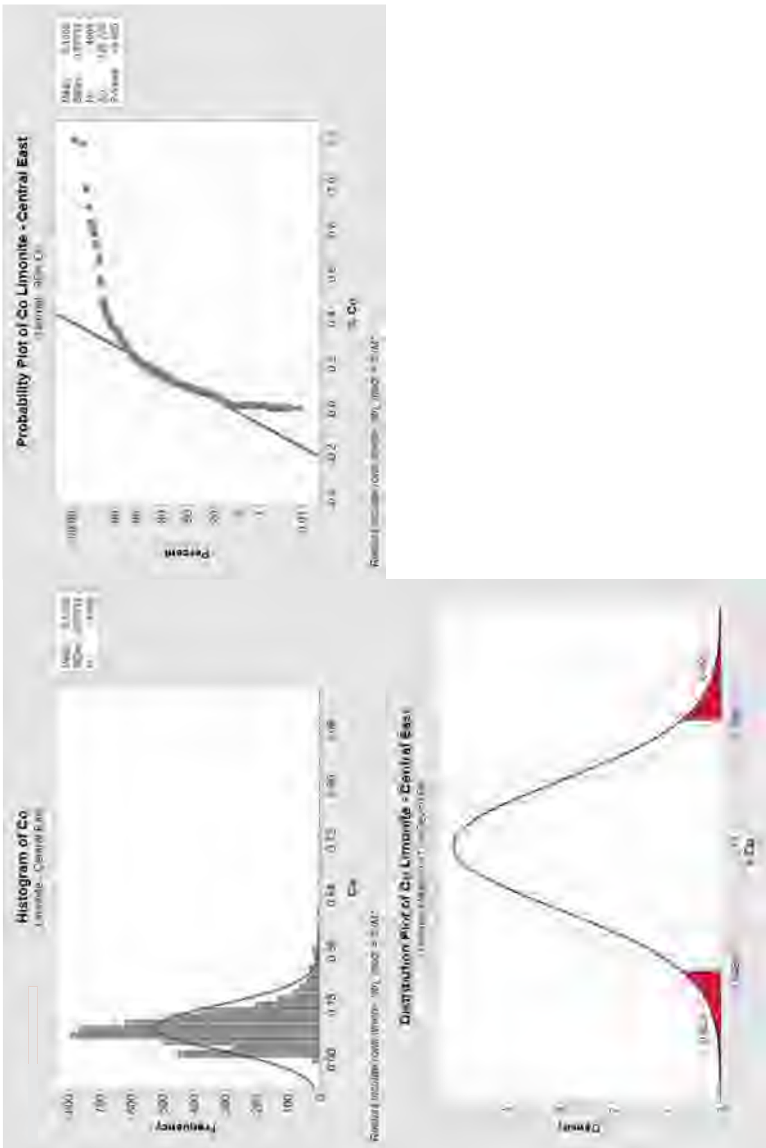
SiO2 - Limonite



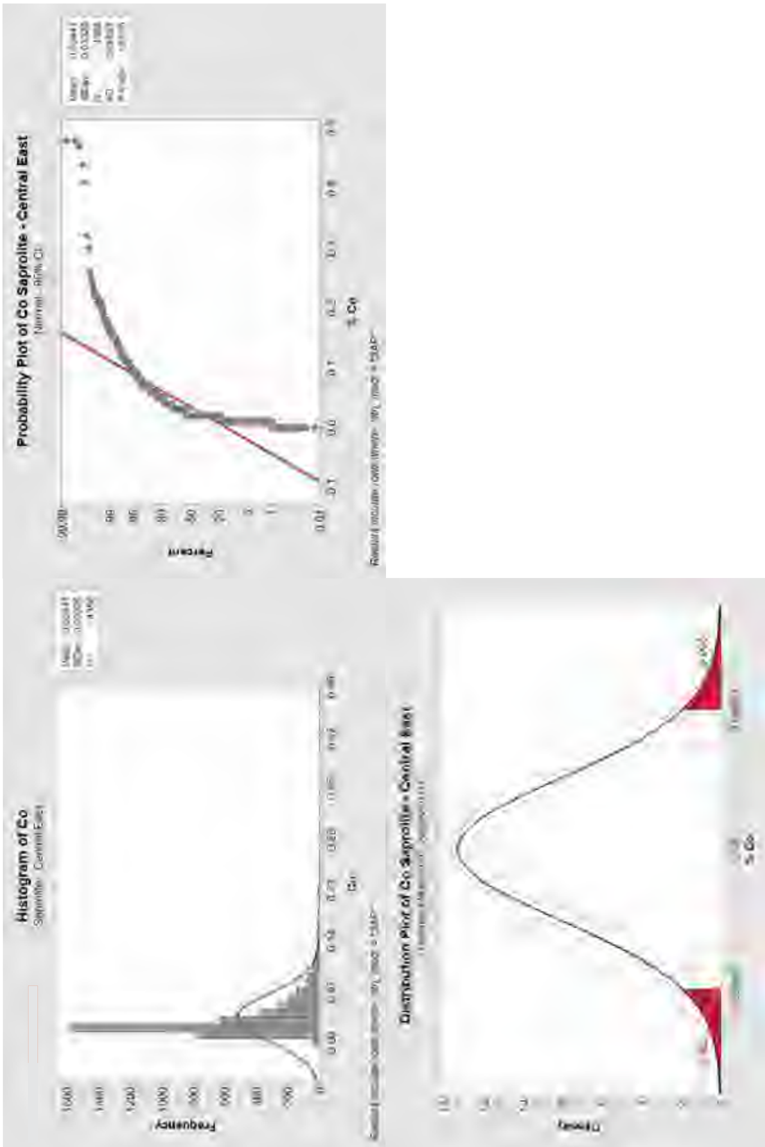
SiO_2 - Saprolite



Co - Limonite


Probability Plot of Co Limonite - Central East
Histogram of Co
Distribution Plot of Co Limonite - Central East

Co - Saprolite

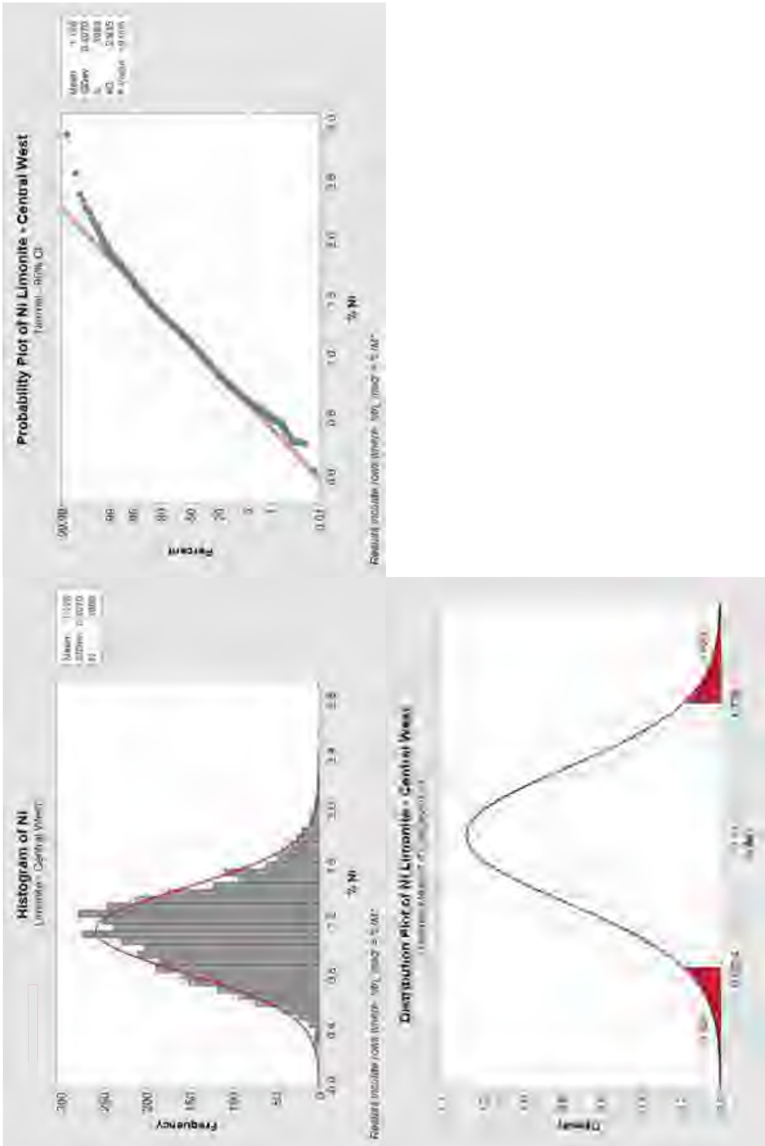


CENTRAL WEST

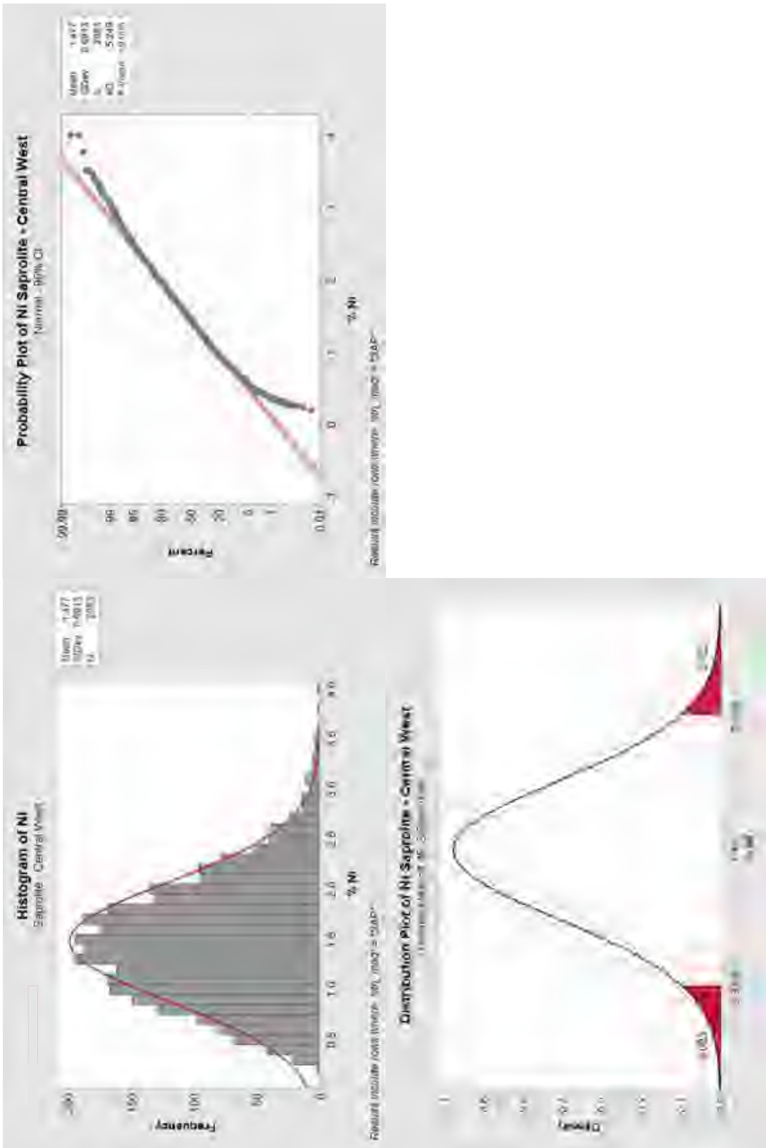
Descriptive Statistics (Central West)

Element	Profile	N Samples	Mean	Median	StDev	CoefVar	Minimum	Maximum	Skewness
Ni	LIM	3999	1.13	1.13	0.31	27.21	0.05	2.9	0.29
	SAP	2953	1.48	1.45	0.59	40.03	0.19	4.01	0.41
Fe	LIM	3999	45.16	45.87	7.04	15.59	6.17	66.79	-1.18
	SAP	2953	14.7	12.06	7.95	54.11	3.3	59.52	1.64
MgO	LIM	3999	1.51	0.88	2.56	169.84	0.01	37.67	7.47
	SAP	2953	22.38	23.96	9.8	43.78	0.01	44.01	-0.48
SiO2	LIM	3999	7.78	4.76	7.52	96.58	0.67	78.51	2.82
	SAP	2953	38.09	39.77	8.48	22.27	2.2	75.06	-0.92
Co	LIM	3999	0.12	0.11	0.07	61.45	0	1.51	3.26
	SAP	2953	0.04	0.02	0.04	109.27	0	0.59	4.39

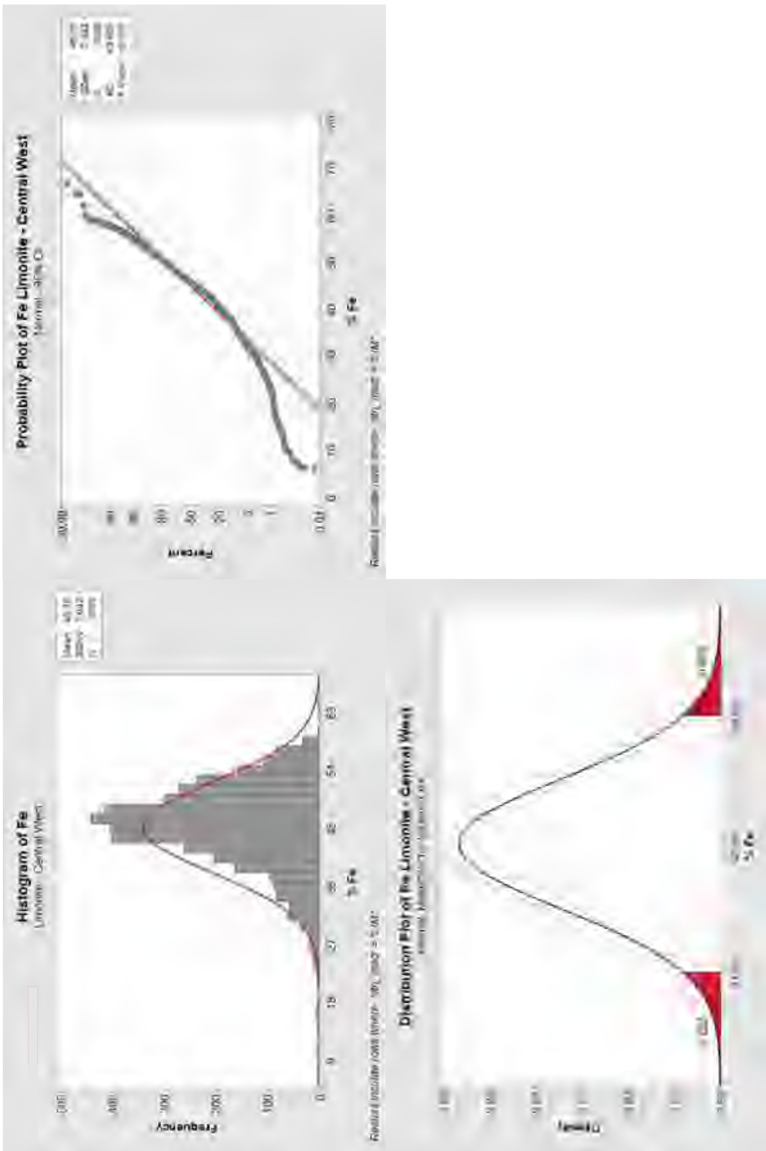
Ni - Limonite


Histogram of Ni
Probability Plot of Ni Limonite - Central West
Distribution Plot of Ni Limonite - Central West
Frequency
Percent
% Ni

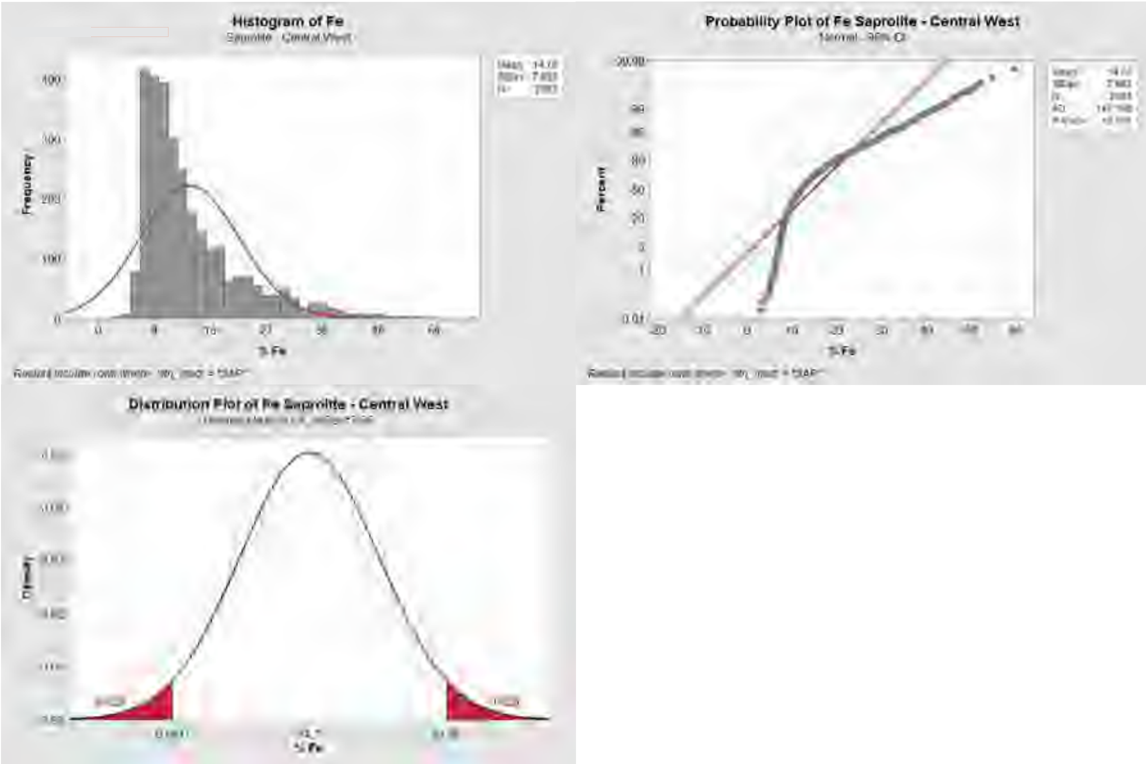
Ni - Saprolite



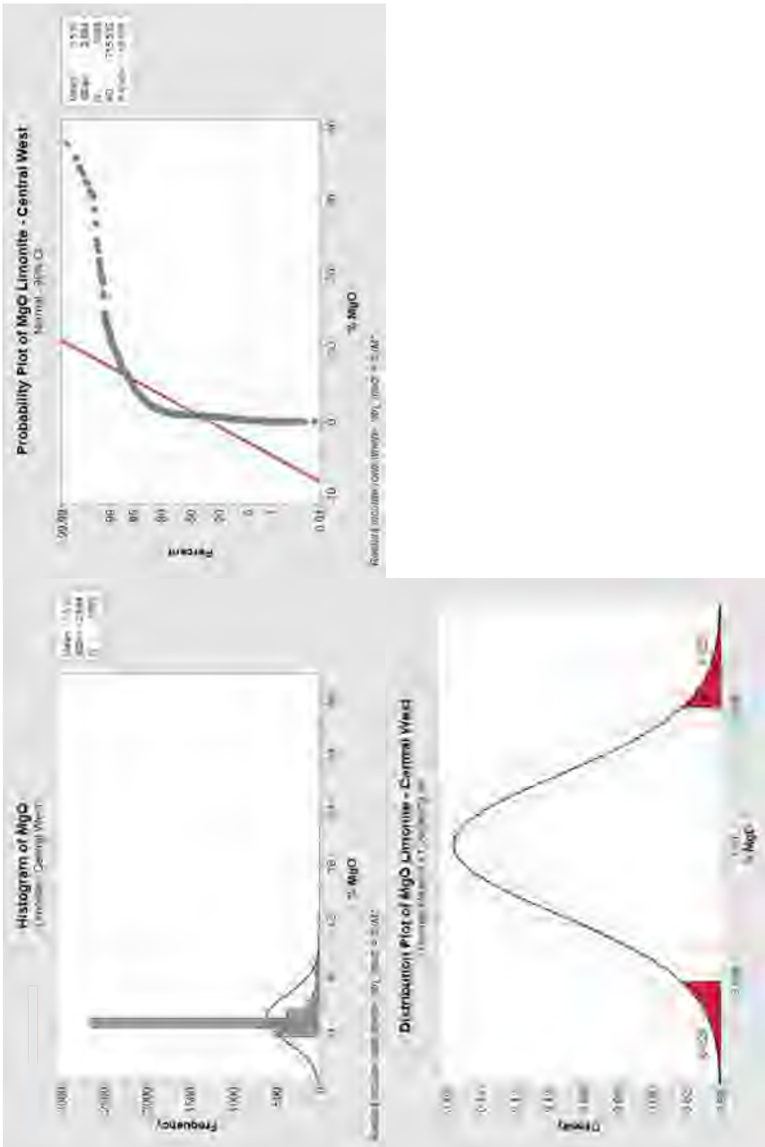
Fe - Limonite


Probability Plot of Fe Limonite - Central West
Histogram of Fe
Distribution Plot of Fe Limonite - Central West
Frequency
Percent
Density
% Fe

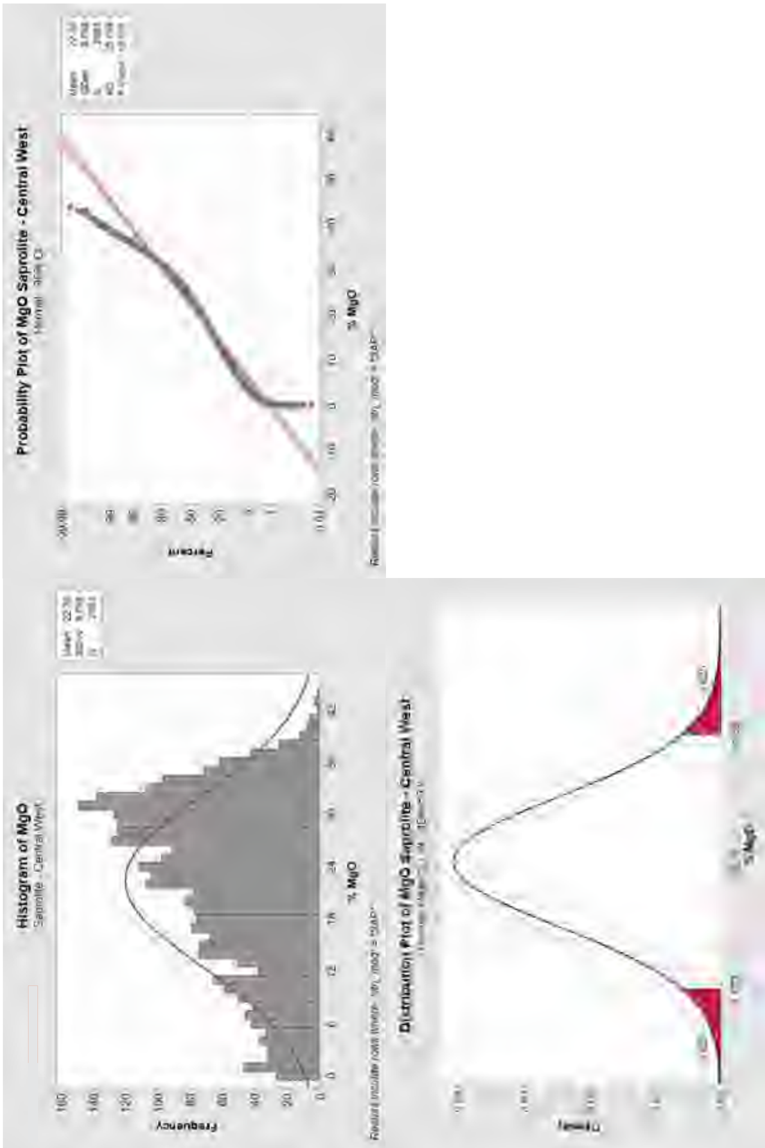
Fe - Saprolite



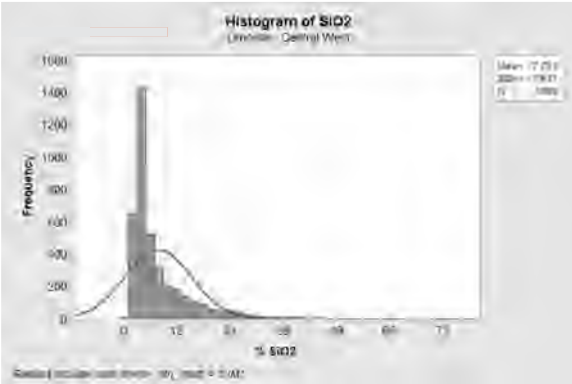
MgO - Limonite

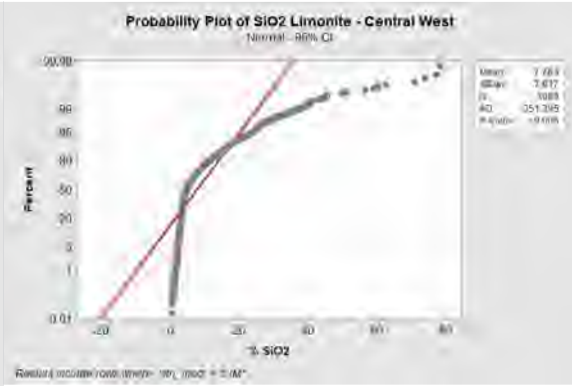


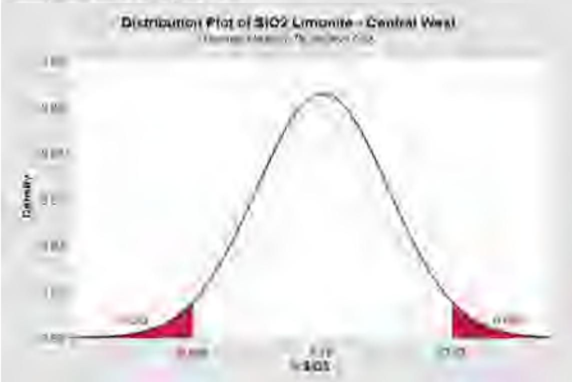
MgO - Saprolite



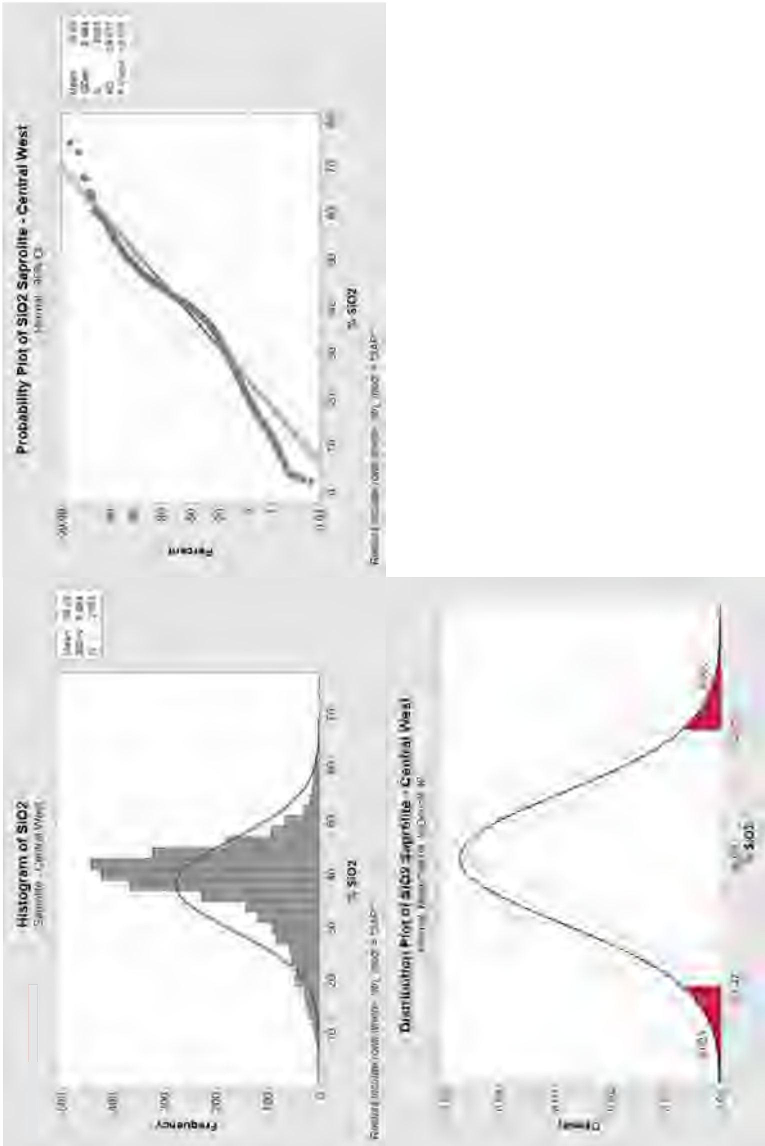
SiO2 - Limonite



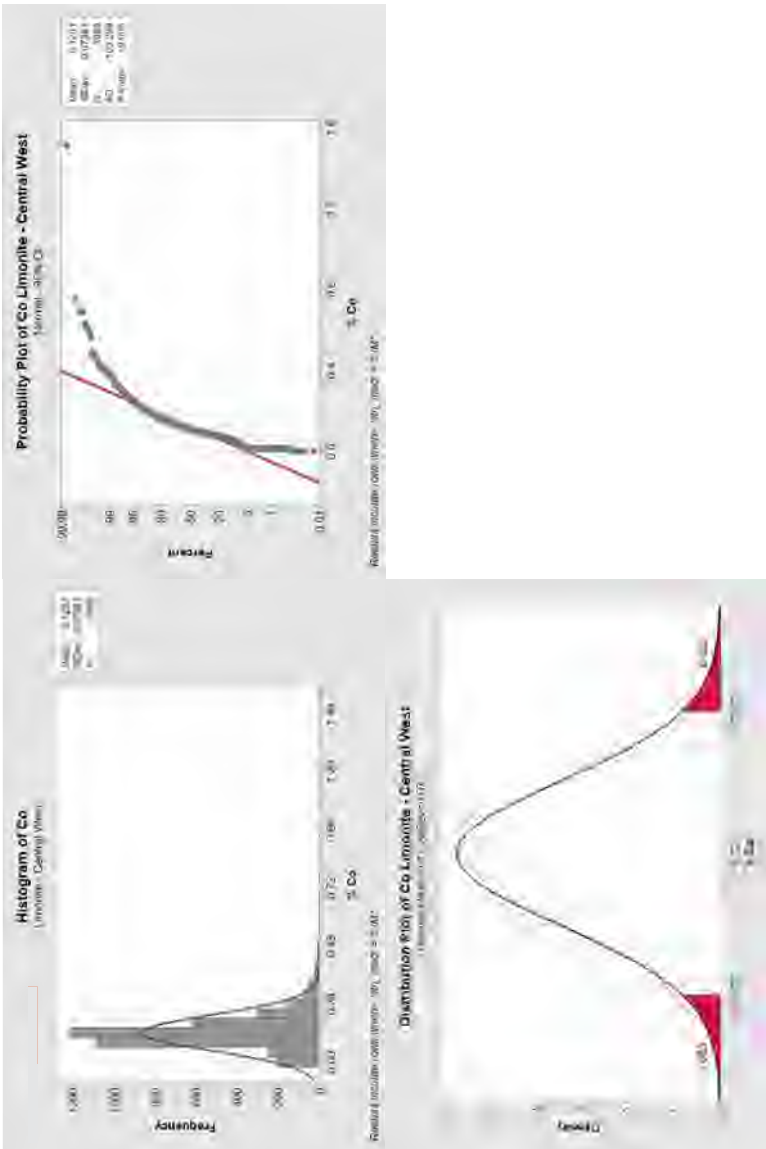




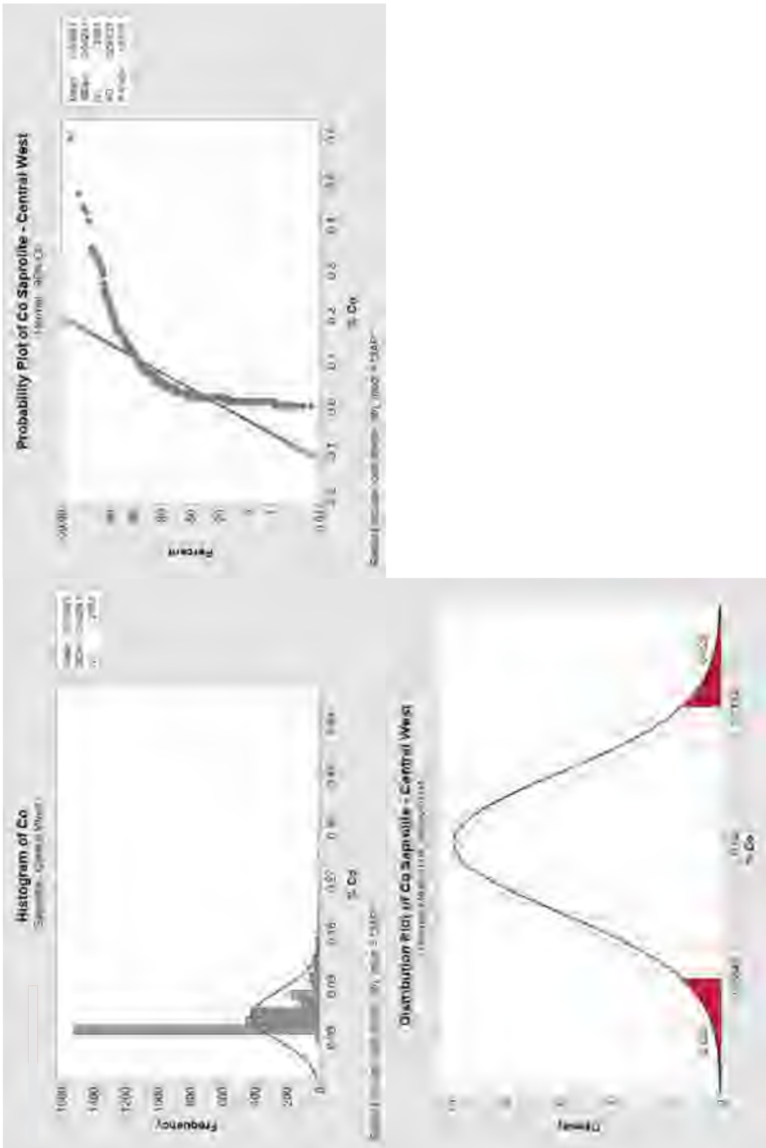
SiO_2 - Saprolite



Co - Limonite


Probability Plot of Co Limonite - Central West
Histogram of Co
Distribution Plot of Co Limonite - Central West

Co - Saprolite

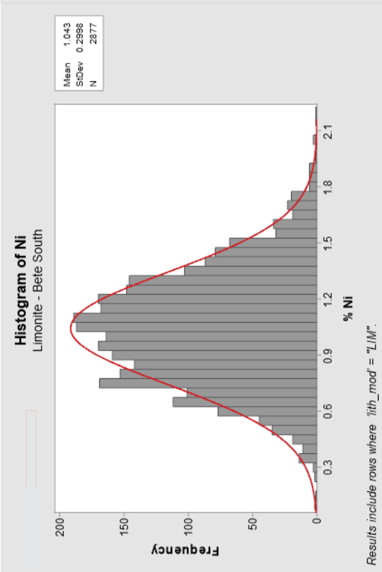


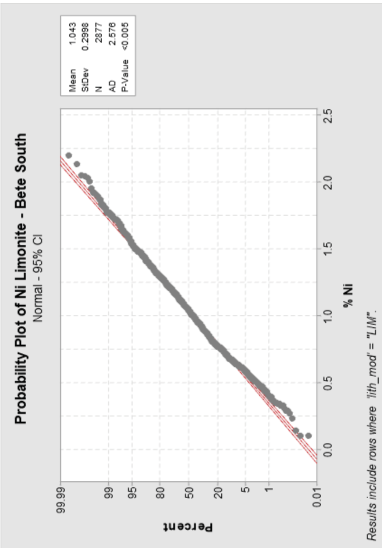
BETE SOUTH

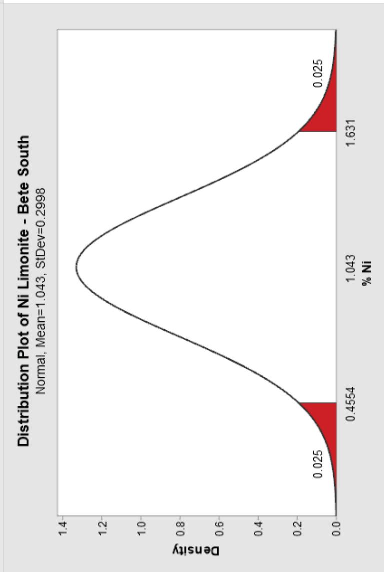
Descriptive Statistics (Bete South)

Element	Profile	N Samples	Mean	Median	StDev	CoefVar	Minimum	Maximum	Skewness
Ni	LIM	2877	1.04	1.04	0.30	28.73	0.10	2.20	0.20
	SAP	2524	1.14	1.10	0.41	36.34	0.16	2.85	0.46
Fe	LIM	2877	42.95	43.86	6.35	14.78	9.63	58.93	-1.05
	SAP	2524	15.85	13.31	7.97	50.27	4.32	45.82	1.09
MgO	LIM	2877	1.97	1.16	2.43	123.34	0.01	30.90	4.30
	SAP	2524	20.19	20.21	9.09	45.04	0.48	44.46	-0.08
SiO2	LIM	2877	8.51	5.75	7.17	84.29	0.61	56.00	1.96
	SAP	2524	35.92	37.73	7.95	22.14	6.57	78.82	-0.70
Co	LIM	2877	0.12	0.11	0.06	49.21	0.01	0.72	2.48
	SAP	2524	0.04	0.03	0.04	96.54	0.01	0.96	10.83

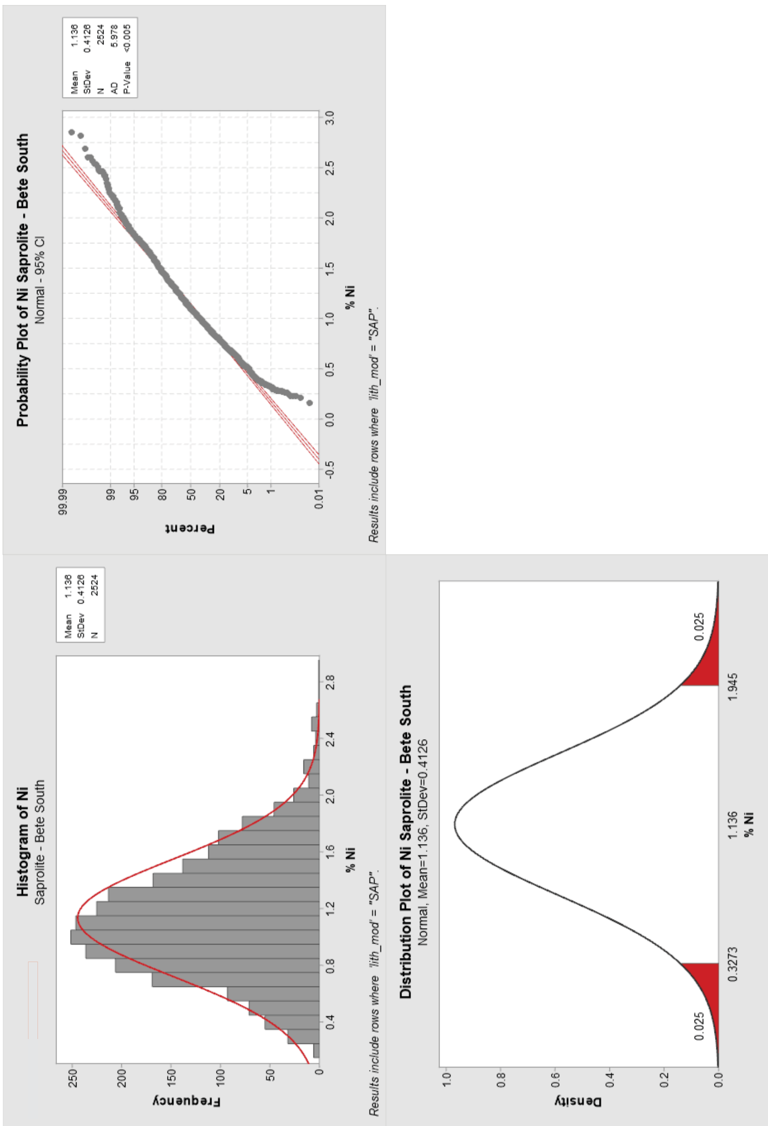
Ni - Limonite


Histogram of Ni
Limonite - Bete South
Mean 1.043
StDev 0.2998
N 2877
Frequency
% Ni
Results include rows where 'lith_mod' = "LIM".

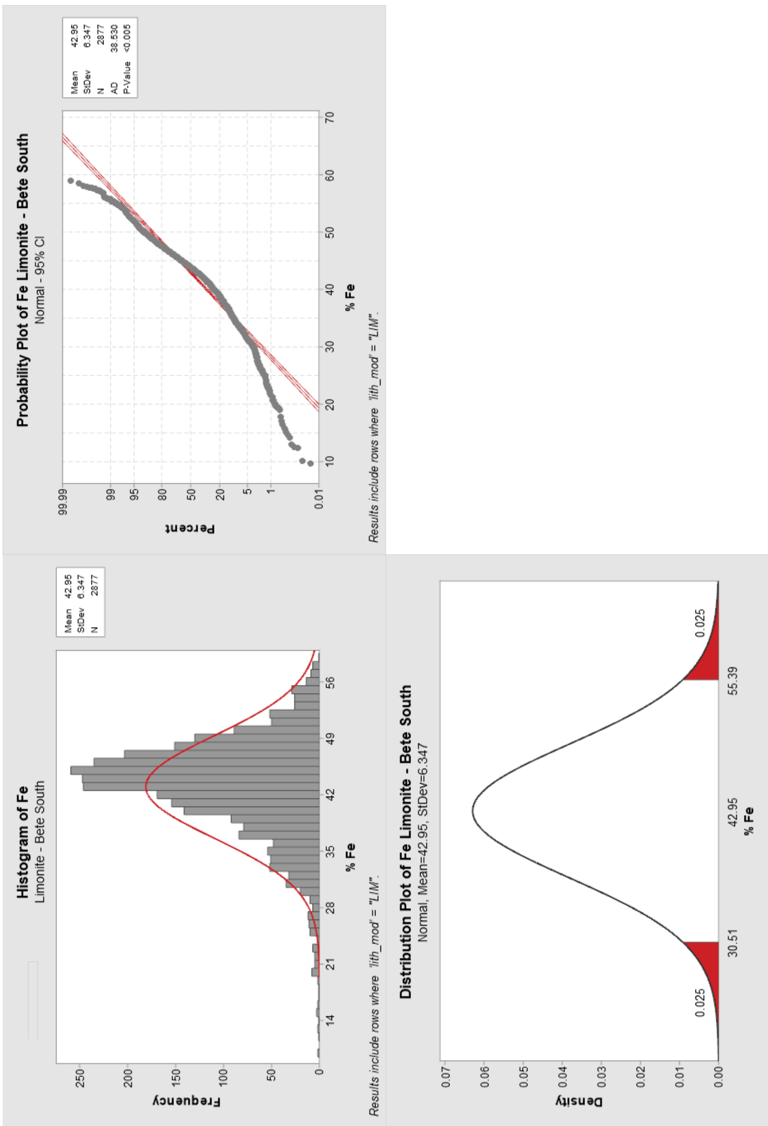

Probability Plot of Ni Limonite - Bete South
Normal - 95% CI
Mean 1.043
StDev 0.2998
N 2877
AD 2.576
P-Value <0.005
Percent
% Ni
Results include rows where 'lith_mod' = "LIM".


Distribution Plot of Ni Limonite - Bete South
Normal, Mean=1.043, StDev=0.2998
Density
0.025
0.025
0.4554
1.043
1.631
% Ni

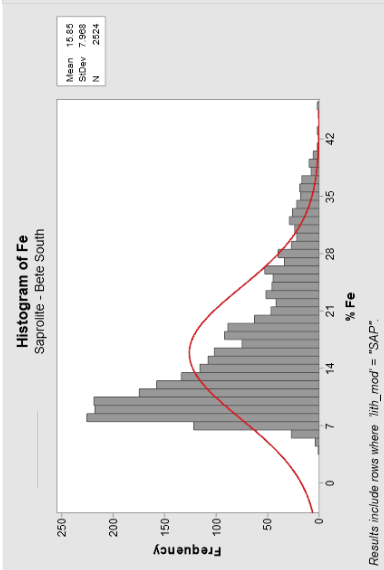
Ni - Saprolite

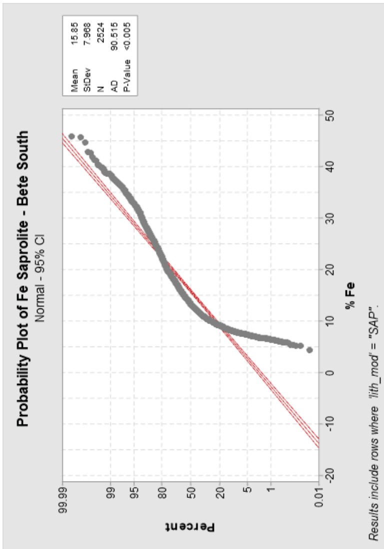


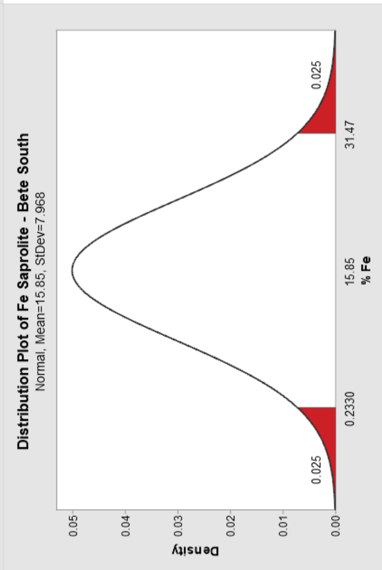
Fe - Limonite


Probability Plot of Fe Limonite - Bete South
Normal - 95% CI
Mean 42.95
StDev 6.347
N 2877
AD 38.530
P-Value <0.005
Percent
% Fe
Results include rows where 'lith_mod' = "LIM".
Histogram of Fe
Limonite - Bete South
Mean 42.95
StDev 6.347
N 2877
Frequency
% Fe
Results include rows where 'lith_mod' = "LIM".
Distribution Plot of Fe Limonite - Bete South
Normal, Mean=42.95, StDev=6.347
0.025
0.025
30.51
42.95
55.39
Density
% Fe

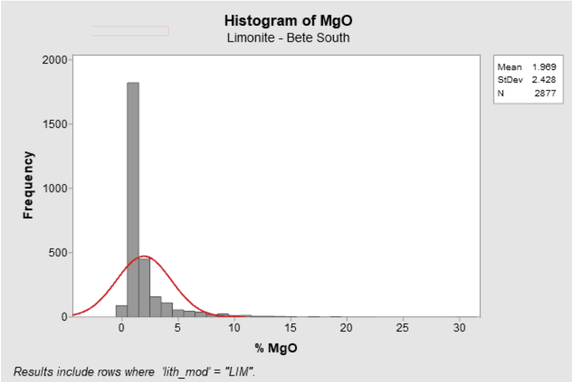
Fe - Saprolite

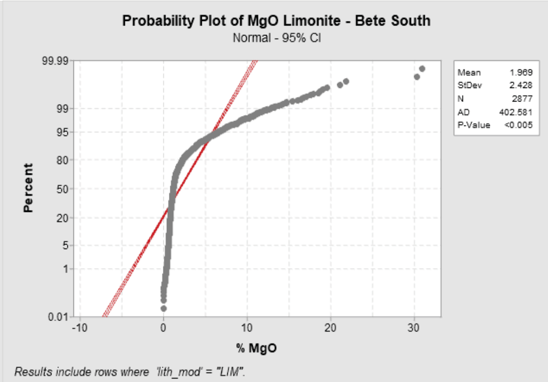


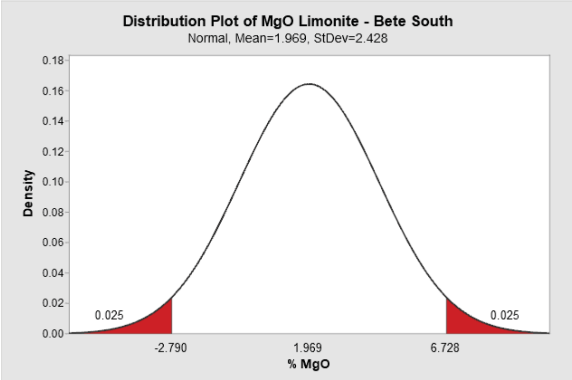




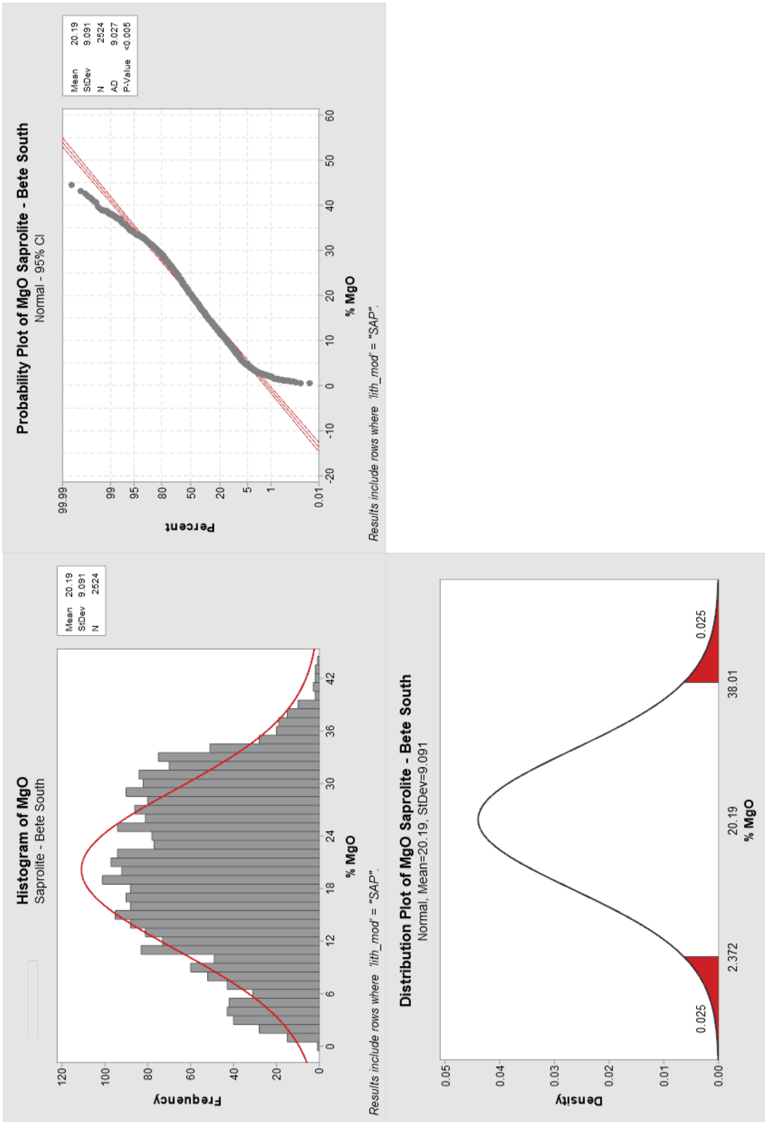
MgO - Limonite



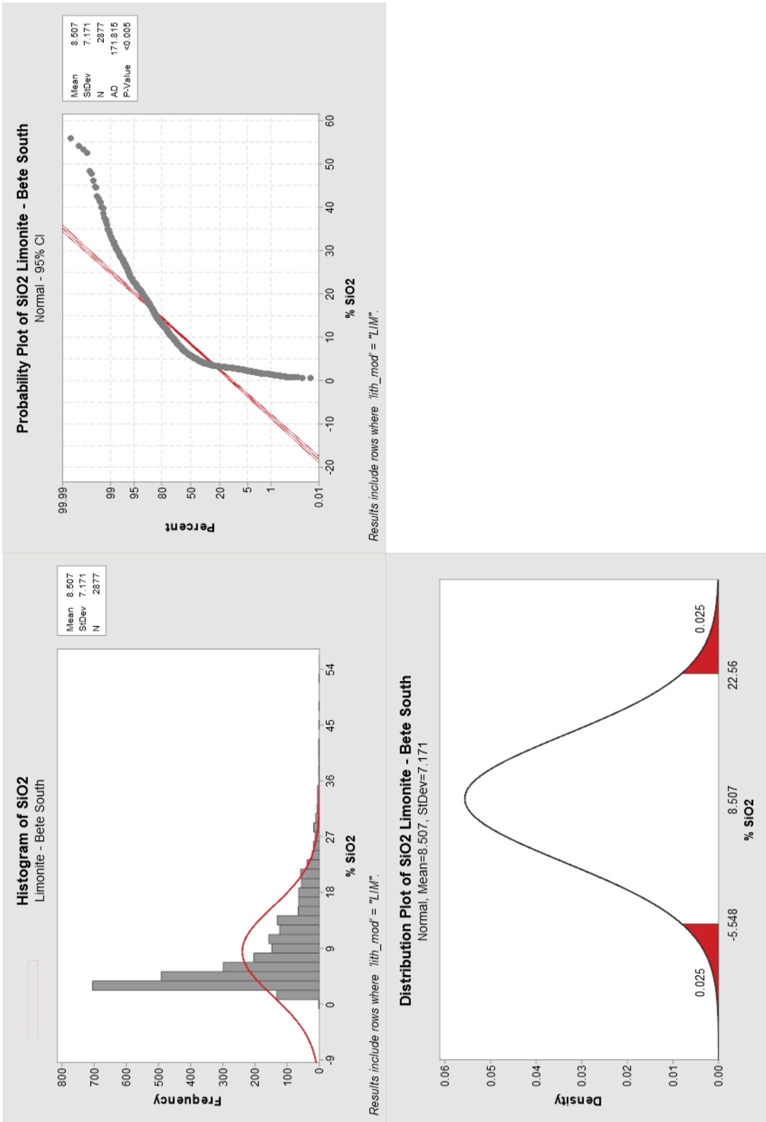




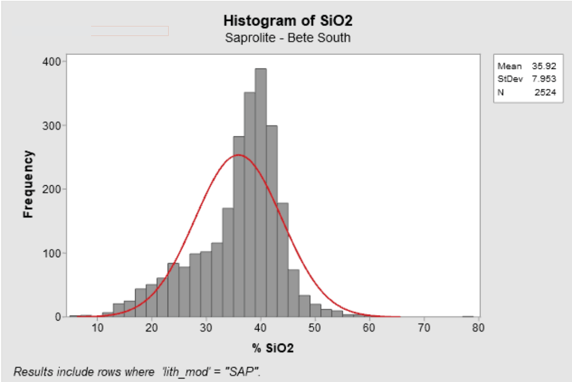
MgO - Saprolite

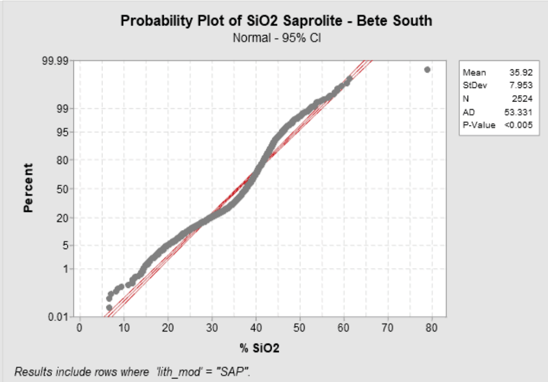


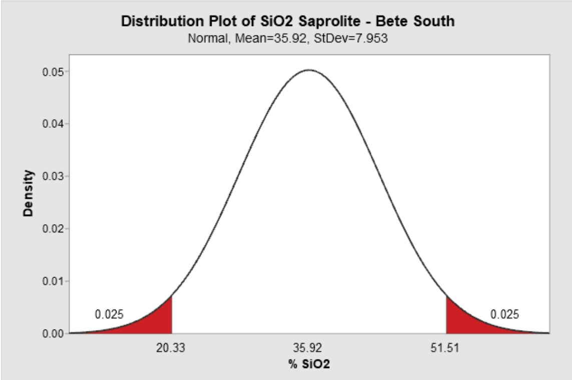
SiO2 - Limonite



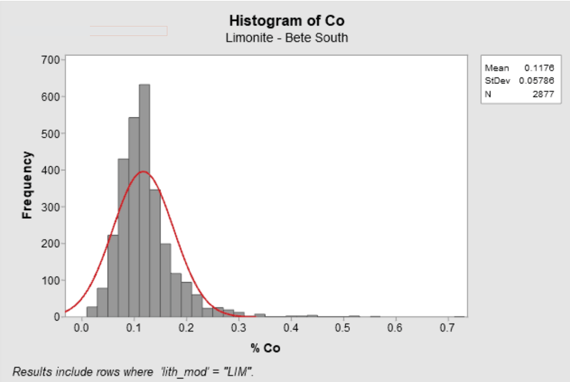
SiO2 - Saprolite

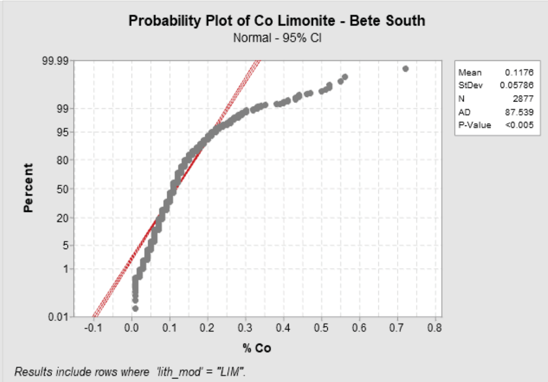


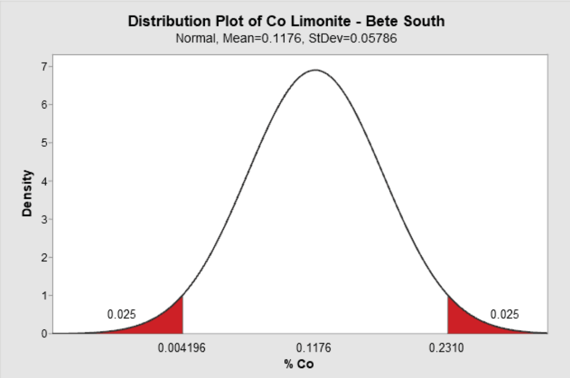




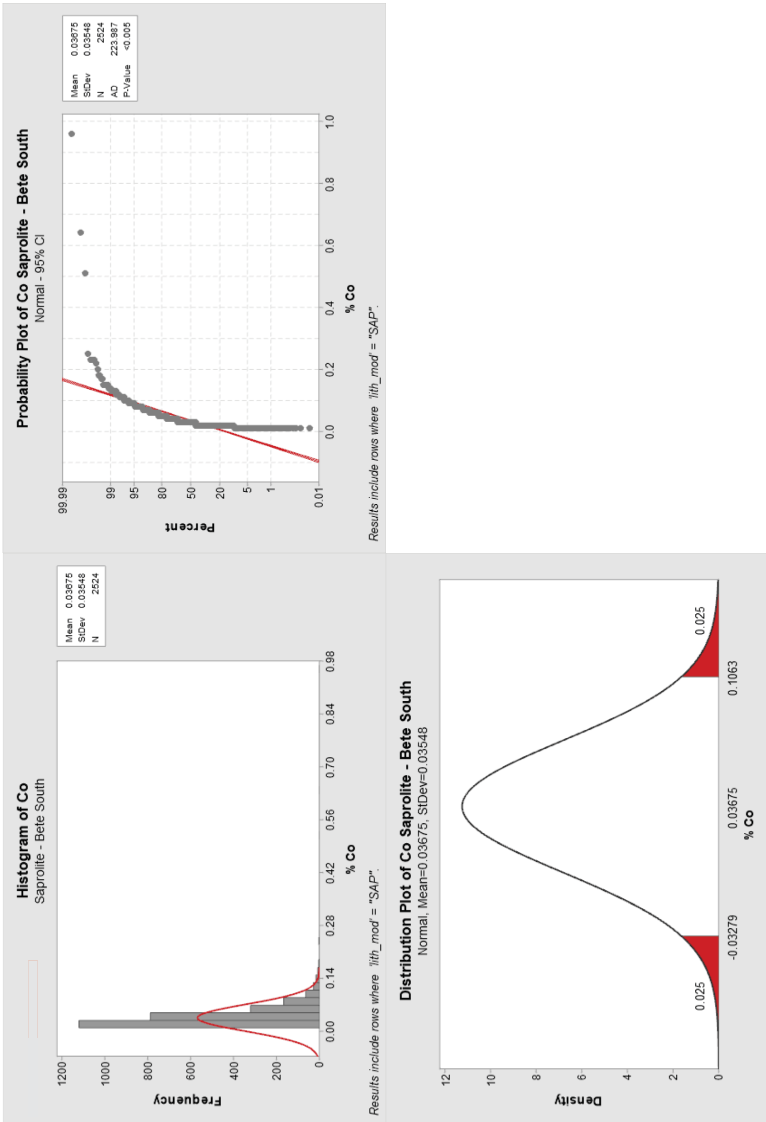
Co - Limonite


Histogram of Co
Limonite - Bete South
Mean 0.1176
StDev 0.05786
N 2877
Frequency
% Co
Results include rows where 'lith_mod' = "LIM".


Probability Plot of Co Limonite - Bete South
Normal - 95% CI
Mean 0.1176
StDev 0.05786
N 2877
AD 87.539
P-Value <0.005
Percent
% Co
Results include rows where 'lith_mod' = "LIM".


Distribution Plot of Co Limonite - Bete South
Normal, Mean=0.1176, StDev=0.05786
Density
0.025
0.025
0.004196
0.1176
0.2310
% Co

Co - Saprolite

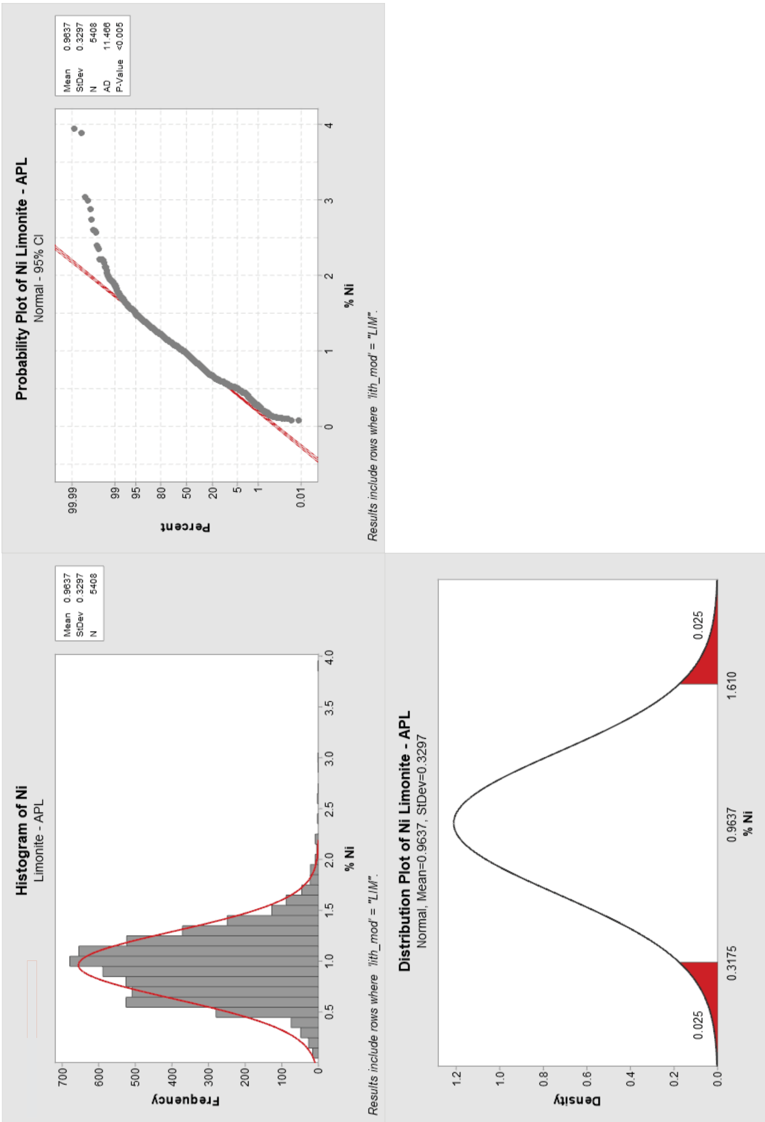


APL

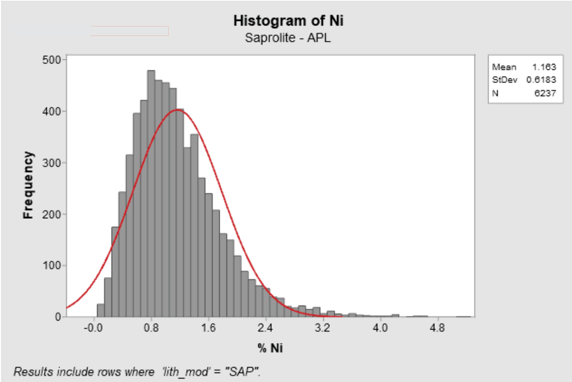
Descriptive Statistics (APL)

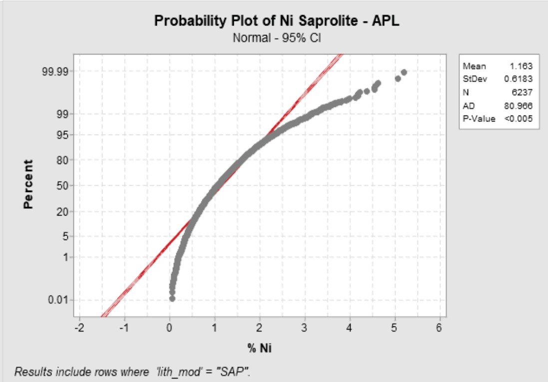
Element	Profile	N Samples	Mean	Median	StDev	CoefVar	Minimum	Maximum	Skewness
Ni	LIM	5408	0.96	0.96	0.33	34.22	0.08	3.94	0.77
	SAP	6237	1.16	1.06	0.62	53.16	0.05	5.20	1.23
Fe	LIM	5408	37.25	39.80	9.36	25.12	1.64	53.74	-1.15
	SAP	6237	12.74	10.90	6.31	49.52	1.00	50.40	1.49
MgO	LIM	5408	1.86	1.11	2.84	152.61	0.00	39.50	6.06
	SAP	6237	18.83	19.89	10.21	54.24	0.00	46.63	-0.11
SiO2	LIM	5408	18.69	11.70	18.38	98.34	0.00	112.00	1.68
	SAP	6237	47.22	44.10	13.60	28.80	3.14	142.00	1.17
Co	LIM	5408	0.11	0.10	0.08	75.50	0.00	1.36	3.85
	SAP	6237	0.03	0.02	0.03	97.56	0.00	0.63	4.58

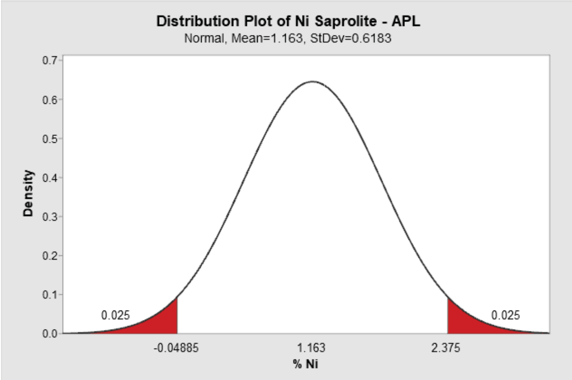
Ni - Limonite


Histogram of Ni
Limonite - APL
Mean 0.9637
StDev 0.3297
N 5408
Frequency
% Ni
Results include rows where 'lith_mod' = "LIM".
Probability Plot of Ni Limonite - APL
Normal - 95% CI
Mean 0.9637
StDev 0.3297
N 5408
AD 11.466
P-Value <0.005
Percent
% Ni
Results include rows where 'lith_mod' = "LIM".
Distribution Plot of Ni Limonite - APL
Normal, Mean=0.9637, StDev=0.3297
Density
0.025
0.025
0.3175
0.9637
1.610
% Ni

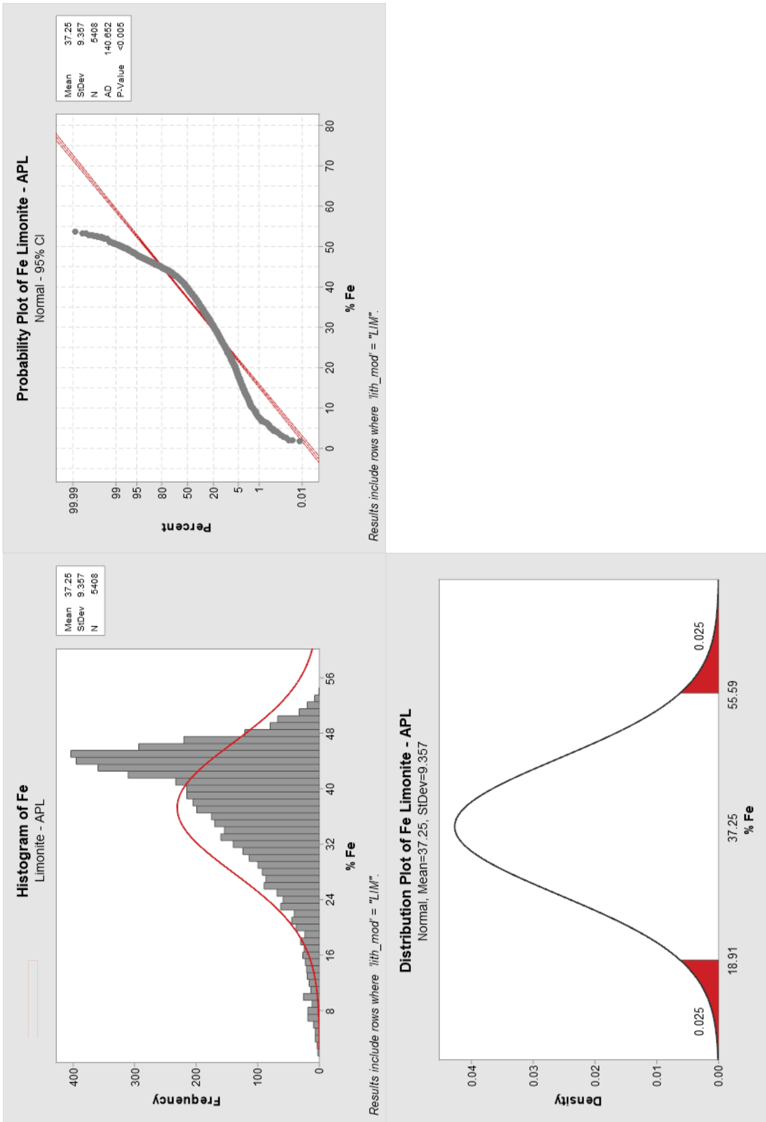
Ni - Saprolite



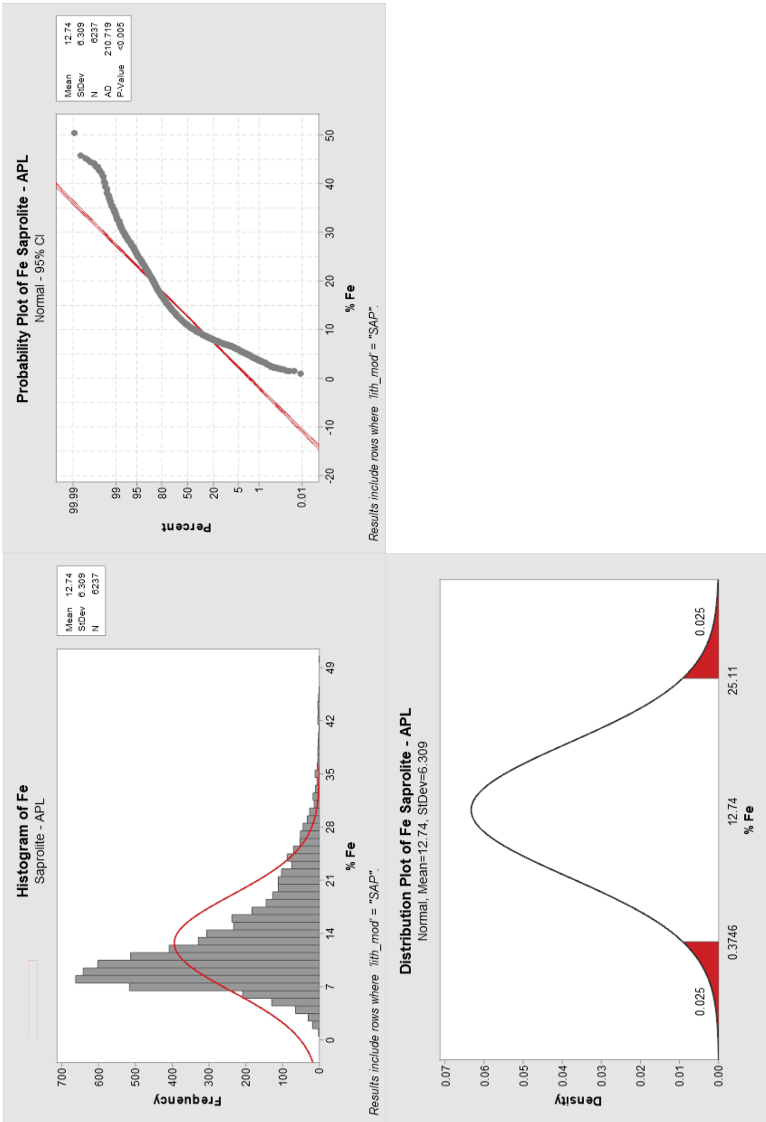




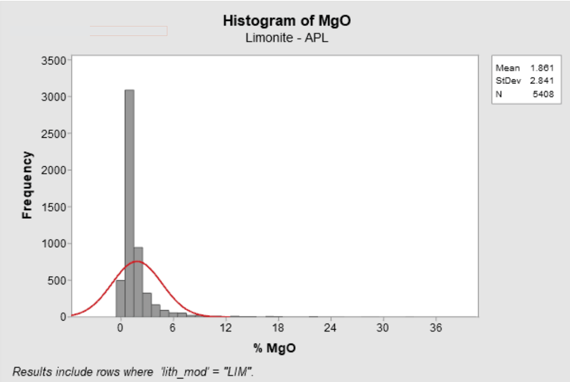
Fe - Limonite

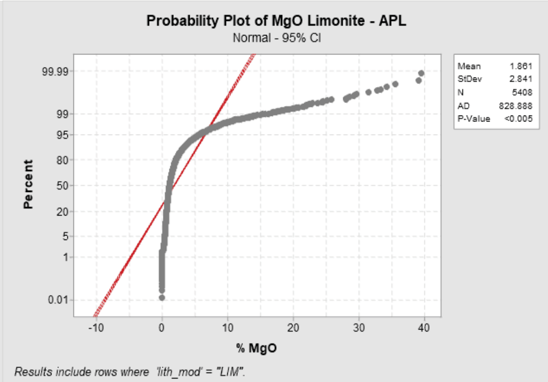

Probability Plot of Fe Limonite - APL
Normal - 95% CI
Mean 37.25
StDev 9.357
N 5408
AD 140.652
P-Value <0.005
Percent
% Fe
Results include rows where 'lith_mod' = "LIM".
Histogram of Fe
Limonite - APL
Mean 37.25
StDev 9.357
N 5408
Frequency
% Fe
Results include rows where 'lith_mod' = "LIM".
Distribution Plot of Fe Limonite - APL
Normal, Mean=37.25, StDev=9.357
Density
0.025
18.91
37.25
55.59
% Fe

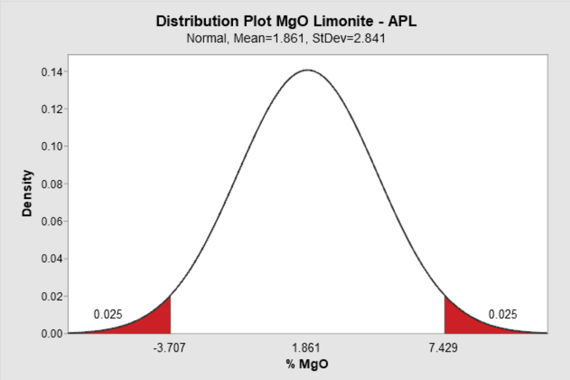
Fe - Saprolite



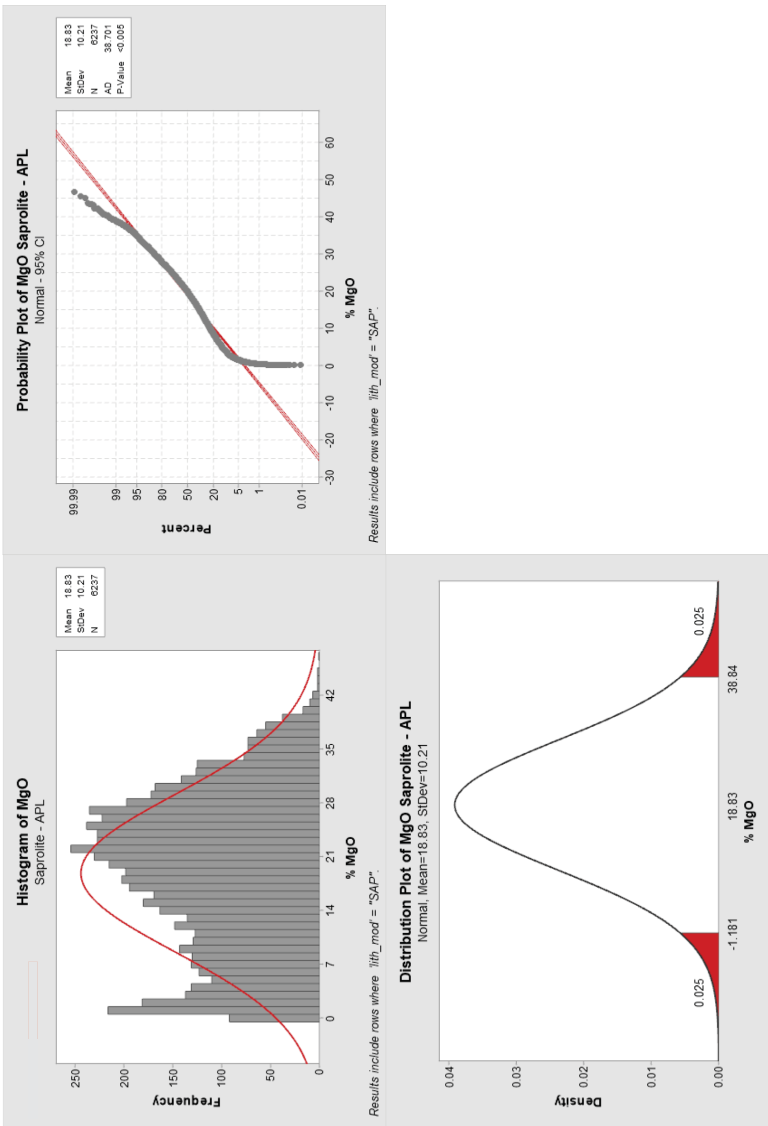
Mgo - Limonite



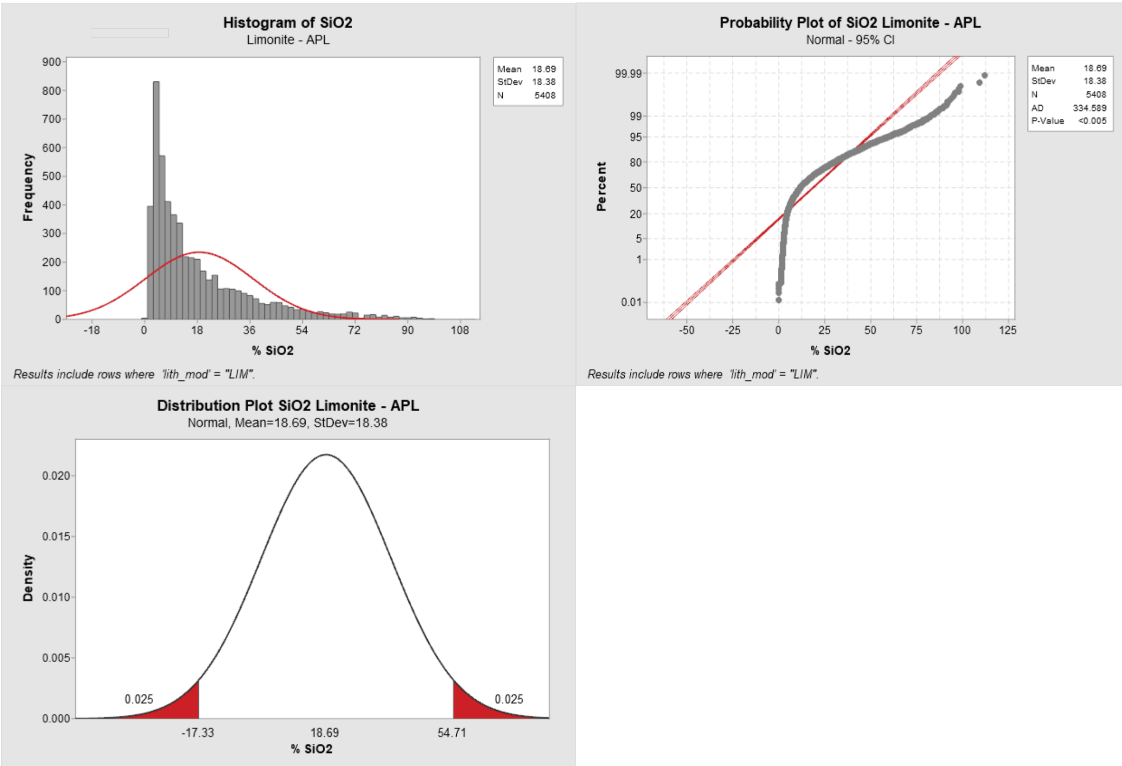




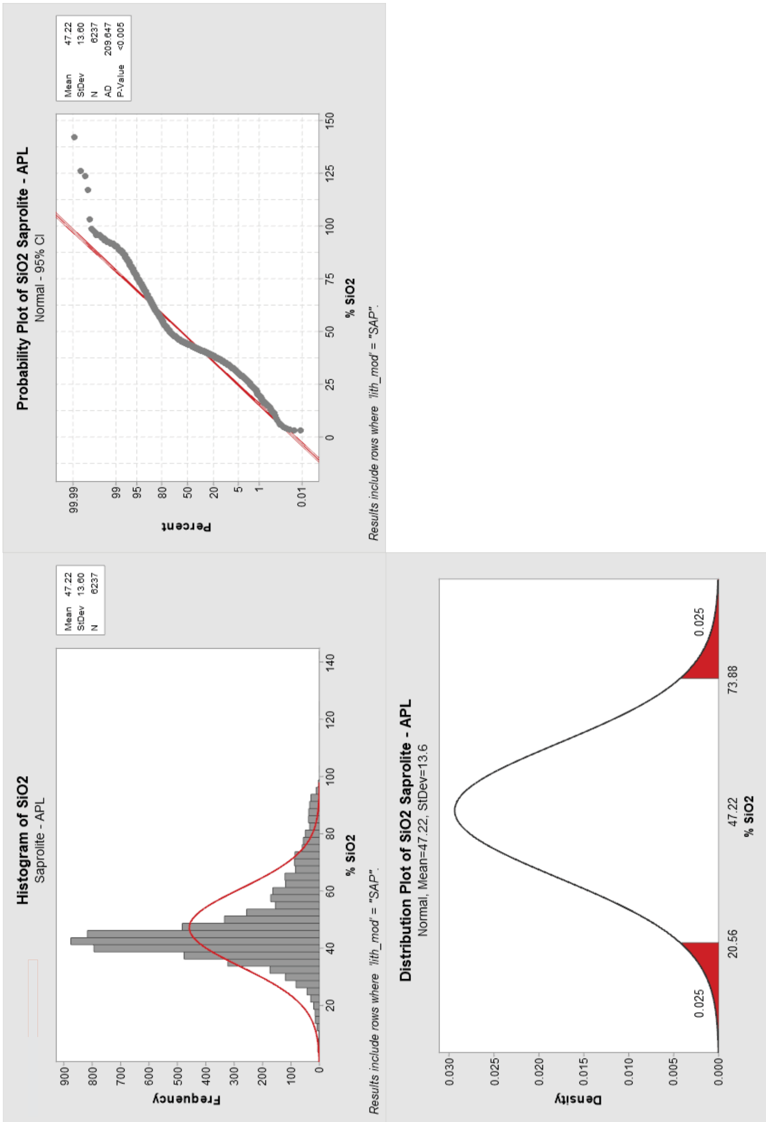
Mgo - Saprolite



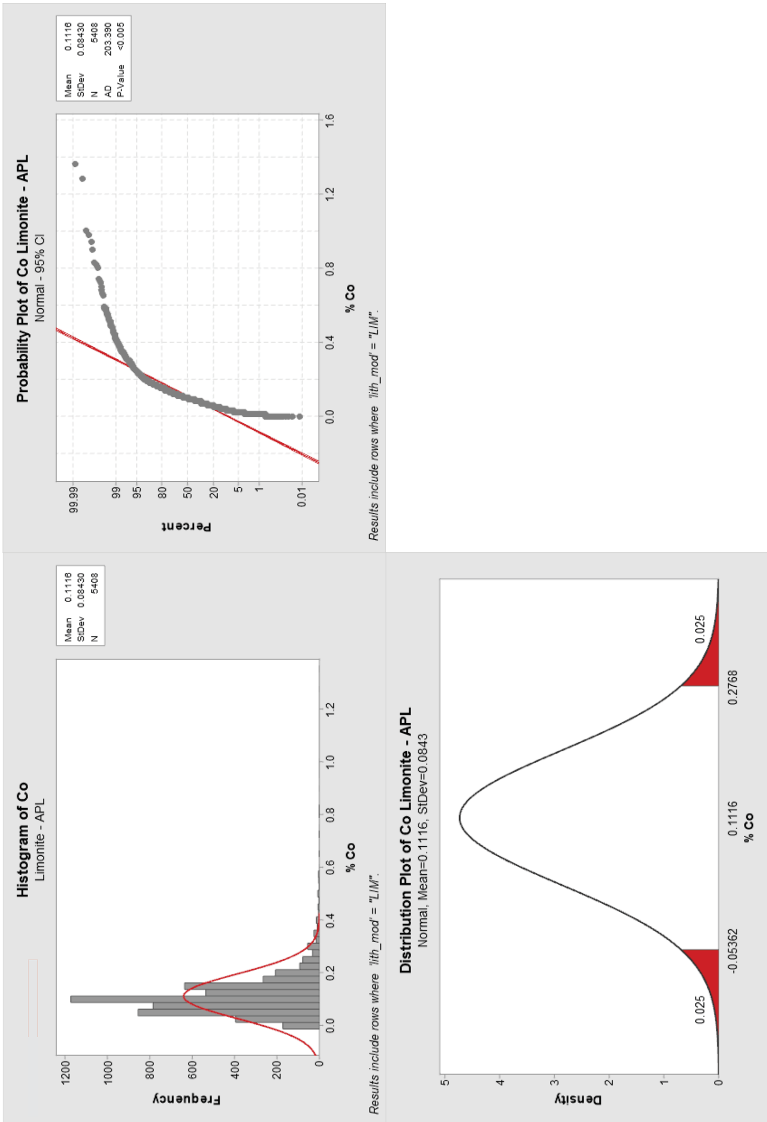
SiO2 - Limonite



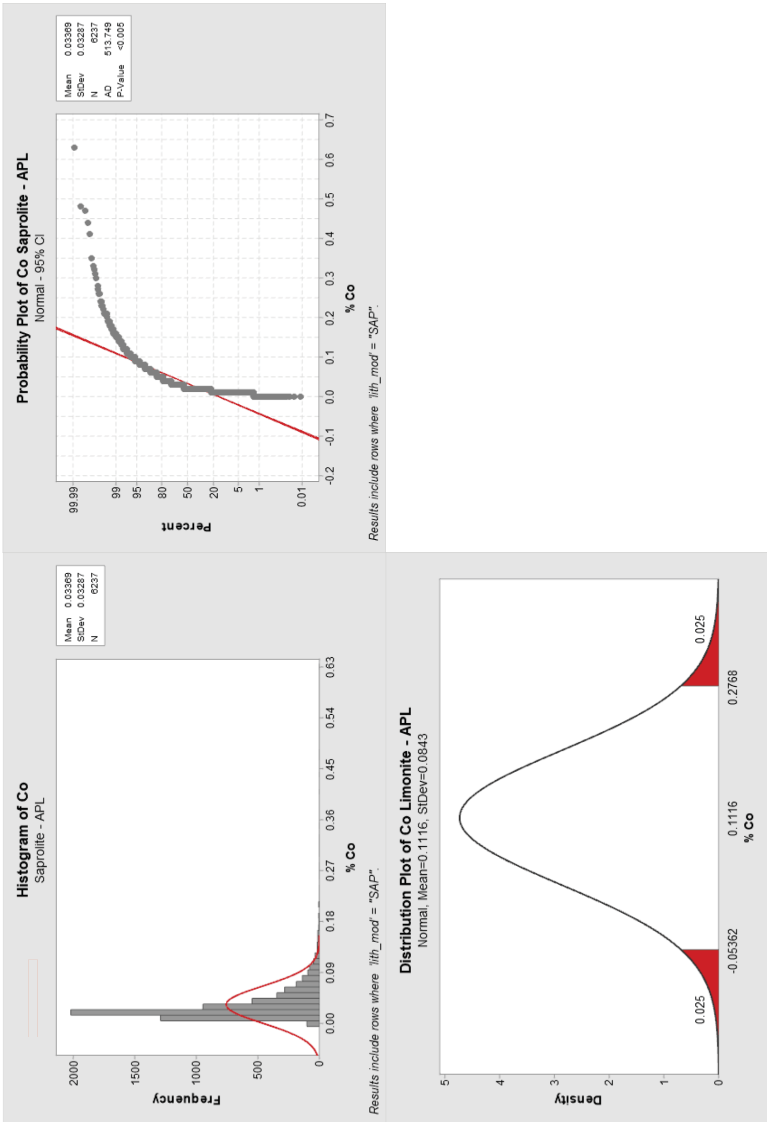
SiO2 - Saprolite



Co - Limonite


Histogram of Co
Limonite - APL
Mean 0.1116
StDev 0.08430
N 5408
Frequency
% Co
Results include rows where 'lith_mod' = "LIM".
Probability Plot of Co Limonite - APL
Normal - 95% CI
Mean 0.1116
StDev 0.08430
N 5408
AD 203.390
P-Value <0.005
Percent
% Co
Results include rows where 'lith_mod' = "LIM".
Distribution Plot of Co Limonite - APL
Normal, Mean=0.1116, StDev=0.0843
Density
0.025
-0.05362
0.1116
0.2768
0.025
% Co

Co - Saprolite



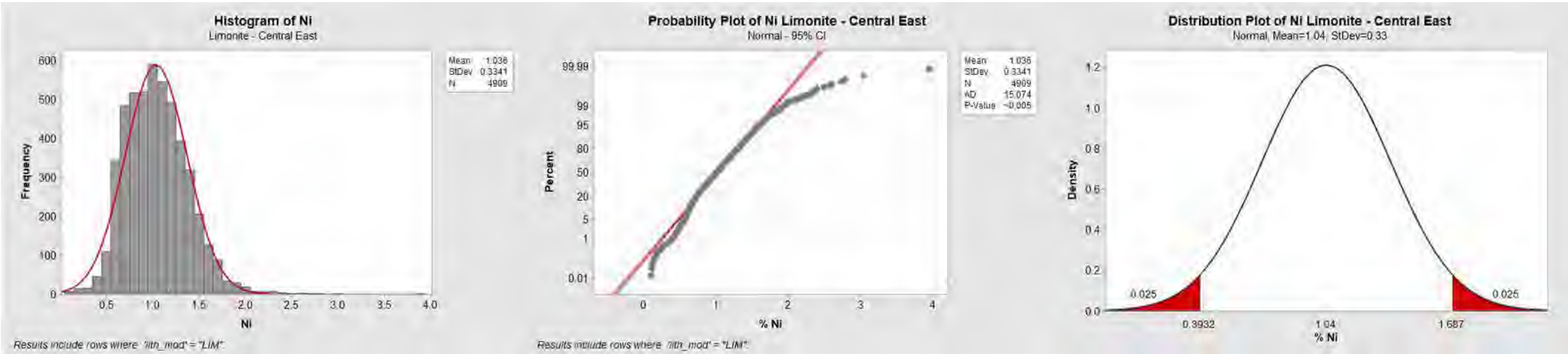
KRIGING ESTIMATION

CENTRAL EAST

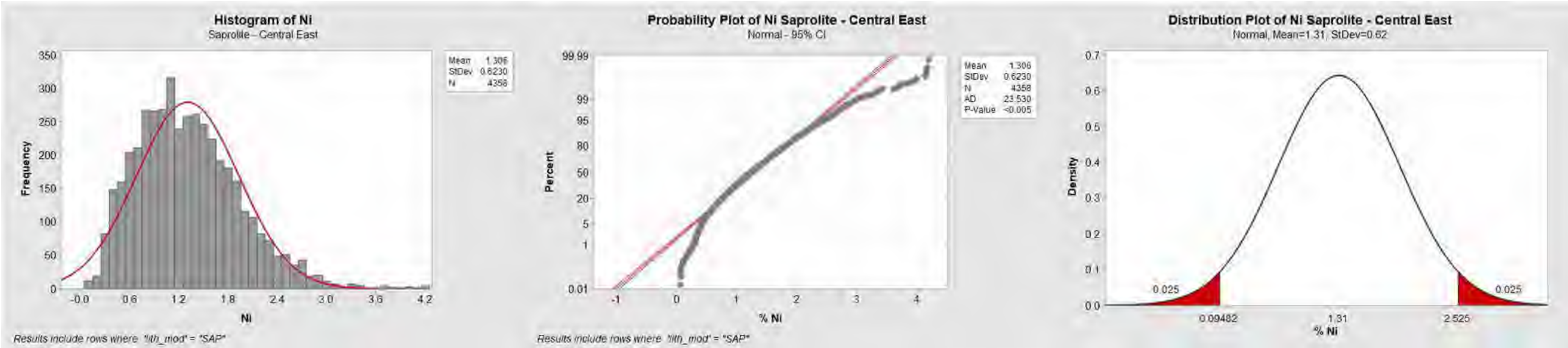
Descriptive Statistics

Element	Profile	N Samples	Mean	Median	StDev	CoefVar	Minimum	Maximum	Skewness
Ni	LIM	4909	**1.04**	1.01	0.33	32.24	0.1	**3.94**	0.69
	SAP	4358	**1.31**	1.24	0.62	47.7	0.05	**4.2**	0.72

Descriptive Statistics – Limonite Ni

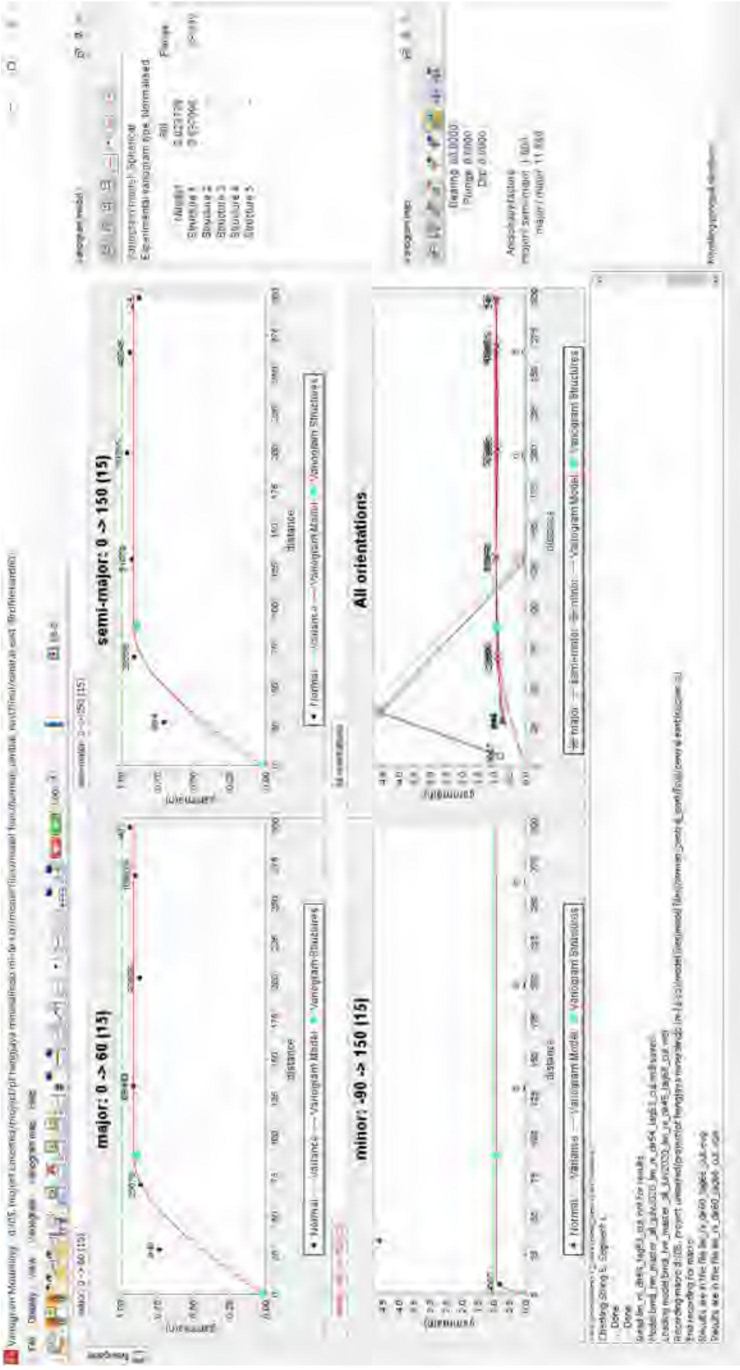


Descriptive Statistics – Saprolite Ni



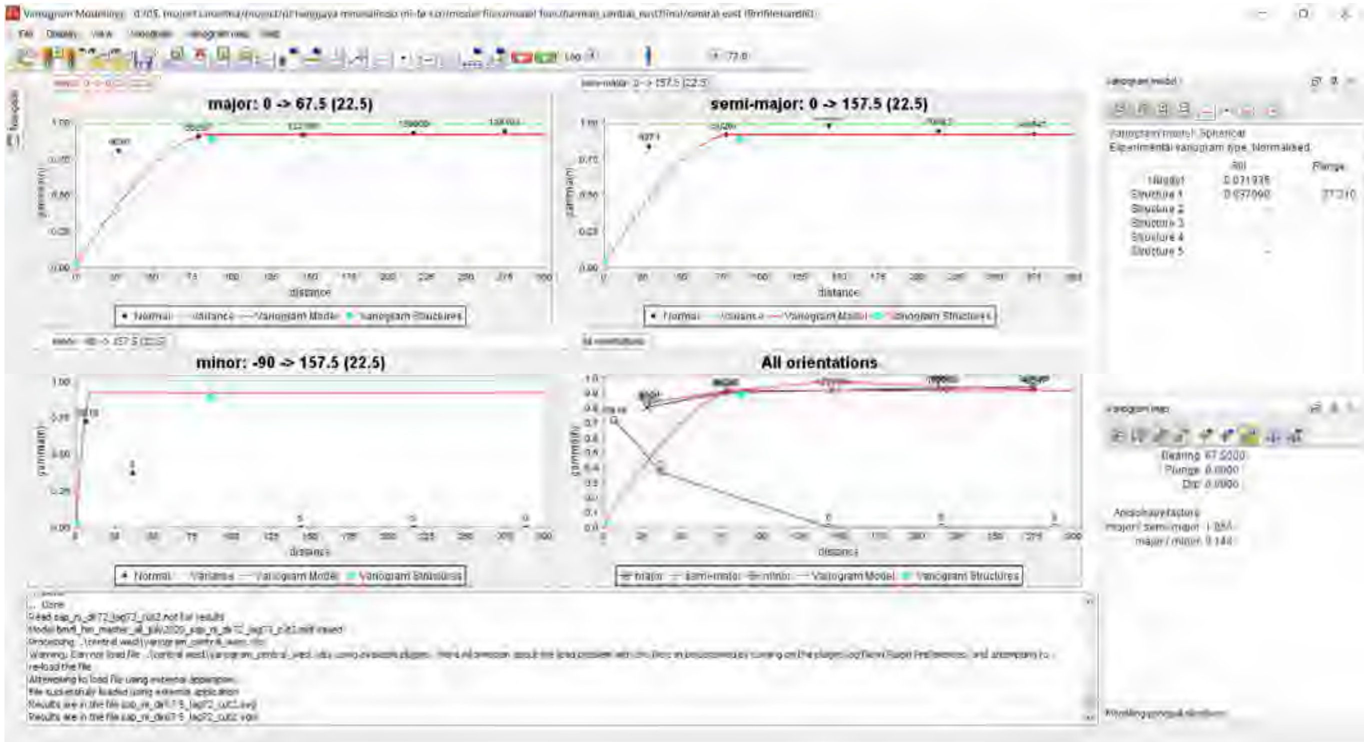
Downhole Variogram – Limonite Ni

Variogram Modelling – Limonite Ni



Downhole Variogram – Saprolite Ni

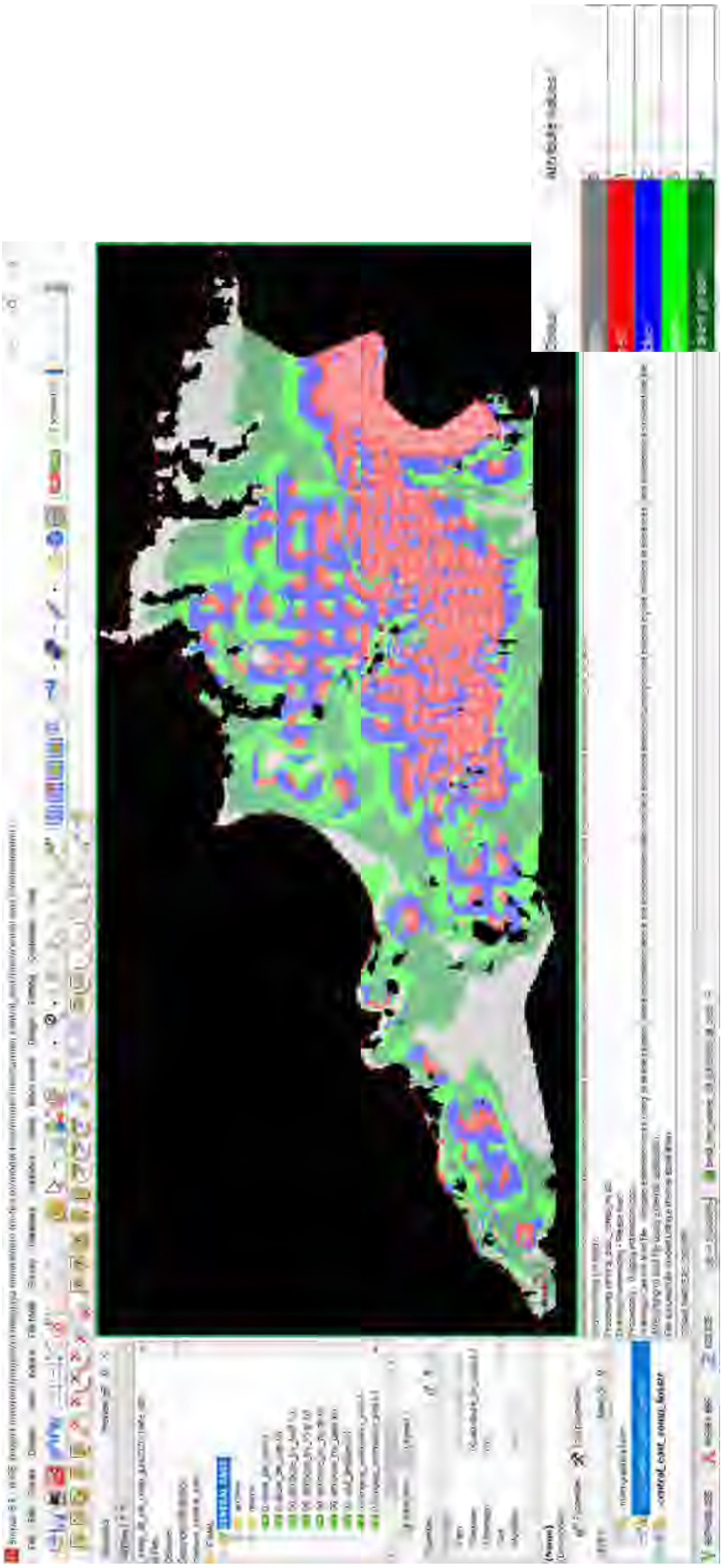
Variogram Modelling – Saprolite Ni



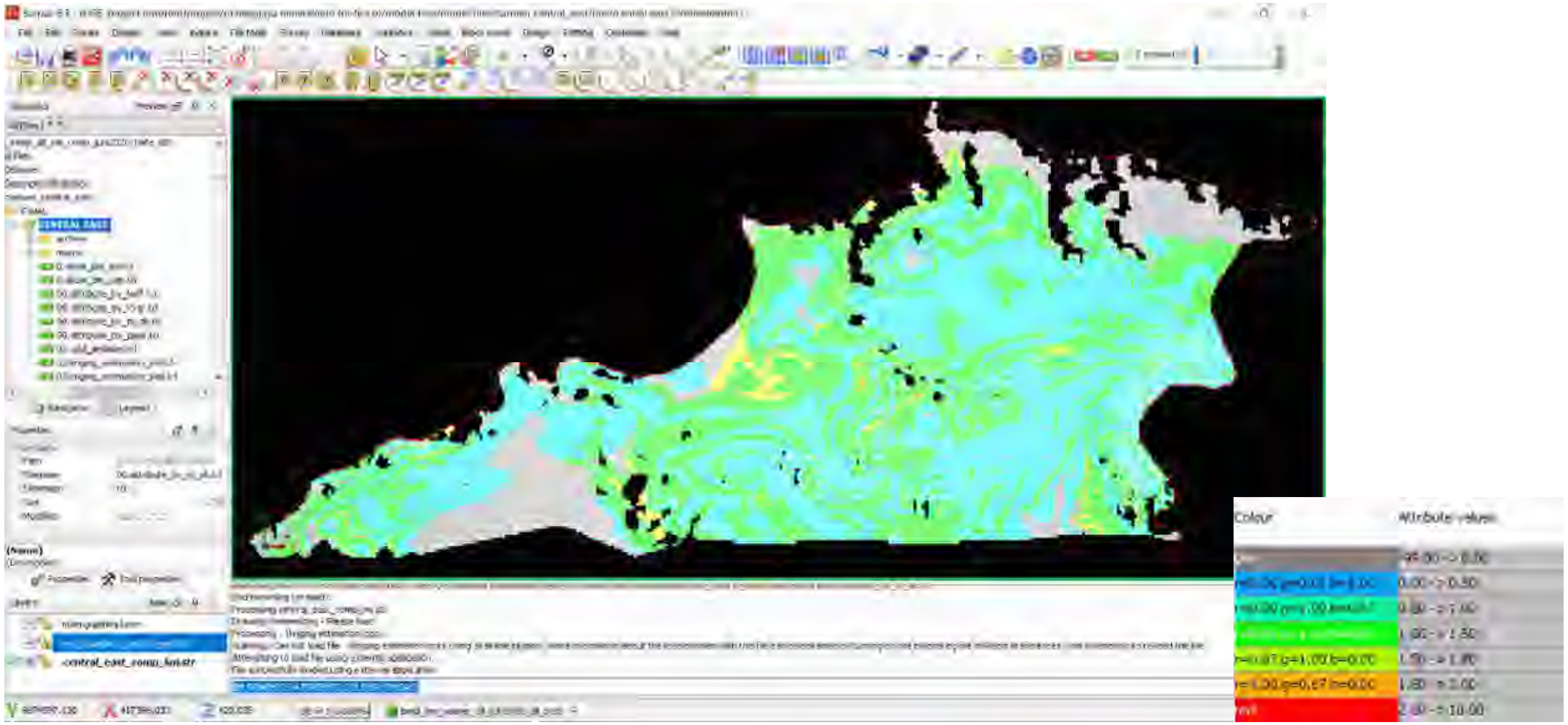
Search Ellipsoid Parameter

Parameter	Central East							
	Limonite				Saprolite			
	Pass 1	Pass 2	Pass3	Pass4	Pass 1	Pass 2	Pass3	Pass4
Search Type	Ellipsoid				Ellipsoid			
Bearing	60				67.5			
Plunge	0				0			
Dip	0				0			
Major-Semi Major Ratio	1.00				1.06			
Major-Minor Ratio	11.57				9.15			
Max Search Radius (m)	42.5	89	150	300	40	87	150	300
Max Vertical Search Distance (m)	2	2	2	1	2	2	2	1
Minimum Samples	3	3	2	2	3	3	2	2
Maximum Samples	15	15	15	15	15	15	15	15
Max. Samples per Hole	2	2	2	2	2	2	2	2
Block Discretisation	3 X by 3 Y by 2 Z				3 X by 3 Y by 2 Z			

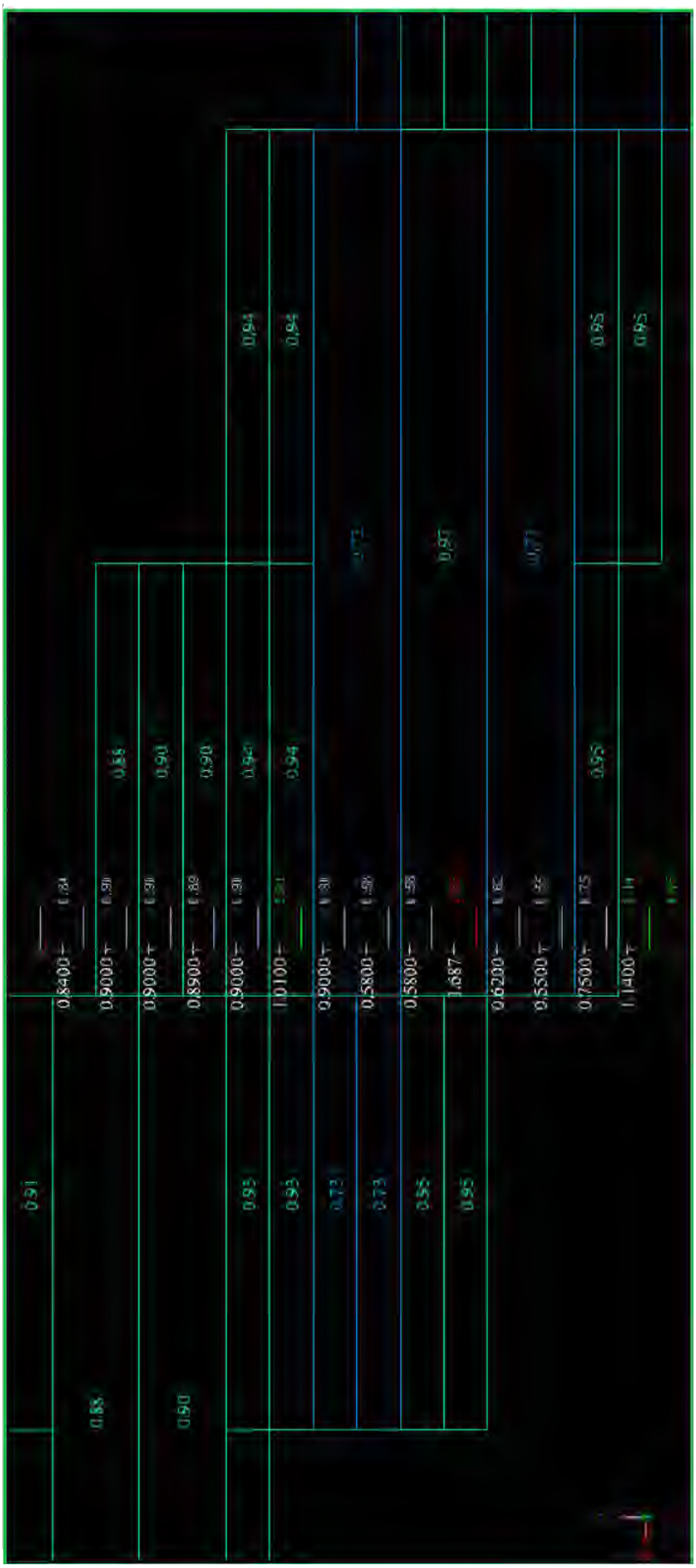
Block Model by ni_pass – Limonite Ni



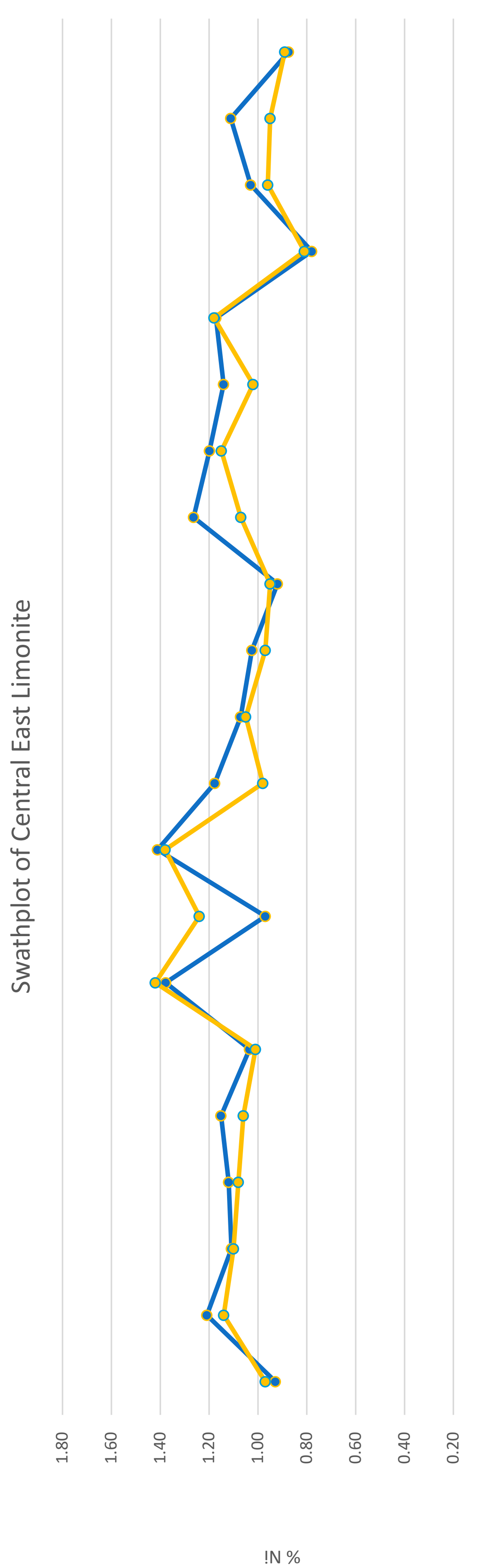
Block Model by ni_ok – Limonite Ni



Section by Northing – Limonite Ni

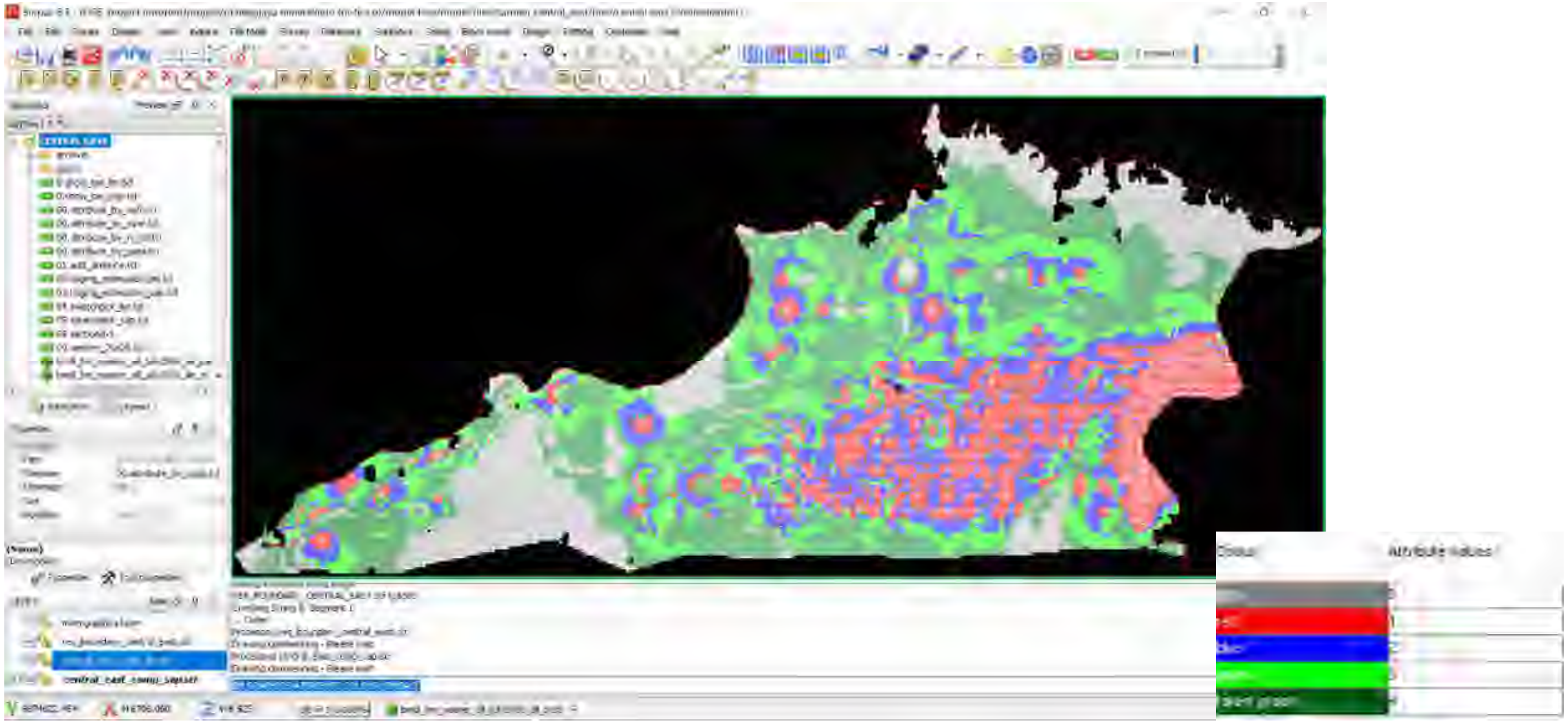


Swathplot – Limonite Ni

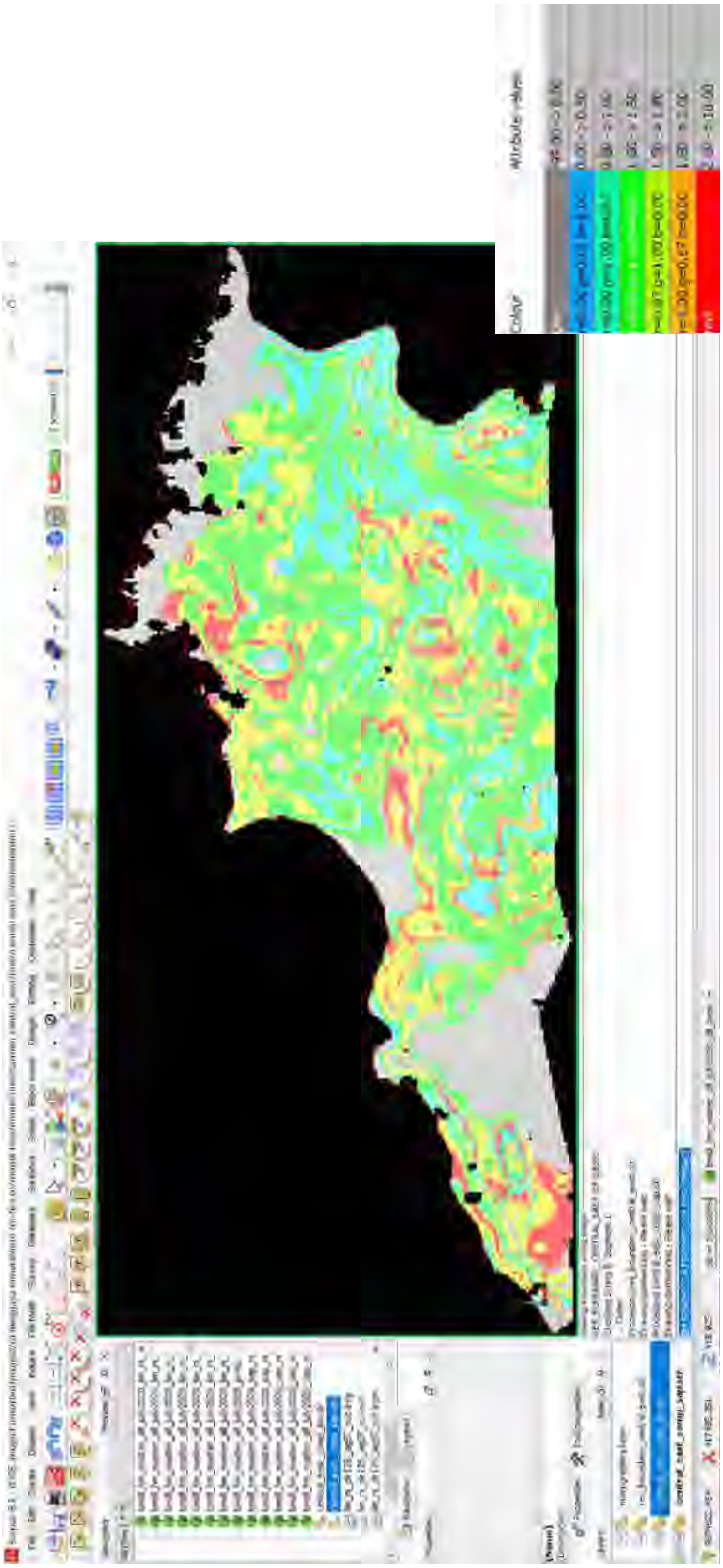


	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
Composite	0.93	1.21	1.11	1.12	1.15	1.03	1.38	0.97	1.41	1.18	1.07	1.03	0.92	1.26	1.20	1.14	1.17	0.78	1.03	1.11	0.87
Block Model	0.97	1.14	1.1	1.08	1.06	1.01	1.42	1.24	1.38	0.98	1.05	0.97	0.95	1.07	1.15	1.02	1.18	0.81	0.96	0.95	0.89
StDeviation	0.02	0.03	0.00	0.02	0.05	0.01	0.02	0.14	0.02	0.10	0.01	0.03	0.02	0.10	0.02	0.06	0.00	0.02	0.04	0.08	0.01

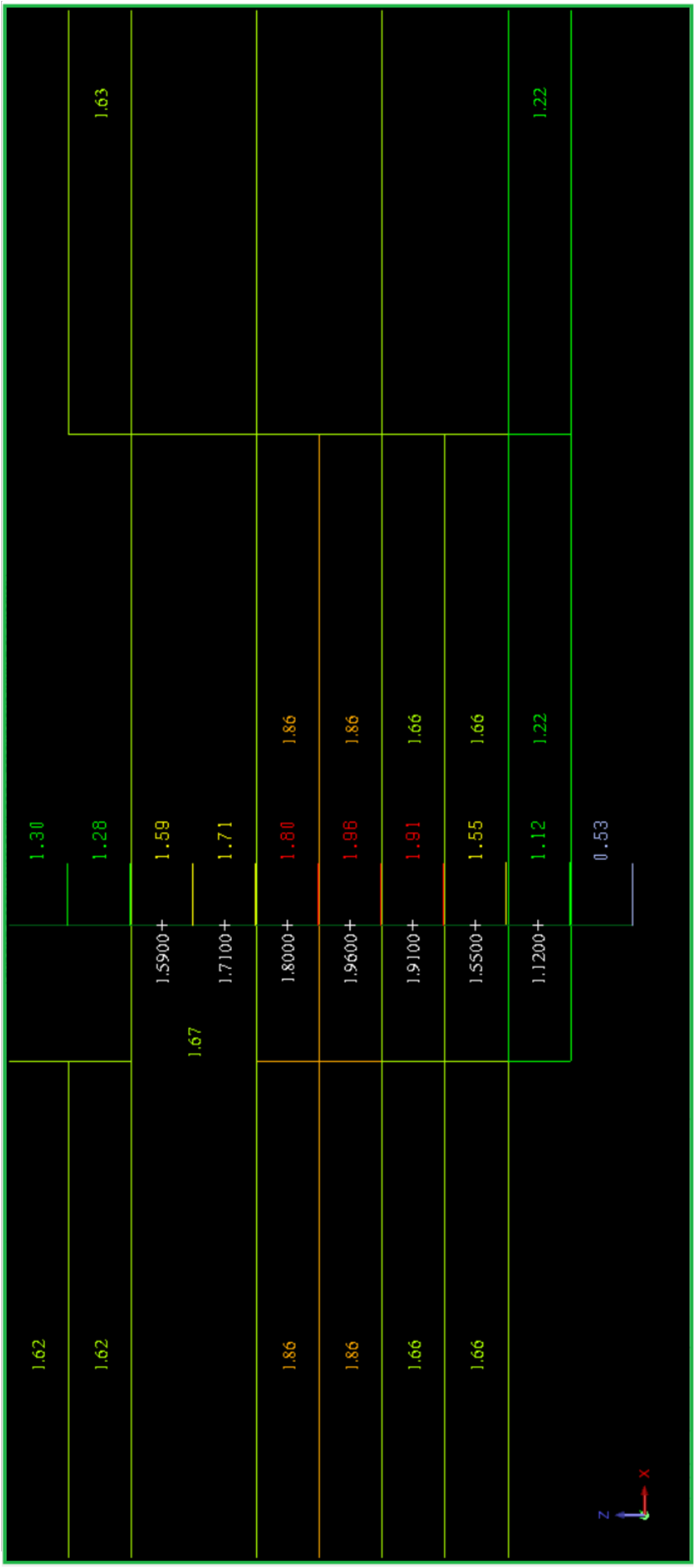
Block Model by ni_pass – Saprolite Ni



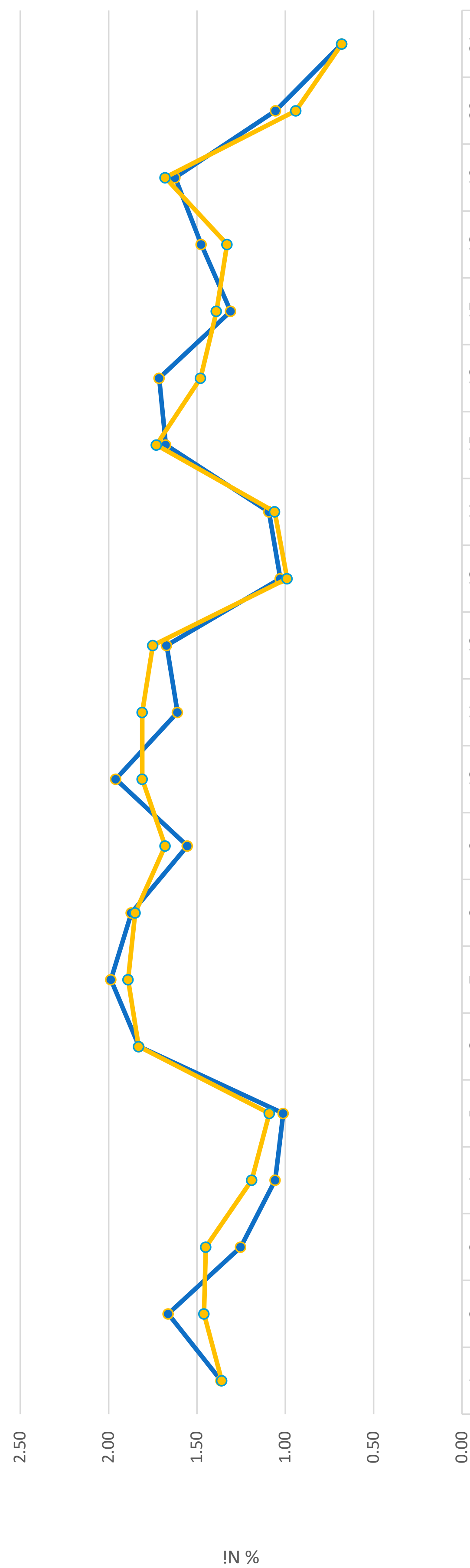
Block Model by ni_ok – Saprolite Ni



Section by Northing – Saprolite Ni



Swathplot – Saprolite Ni



	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
Composite	1.36	1.66	1.25	1.06	1.01	1.83	1.99	1.87	1.55	1.96	1.61	1.67	1.03	1.09	1.68	1.71	1.31	1.48	1.62	1.05	0.68
Block Model	1.36	1.46	1.45	1.19	1.09	1.83	1.89	1.85	1.68	1.81	1.81	1.75	0.99	1.06	1.73	1.48	1.39	1.33	1.68	0.94	0.68
StDeviation	0.00	0.10	0.10	0.07	0.04	0.00	0.05	0.01	0.06	0.08	0.10	0.04	0.02	0.02	0.03	0.12	0.04	0.07	0.03	0.06	0.00

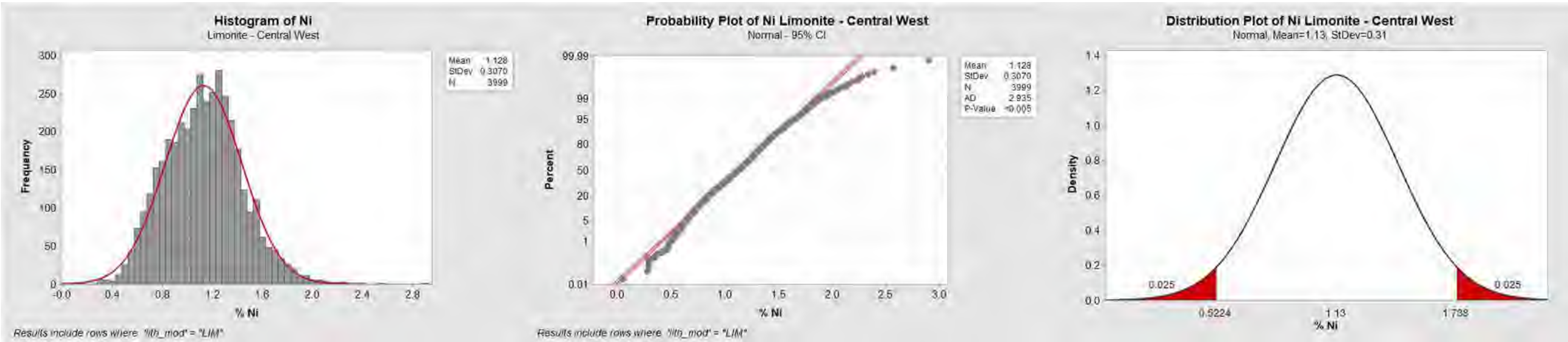
KRIGING ESTIMATION

CENTRAL WEST

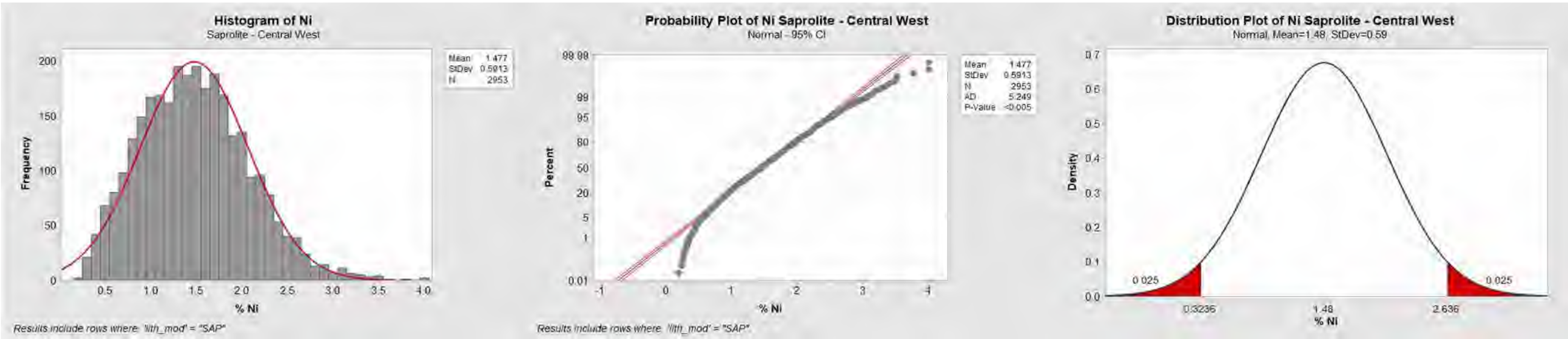
Descriptive Statistics

Element	Profile	N Samples	Mean	Median	StDev	CoefVar	Minimum	Maximum	Skewness
Ni	LIM	3999	**1.13**	1.13	0.31	27.21	0.05	**2.9**	0.29
	SAP	2953	**1.48**	1.45	0.59	40.03	0.19	**4.01**	0.41

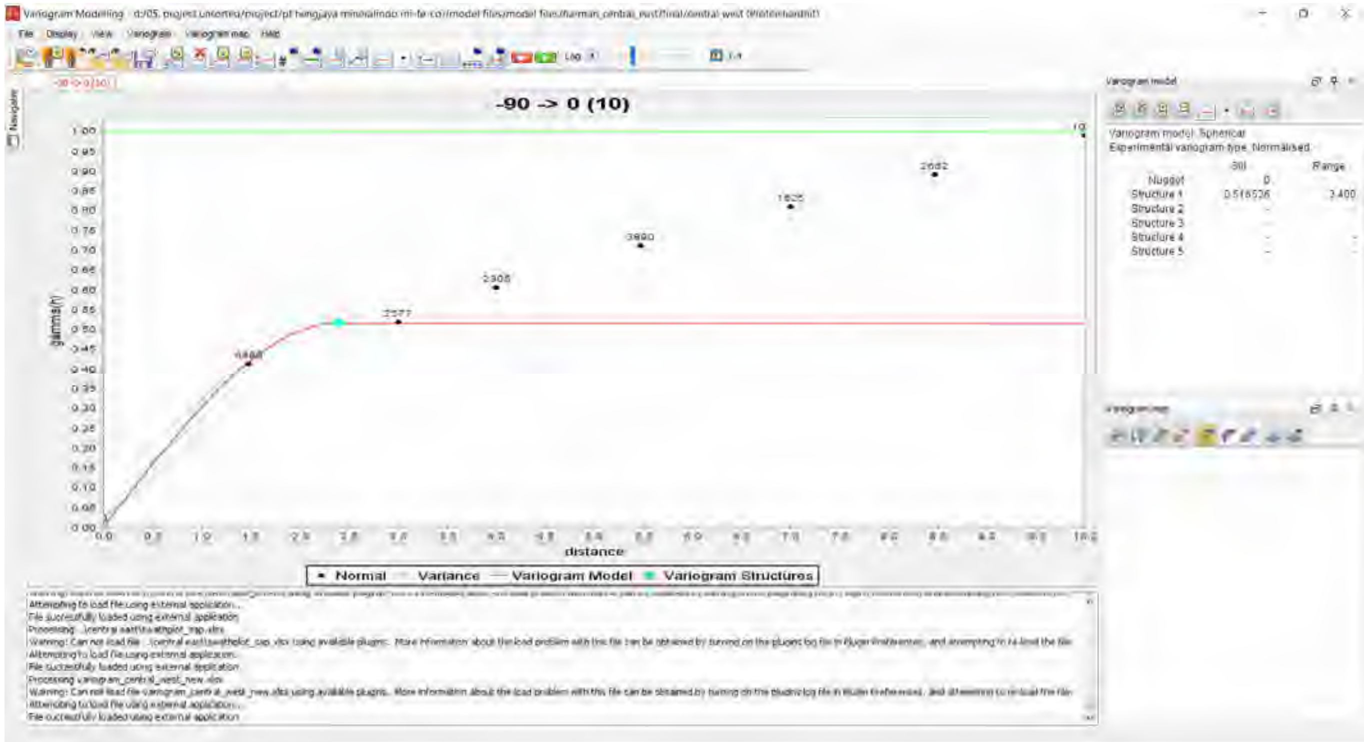
Descriptive Statistics – Limonite Ni



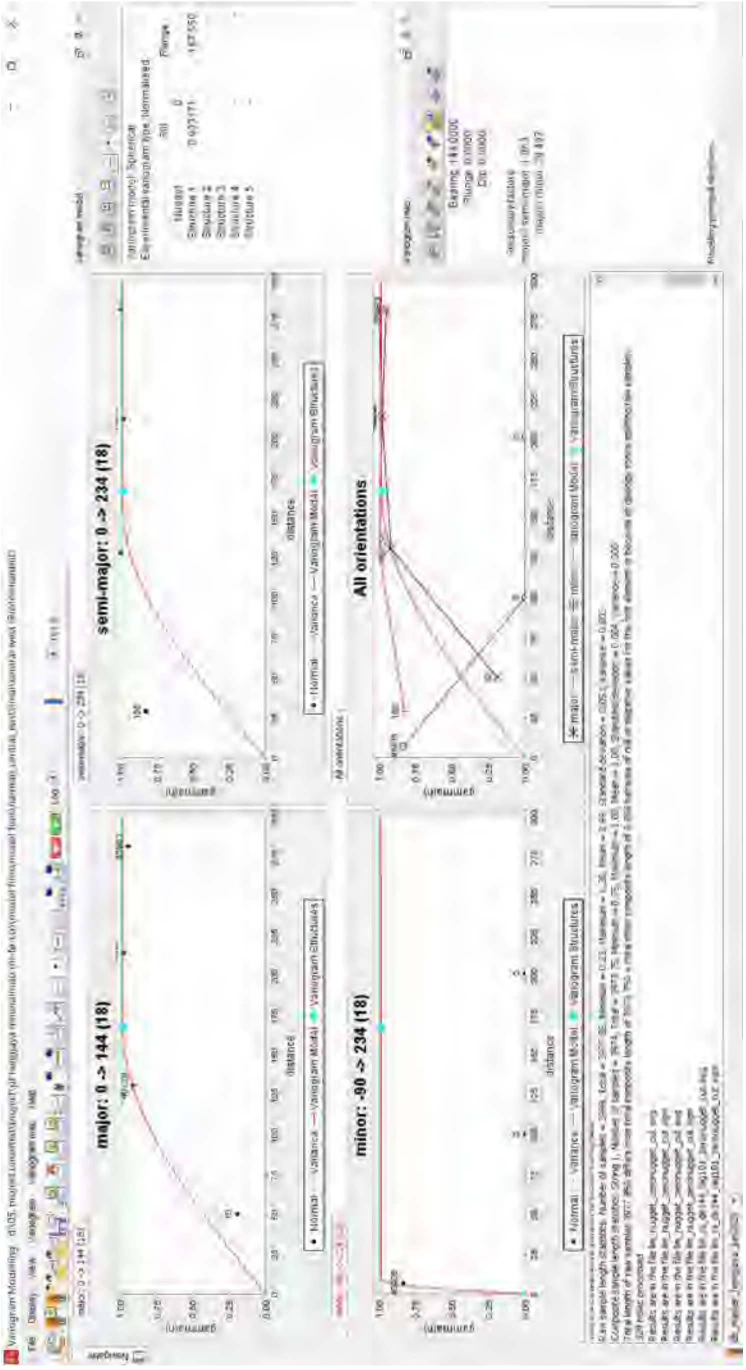
Descriptive Statistics – Saprolite Ni



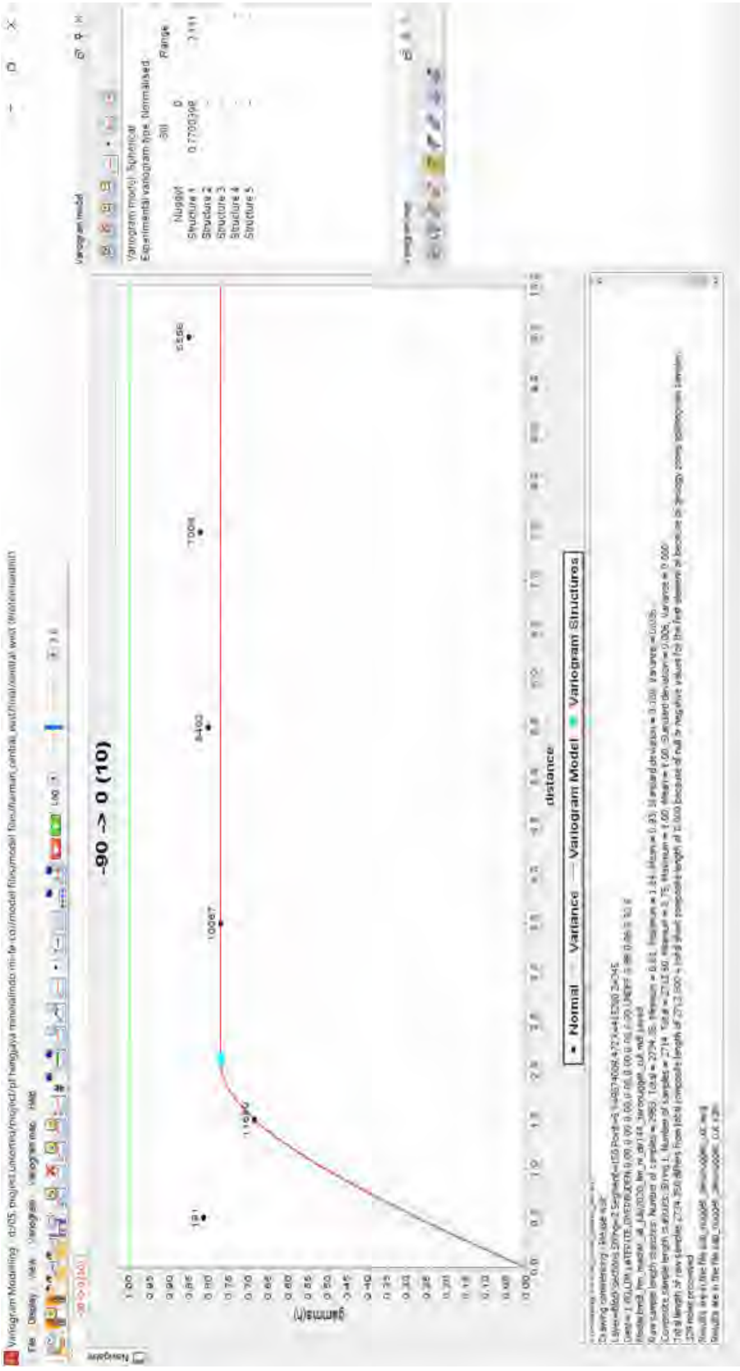
Downhole Variogram – Limonite Ni



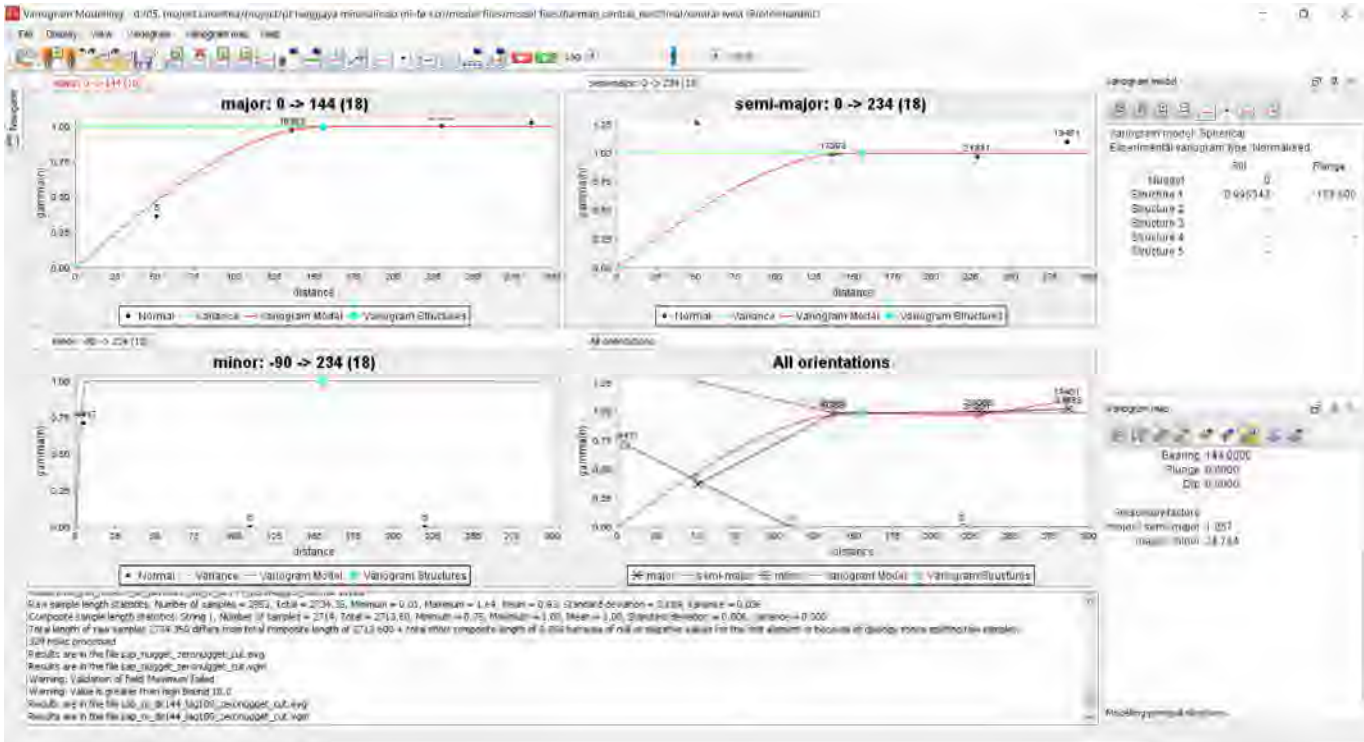
Variogram Modelling – Limonite Ni



Downhole Variogram – Saprolite Ni



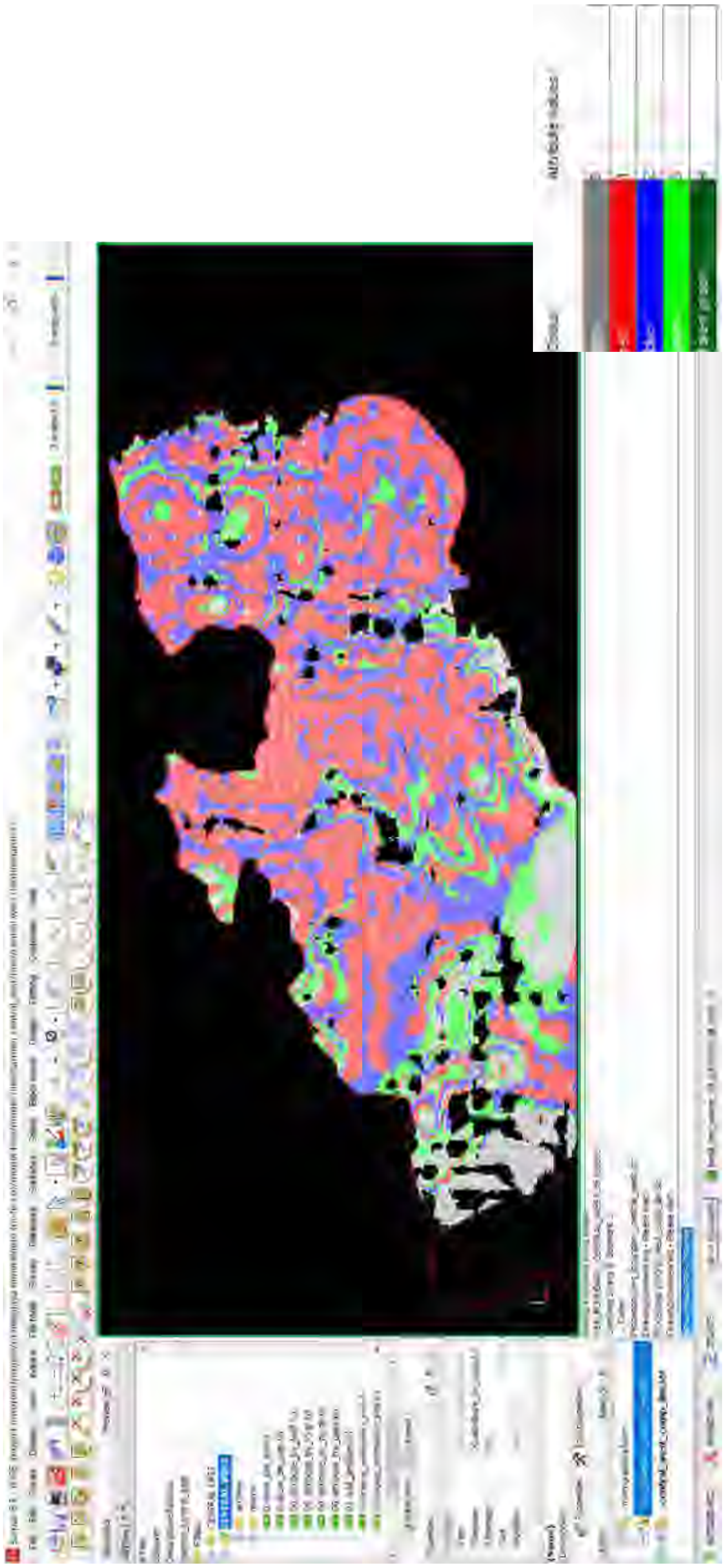
Variogram Modelling – Saprolite Ni



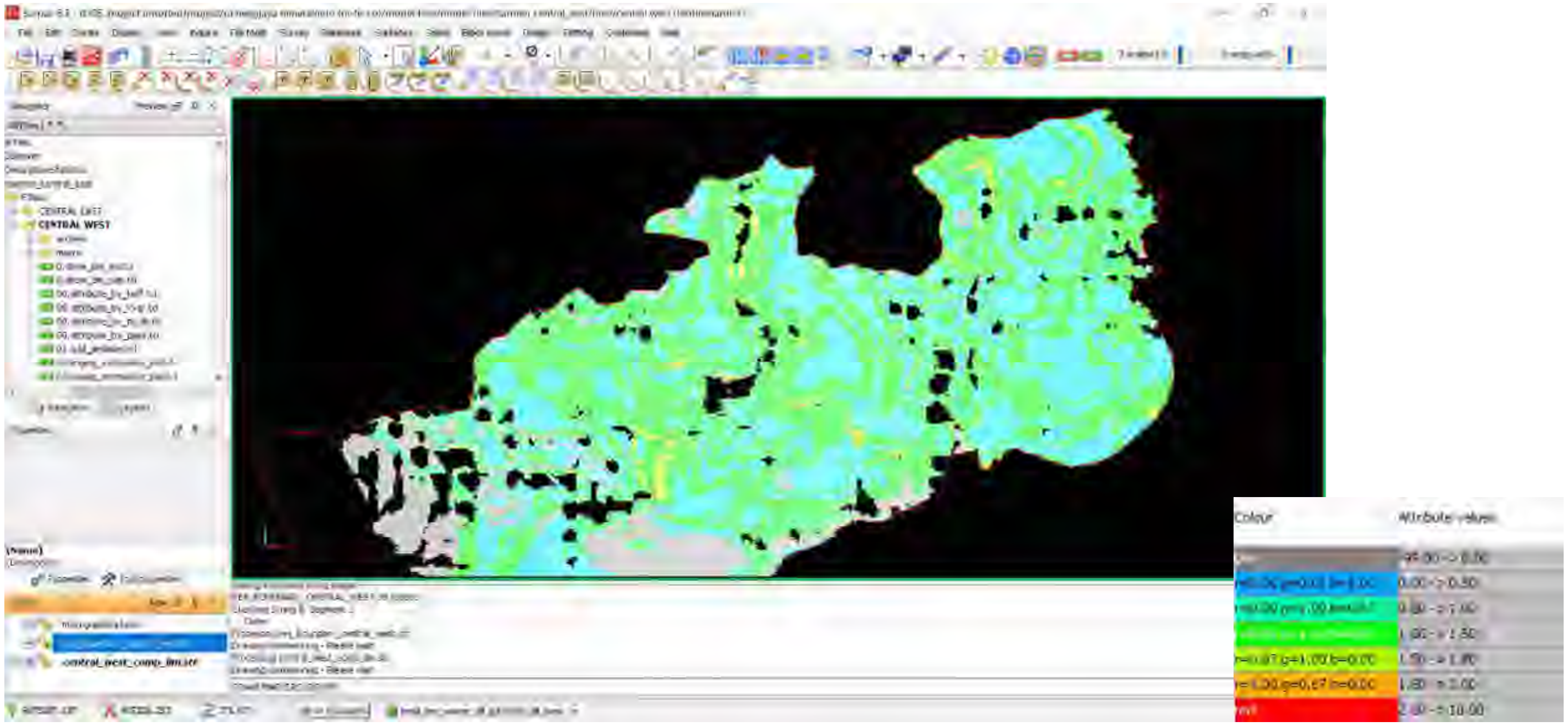
Search Ellipsoid Parameter

Parameter	Central West					
	Limonite			Saprolite		
	Pass 1	Pass 2	Pass3	Pass 1	Pass 2	Pass3
Search Type	Ellipsoid			Ellipsoid		
Bearing	144			144		
Plunge	0			0		
Dip	0			0		
Major-Semi Major Ratio	1.06			1.06		
Major-Minor Ratio	20.50			24.76		
Max Search Radius (m)	80	168	300	75	155	300
Max Vertical Search Distance (m)	2	2	2	2	2	2
Minimum Samples	3	3	2	3	3	2
Maximum Samples	15	15	15	15	15	15
Max. Samples per Hole	2	2	2	2	2	2
Block Discretisation	3 X by 3 Y by 2 Z			3 X by 3 Y by 2 Z		

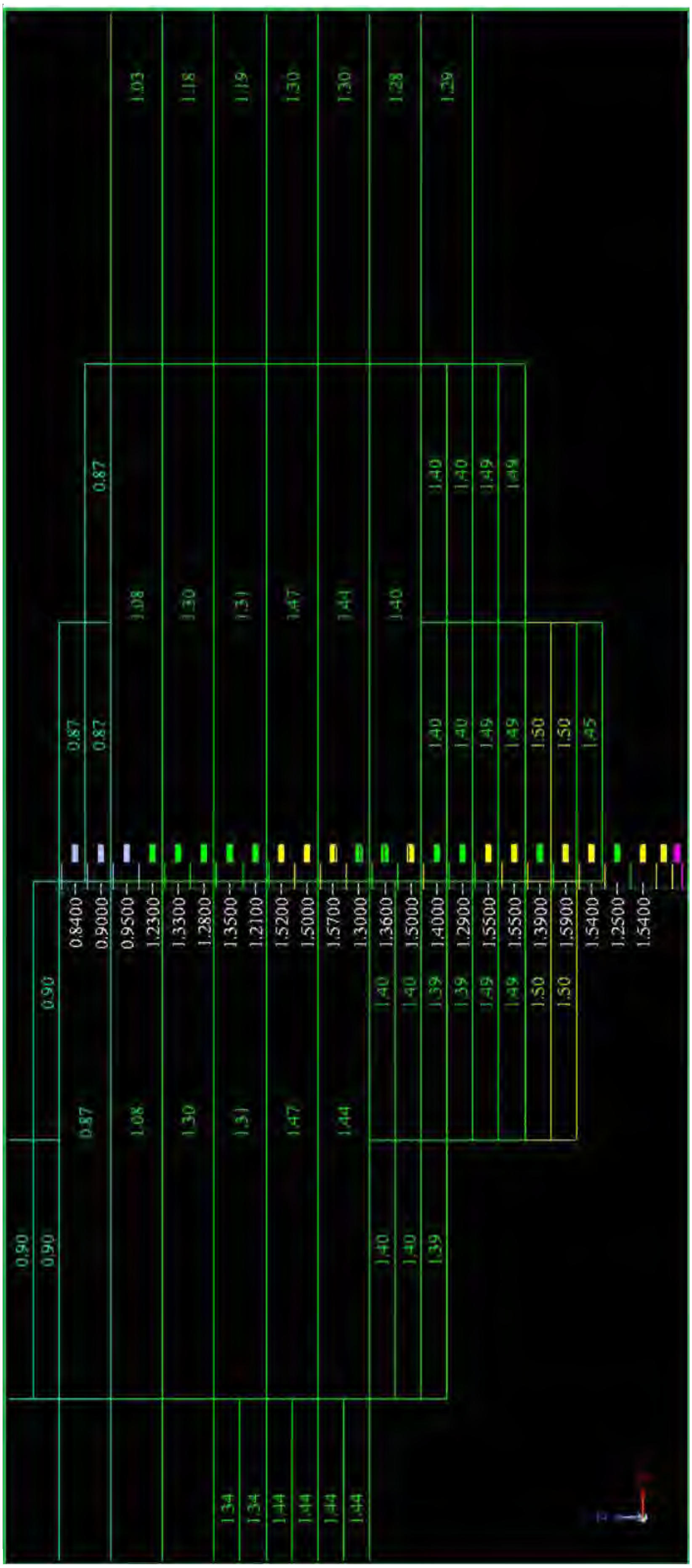
Block Model by ni_pass – Limonite Ni



Block Model by ni_ok – Limonite Ni

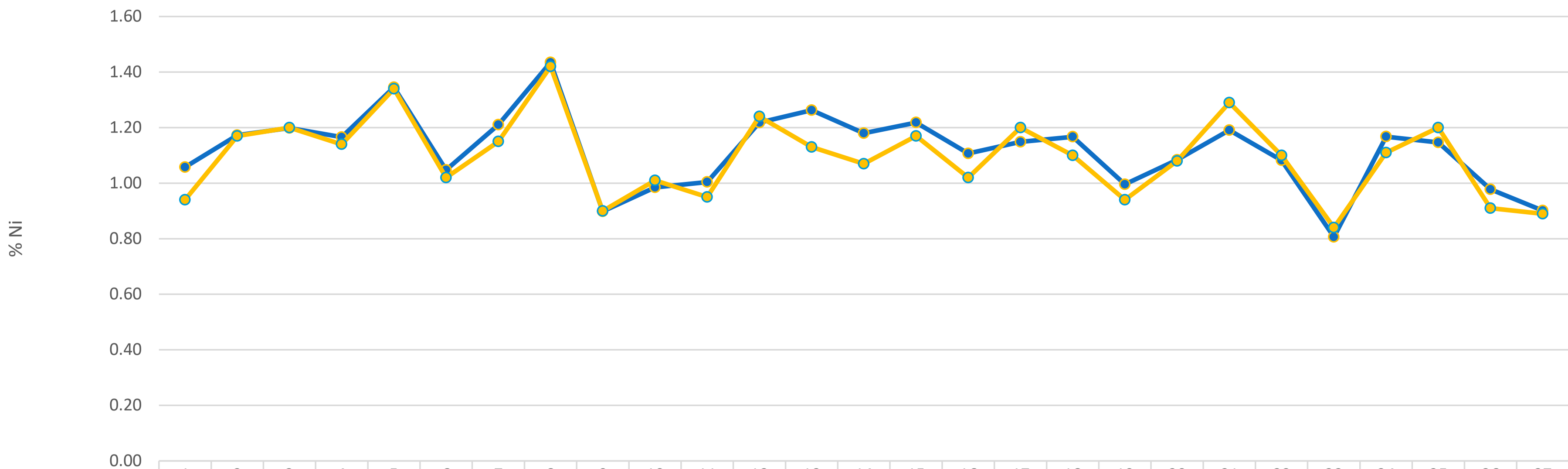


Section by Northing – Limonite Ni



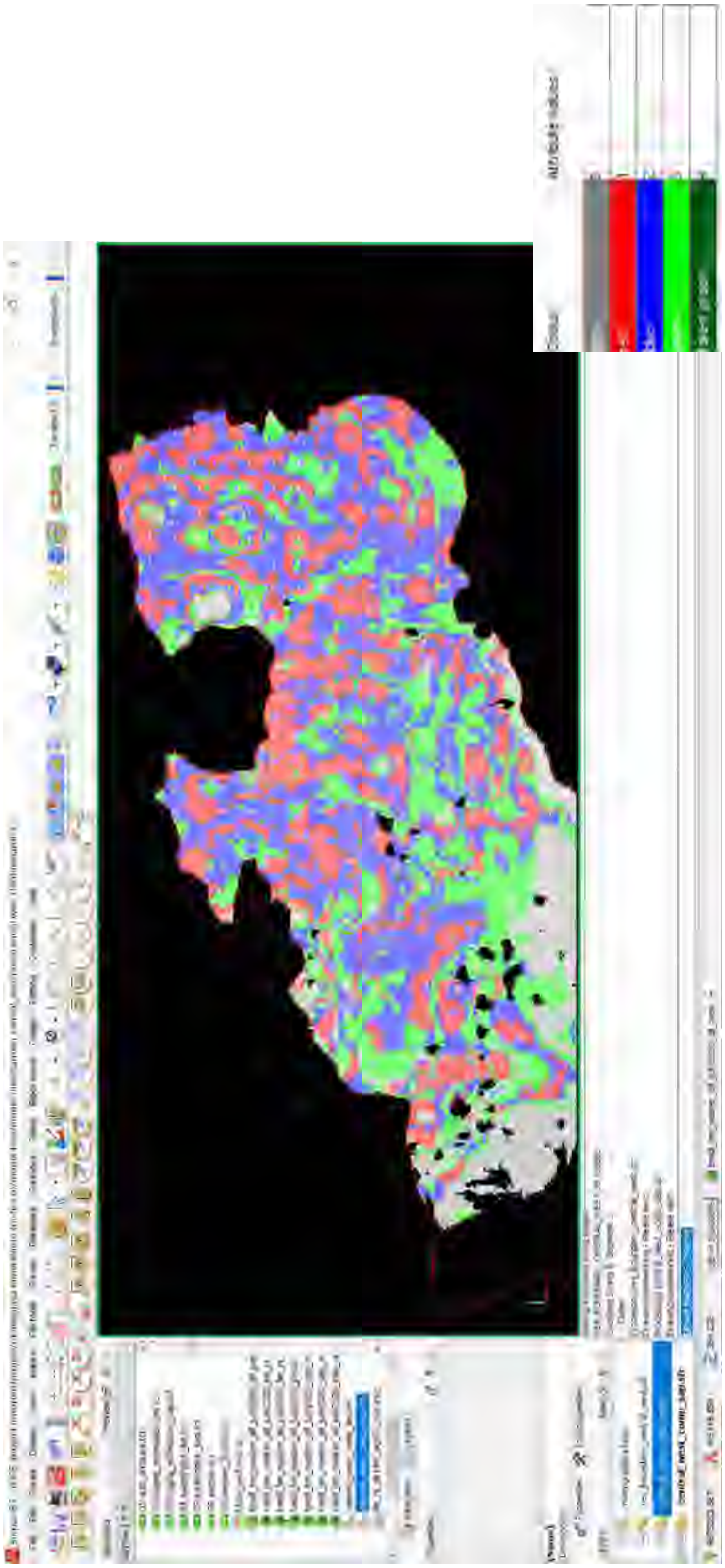
Swathplot – Limonite Ni

Swathplot of Central West Limonite

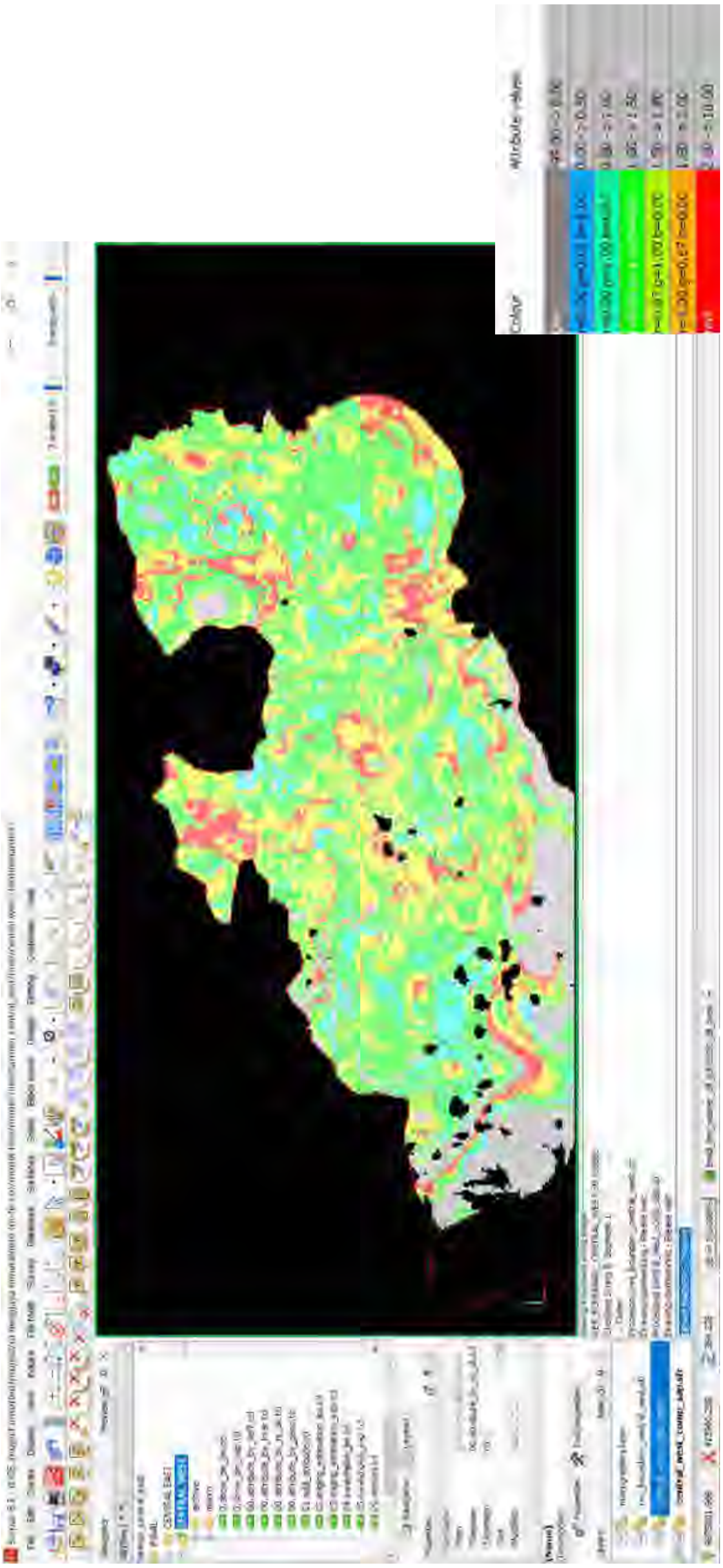


	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27
Composite	1.06	1.17	1.20	1.17	1.35	1.05	1.21	1.43	0.90	0.98	1.00	1.22	1.26	1.18	1.22	1.11	1.15	1.17	1.00	1.08	1.19	1.08	0.81	1.17	1.15	0.98	0.90
Block Model	0.94	1.17	1.20	1.14	1.34	1.02	1.15	1.42	0.90	1.01	0.95	1.24	1.13	1.07	1.17	1.02	1.20	1.10	0.94	1.08	1.29	1.10	0.84	1.11	1.20	0.91	0.89
StDeviation	0.06	0.00	0.00	0.01	0.00	0.01	0.03	0.01	0.00	0.01	0.03	0.01	0.07	0.05	0.02	0.04	0.03	0.03	0.03	0.00	0.05	0.01	0.02	0.03	0.03	0.03	0.01

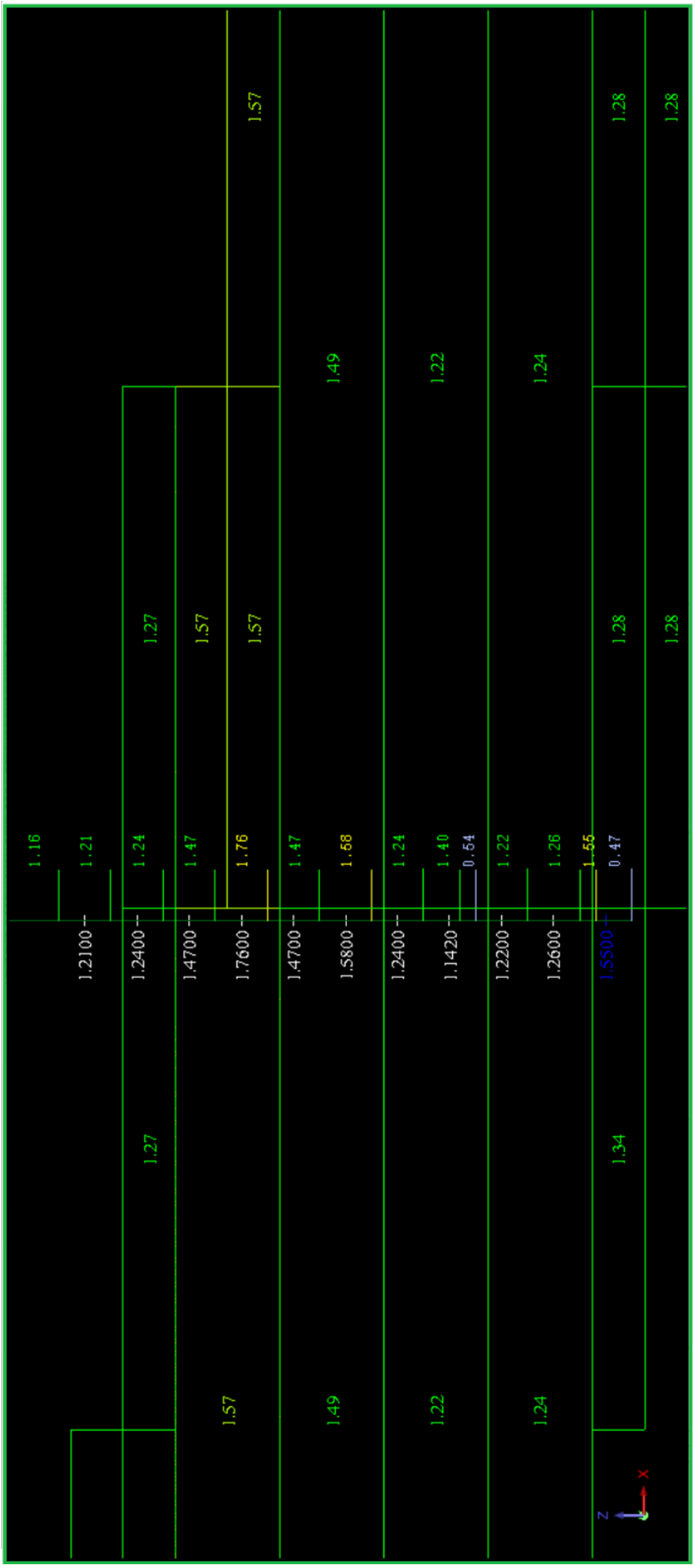
Block Model by ni_pass – Saprolite Ni



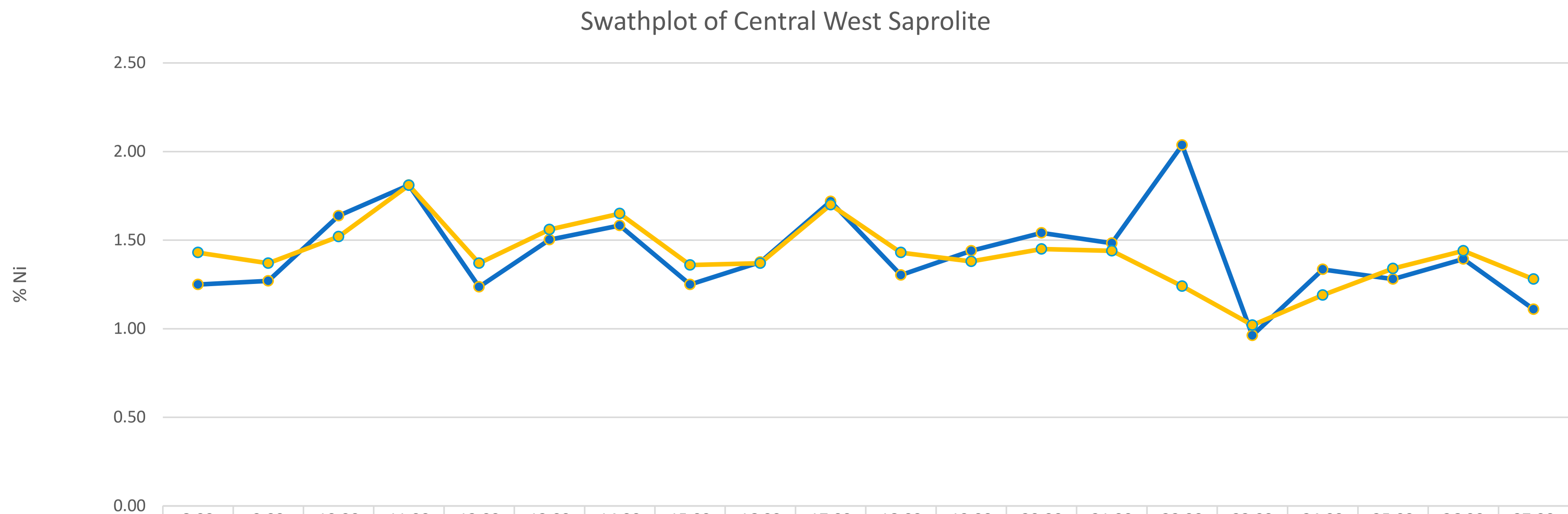
Block Model by ni_ok – Saprolite Ni



Section by Northing – Saprolite Ni



Swathplot – Saprolite Ni

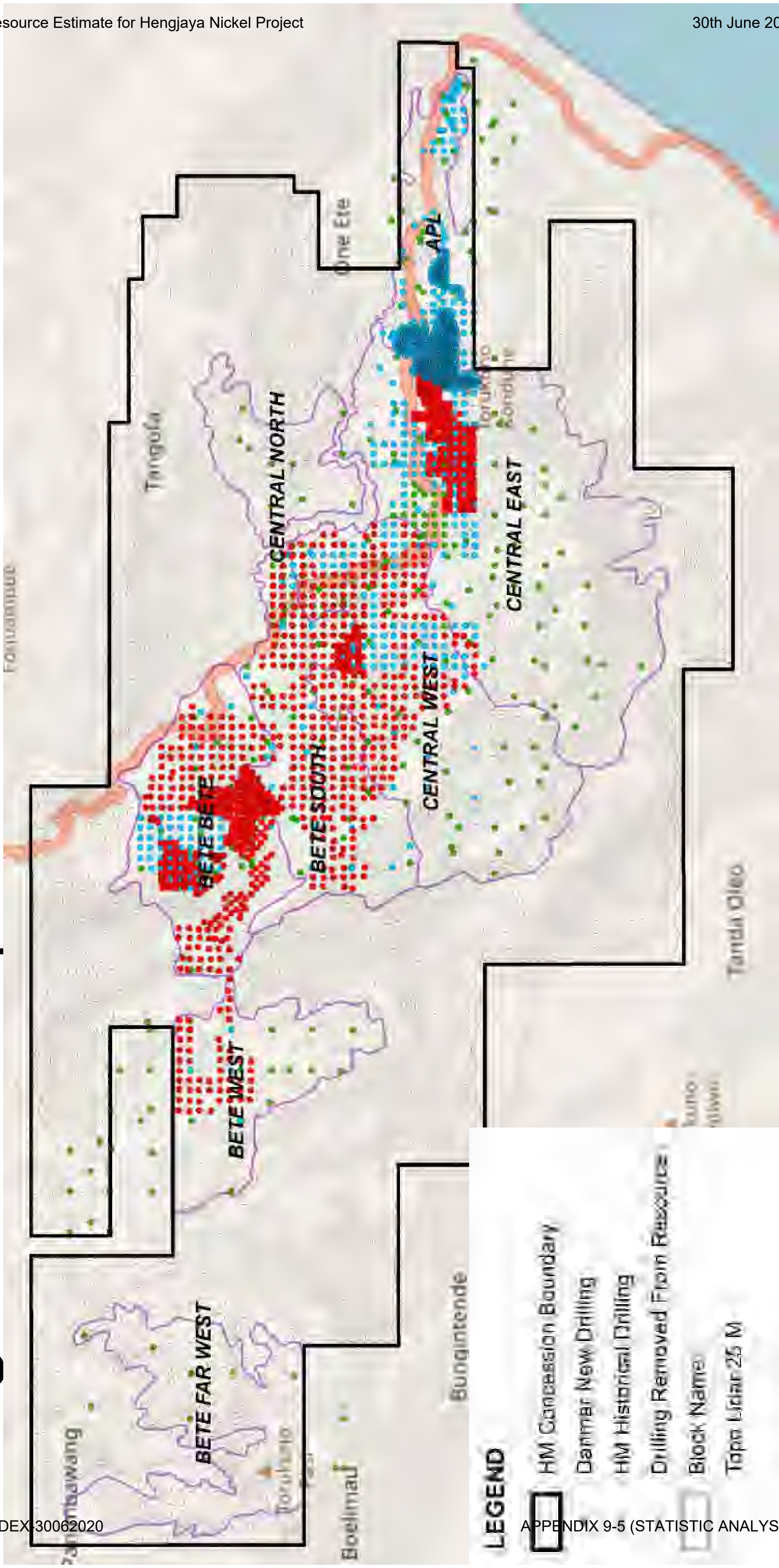


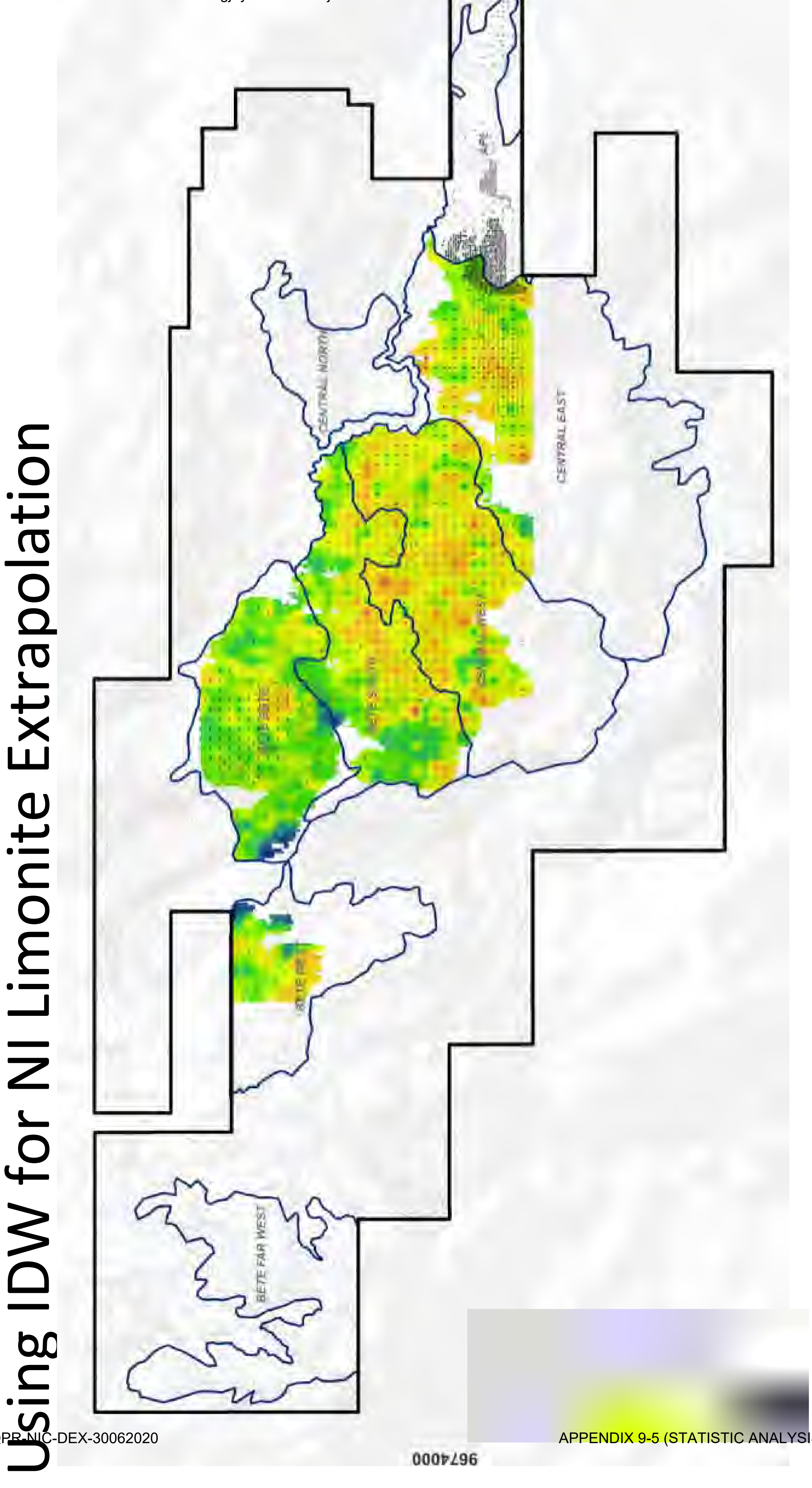
	8.00	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	17.00	18.00	19.00	20.00	21.00	22.00	23.00	24.00	25.00	26.00	27.00
Composite	1.25	1.27	1.64	1.81	1.24	1.50	1.58	1.25	1.38	1.72	1.30	1.44	1.54	1.48	2.04	0.96	1.34	1.28	1.39	1.11
Block Model	1.43	1.37	1.52	1.81	1.37	1.56	1.65	1.36	1.37	1.7	1.43	1.38	1.45	1.44	1.24	1.02	1.19	1.34	1.44	1.28
StDeviation	0.09	0.05	0.06	0.00	0.07	0.03	0.03	0.06	0.00	0.01	0.06	0.03	0.05	0.02	0.40	0.03	0.07	0.03	0.02	0.09

Geostatistics

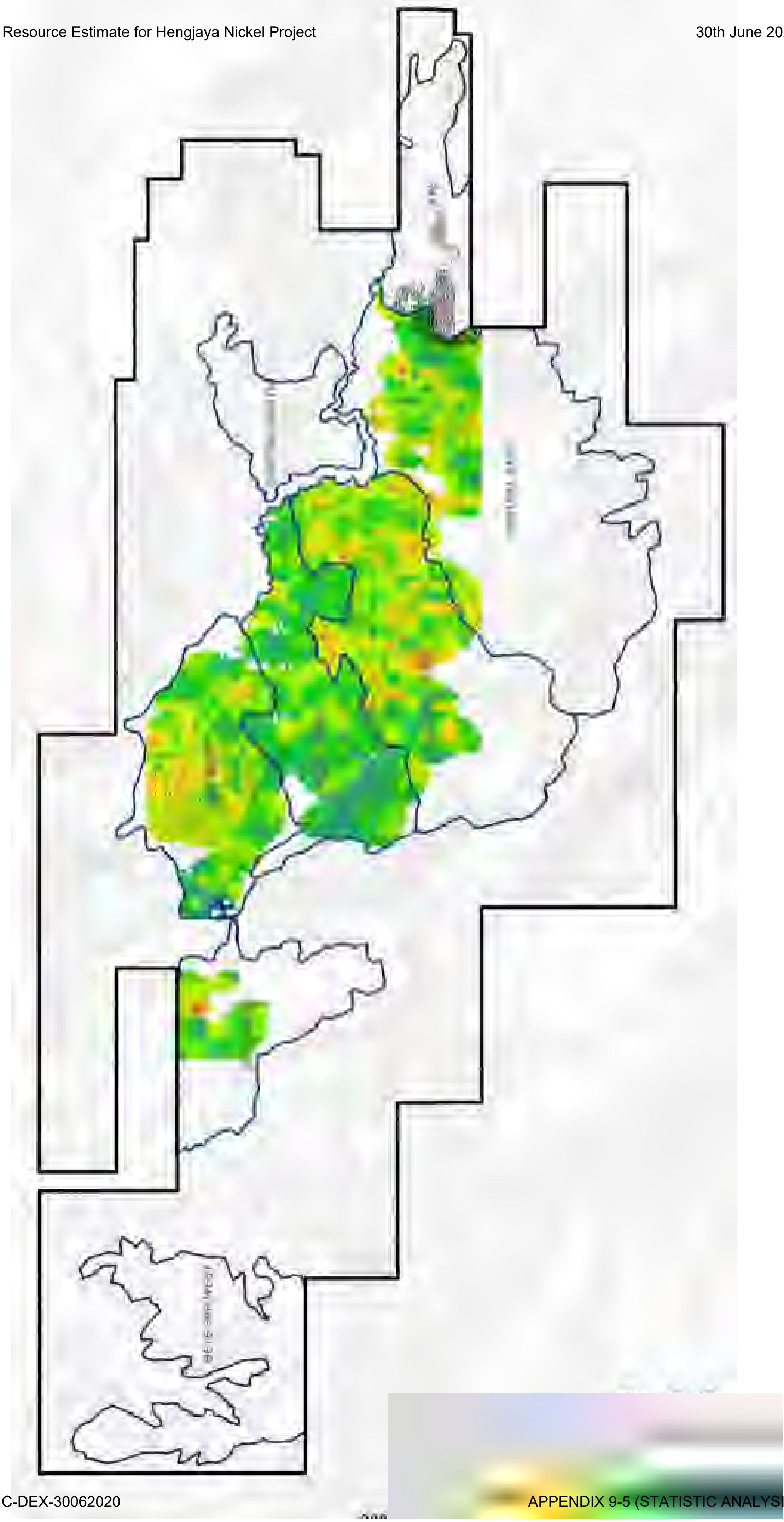
Bete Bete & Bete South

Drilling Location Map




Using IDW for NI Limonite Extrapolation
CENTRAL NORTH
CENTRAL EAST
BETE FAR WEST
9674000

Using IDW for NI Saprolite Extrapolation

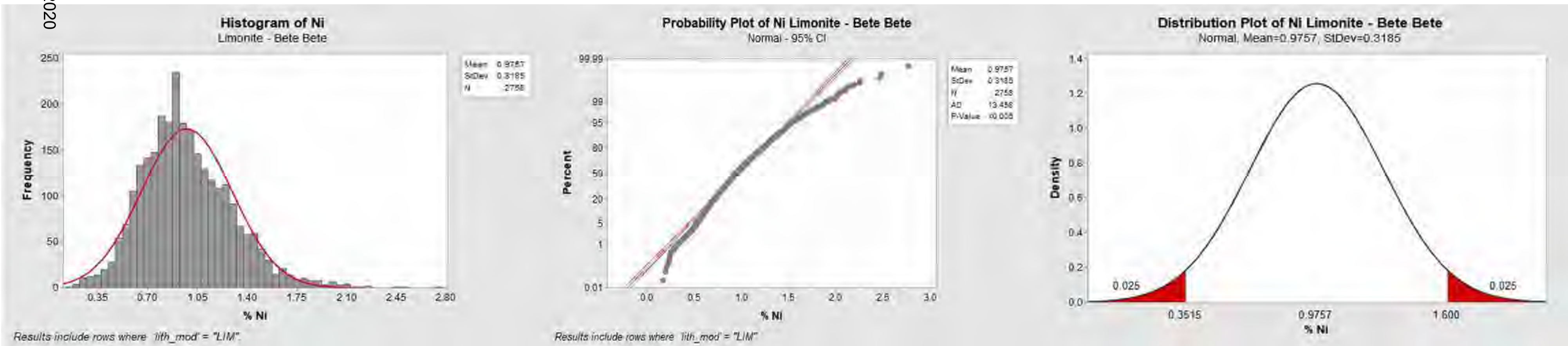


Descriptive Statistics (Bete Bete)

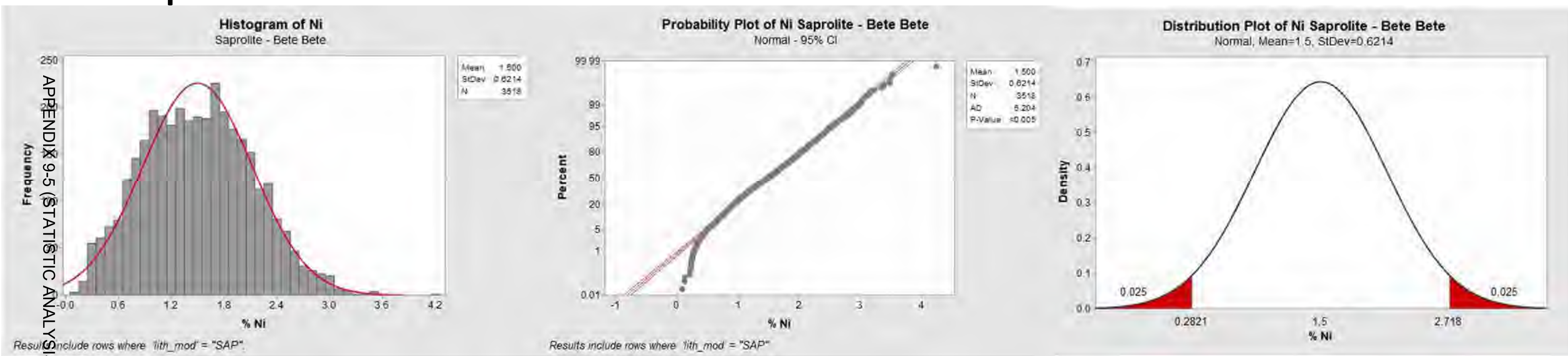
Element	Profile	N Samples	Mean	Median	StDev	CoefVar	Minimum	Maximum	Skewness
Ni	LIM	2758	**0.98**	**0.93**	0.32	0.32	0.17	**2.76**	0.68
	SAP	3518	**1.50**	**1.49**	0.62	0.41	0.09	**4.23**	0.20
Fe	LIM	2758	46.82	48.71	6.58	0.14	6.43	58.82	-3.04
	SAP	3518	13.57	11.09	7.35	0.54	4.73	51.24	1.66
MgO	LIM	2758	2.13	1.08	3.80	1.78	0.27	42.06	6.10
	SAP	3518	23.99	25.66	8.93	0.37	0.01	42.27	-0.54
SiO2	LIM	2758	5.47	2.84	6.56	1.19	0.96	52.46	2.99
	SAP	3518	38.59	40.36	5.96	0.15	3.40	52.51	-2.35
Co	LIM	2758	0.13	0.12	0.09	0.64	0.01	0.85	2.24
	SAP	3518	0.03	0.03	0.04	1.04	0.01	1.12	10.81

Descriptive Statistics (Bete Bete)

Ni - Limonite



Ni - Saprolite

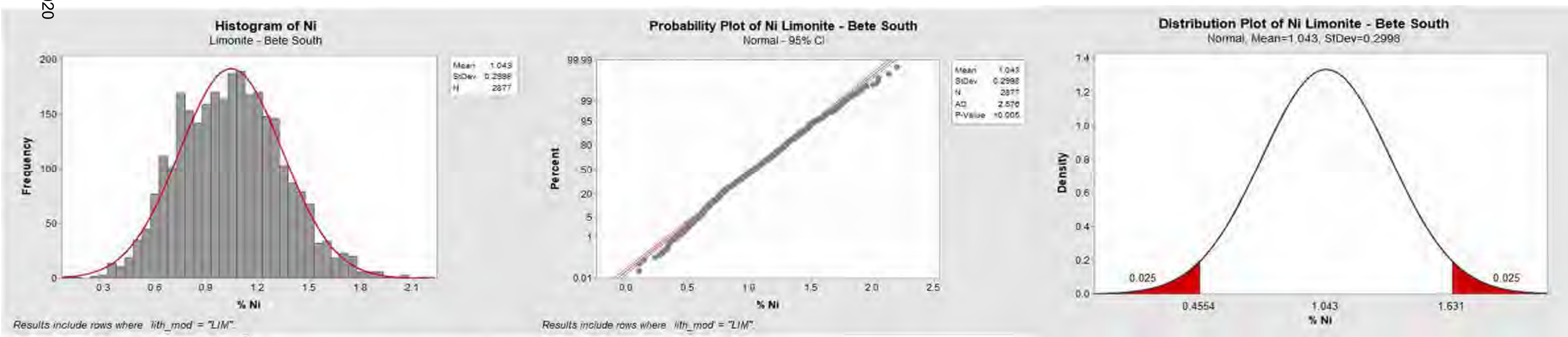


Descriptive Statistics (Bete South)

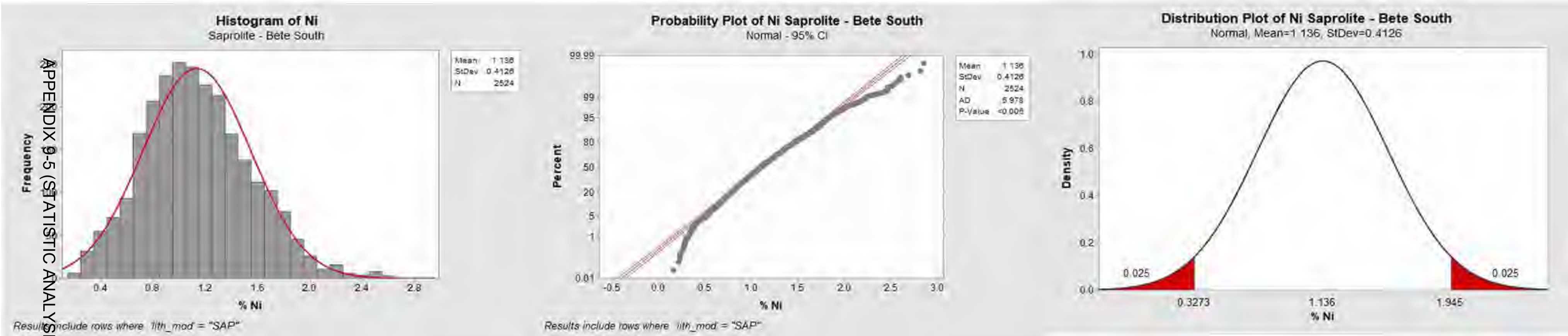
Element	Profile	N Samples	Mean	Median	StDev	CoefVar	Minimum	Maximum	Skewness
Ni	LIM	2877	1.04	1.04	0.30	28.73	0.10	2.20	0.20
	SAP	2524	1.14	1.10	0.41	36.34	0.16	2.85	0.46
Fe	LIM	2877	42.95	43.86	6.35	14.78	9.63	58.93	-1.05
	SAP	2524	15.85	13.31	7.97	50.27	4.32	45.82	1.09
MgO	LIM	2877	1.97	1.16	2.43	123.34	0.01	30.90	4.30
	SAP	2524	20.19	20.21	9.09	45.04	0.48	44.46	-0.08
SiO2	LIM	2877	8.51	5.75	7.17	84.29	0.61	56.00	1.96
	SAP	2524	35.92	37.73	7.95	22.14	6.57	78.82	-0.70
Co	LIM	2877	0.12	0.11	0.06	49.21	0.01	0.72	2.48
	SAP	2524	0.04	0.03	0.04	96.54	0.01	0.96	10.83

Descriptive Statistics (Bete South)

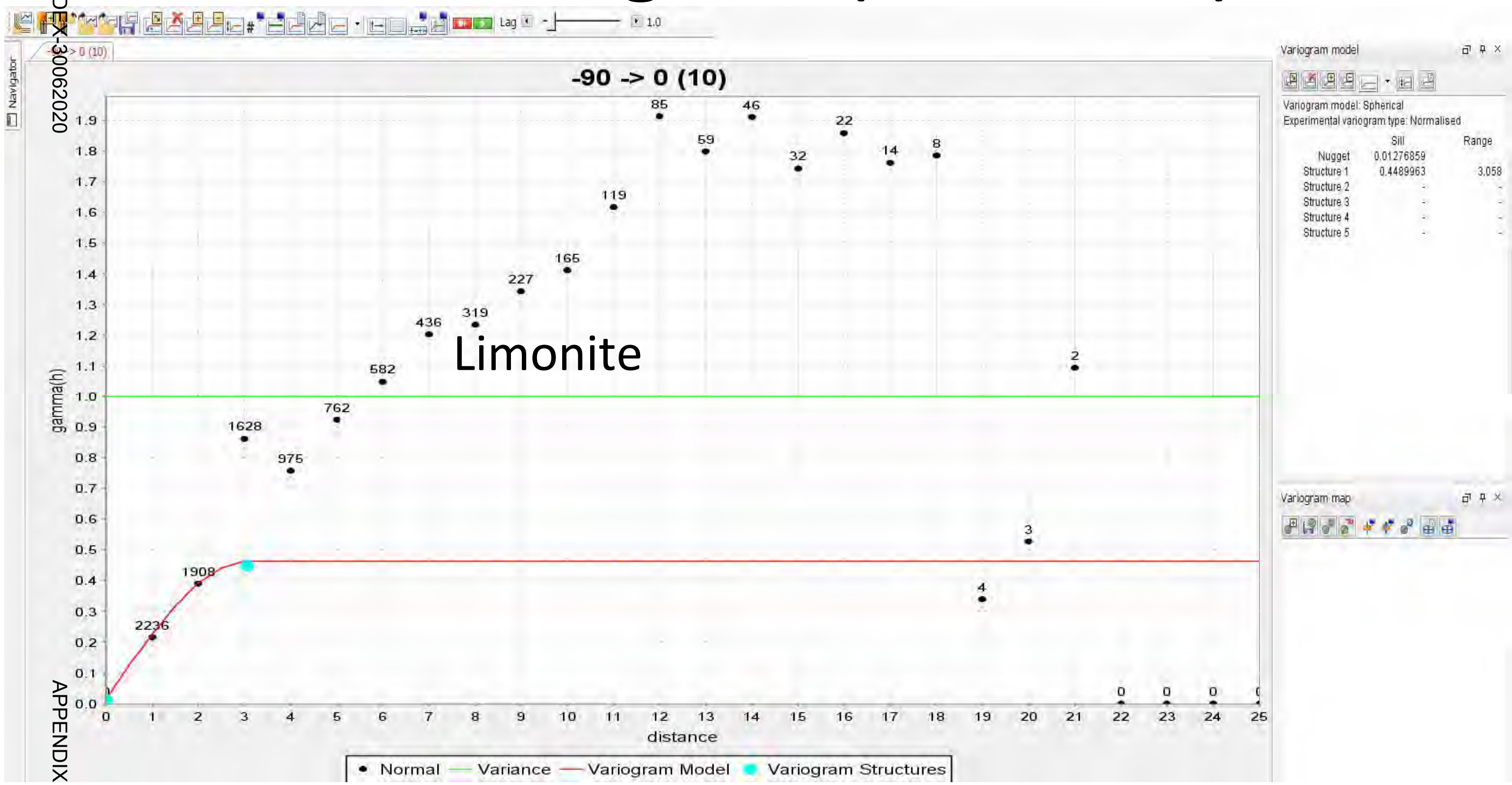
Ni - Limonite

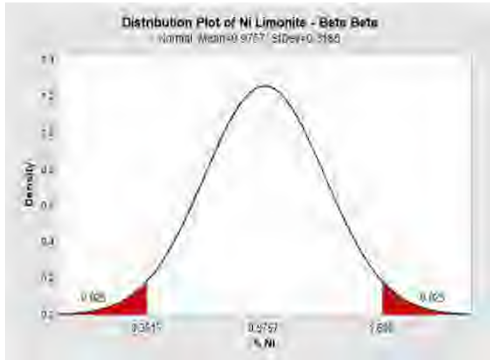


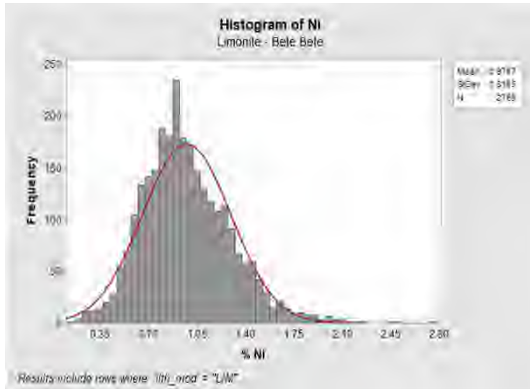
Ni - Saprolite



Downhole Variogram (Limonite)



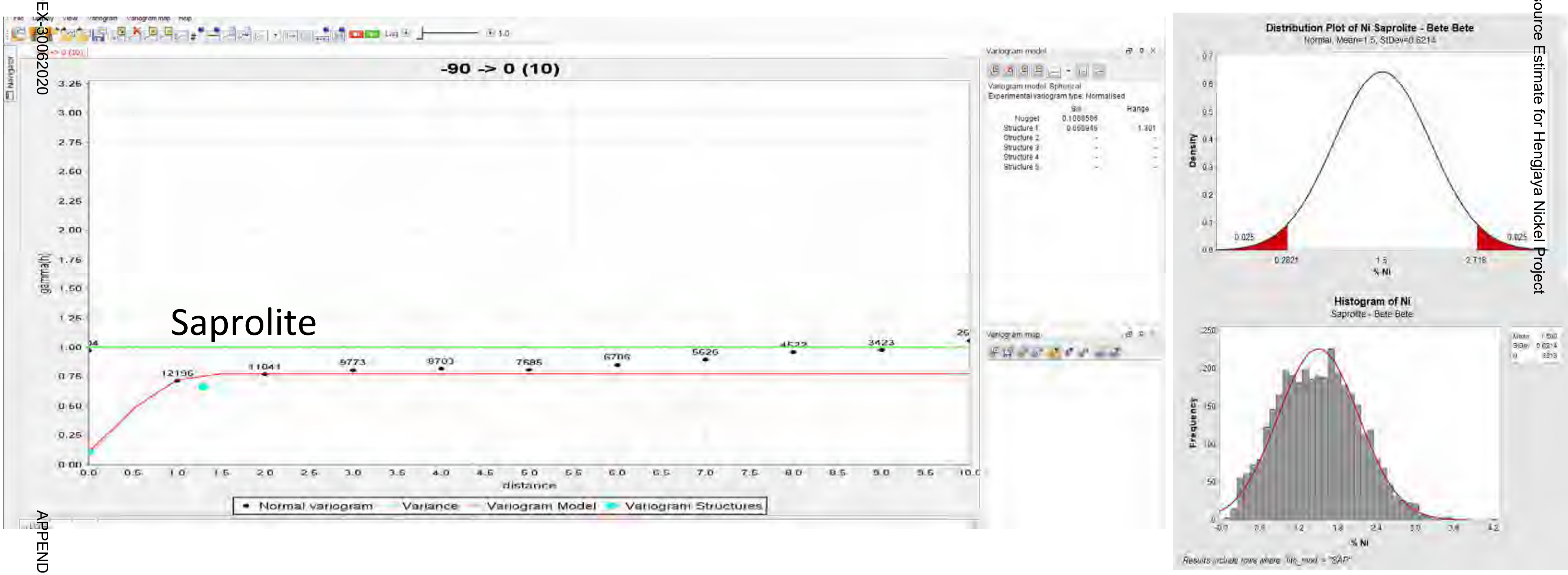




Nugget of LIM : 0.01

Maximum cut Ni :1.6

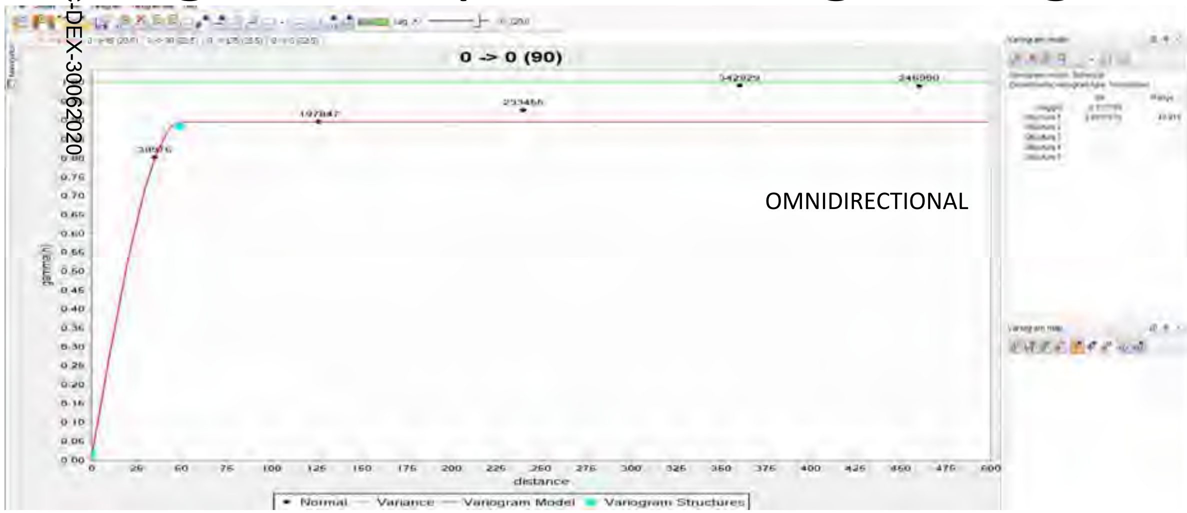
Downhole Variogram (Saprolite)



Nugget of SAP : 0.10

Maximum cut Ni :2.71

Variogram Map And Fitting Variogram (Limonite)



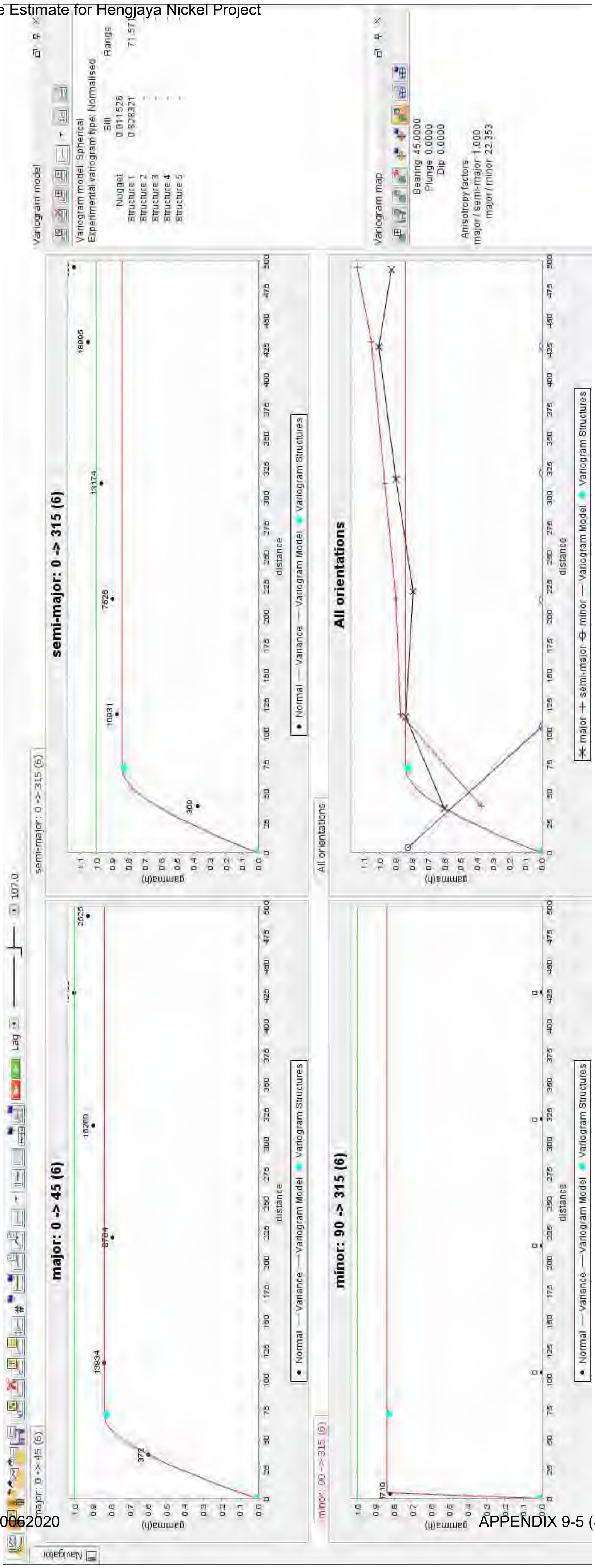
Nugget : 0.01

Sill : 0.82

Range : 71

Total Sill : 0.83

Variogram Map And Fitting Variogram (Limonite)

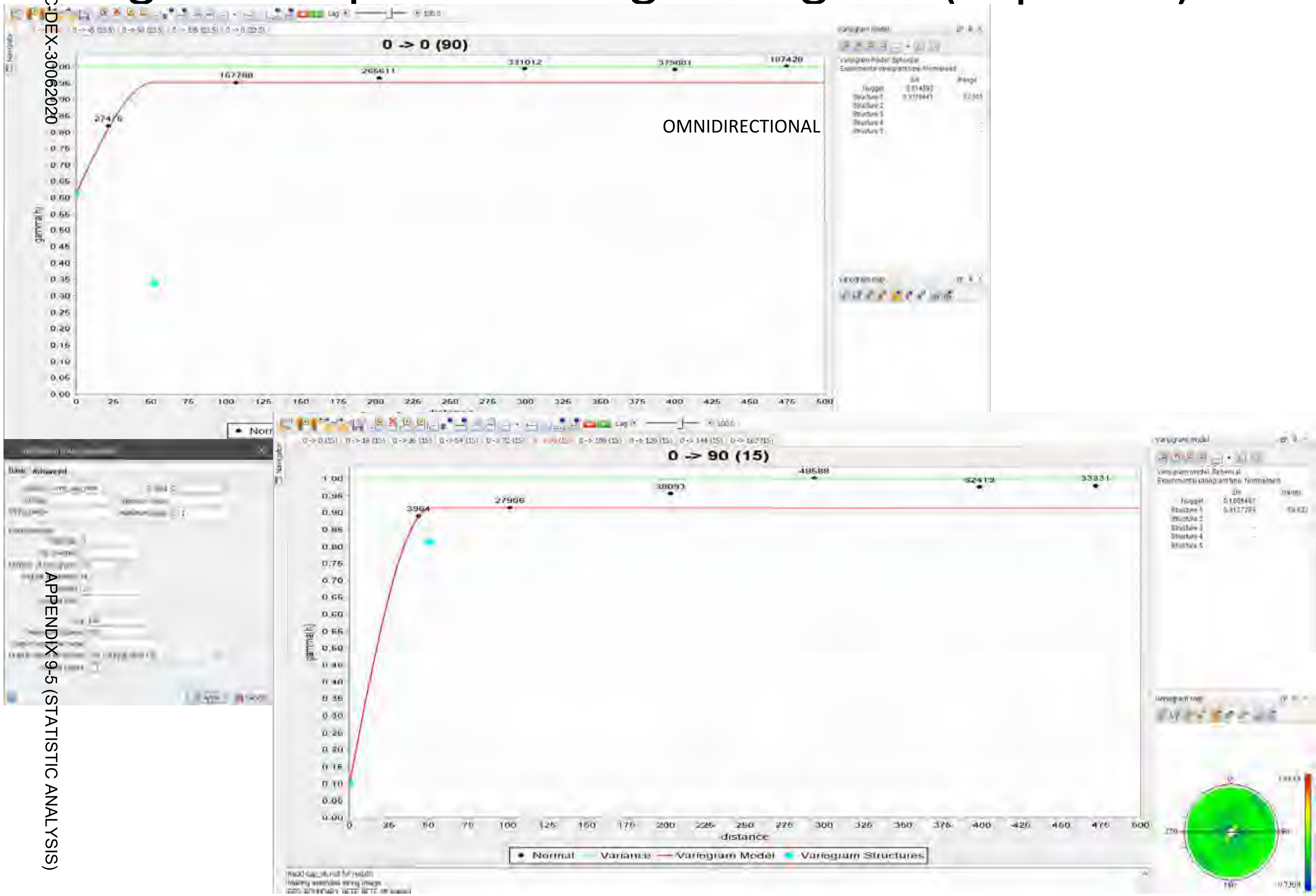


Bearing ; 45

Major / semi major : 1

Major / minor : 22.35

Variogram Map And Fitting Variogram (Saprolite)



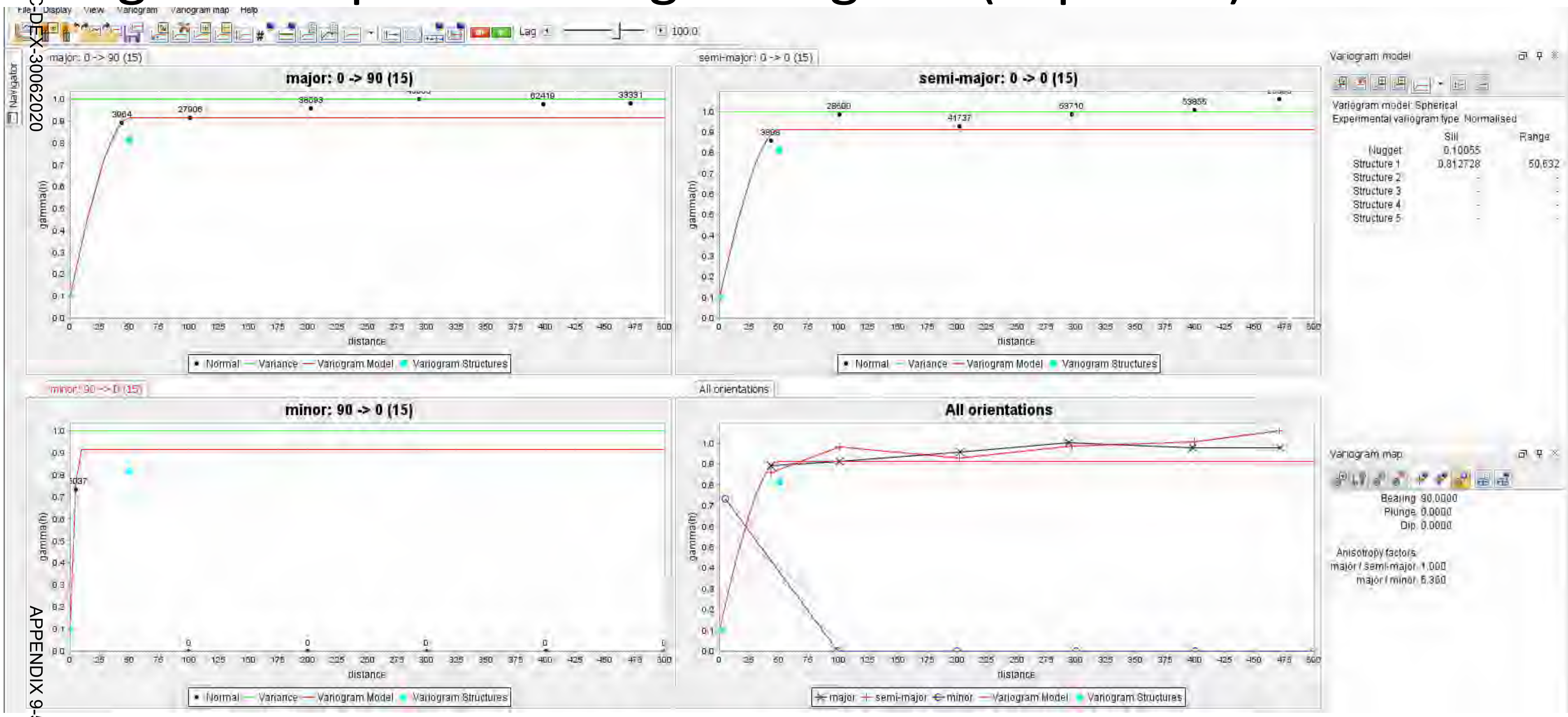
Nugget : 0.10

Sill : 0.81

Range : 50

Total Sill : 0.91

Variogram Map And Fitting Variogram (Saprolite)



Bearing ; 90

Major / semi major : 1

Major / minor : 6.36

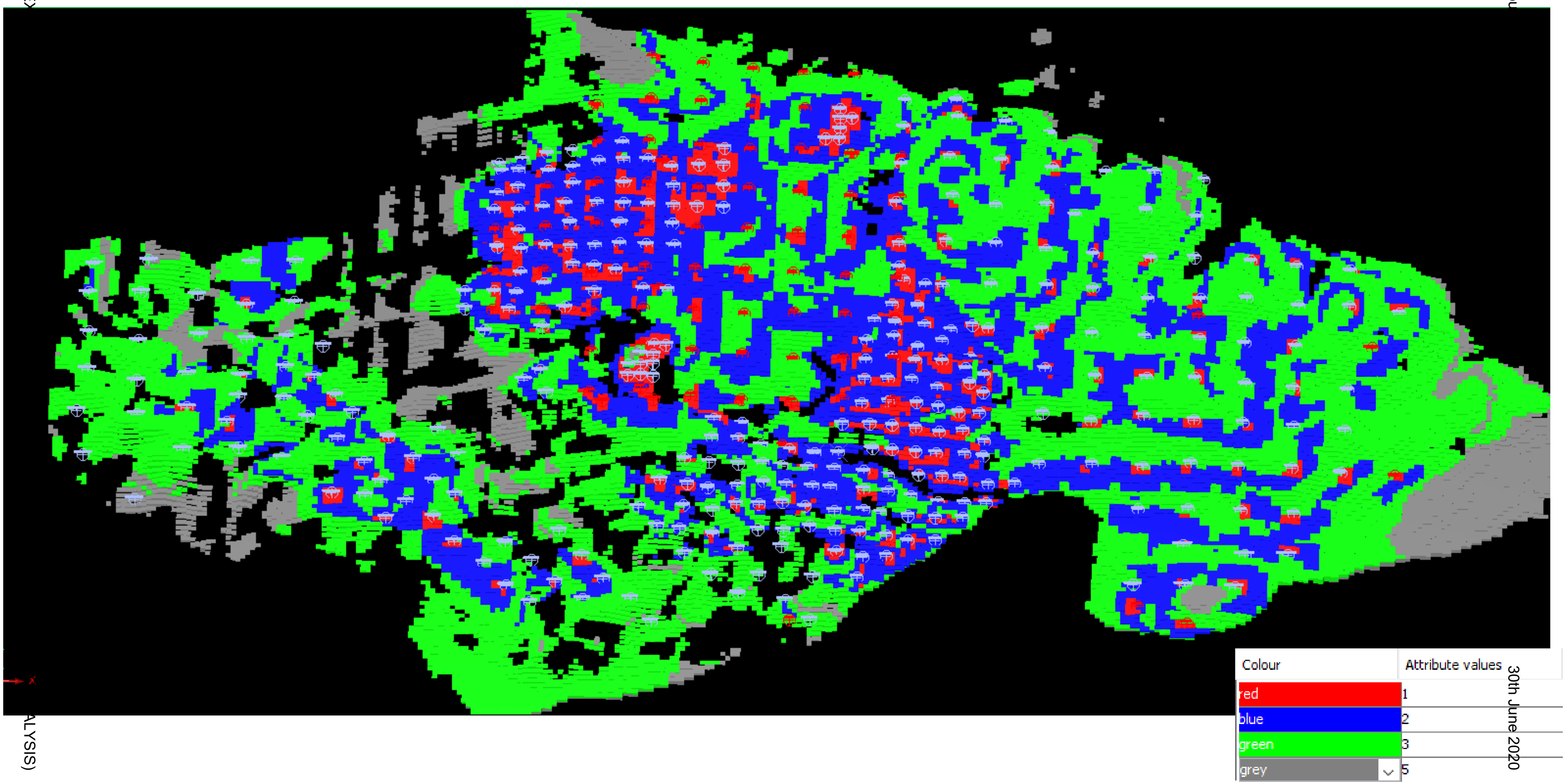
Estimation Parameters (Bete Bete)

Parameter	Bete Bete							
	Limonite				Saprolite			
	Pass 1	Pass 2	Pass3	Pass4	Pass 1	Pass 2	Pass3	Pass4
Search Type	Ellipsoid				Ellipsoid			
Bearing	45				90			
Plunge	0				0			
Dip	0				0			
Major-Semi Major Ratio	1.00				1.00			
Major-Minor Ratio	22.35				6.36			
Max Search Radius (m)	34	71	108	400	23	50	77	400
Max Vertical Search Distance (m)	2	2	2	2	2	2	2	2
Minimum Samples	3	3	2	1	3	3	2	1
Maximum Samples	15	15	15	15	15	15	15	15
Max. Samples per Hole								
Block Discretisation	3 X by 3 Y by 2 Z				3 X by 3 Y by 2 Z			

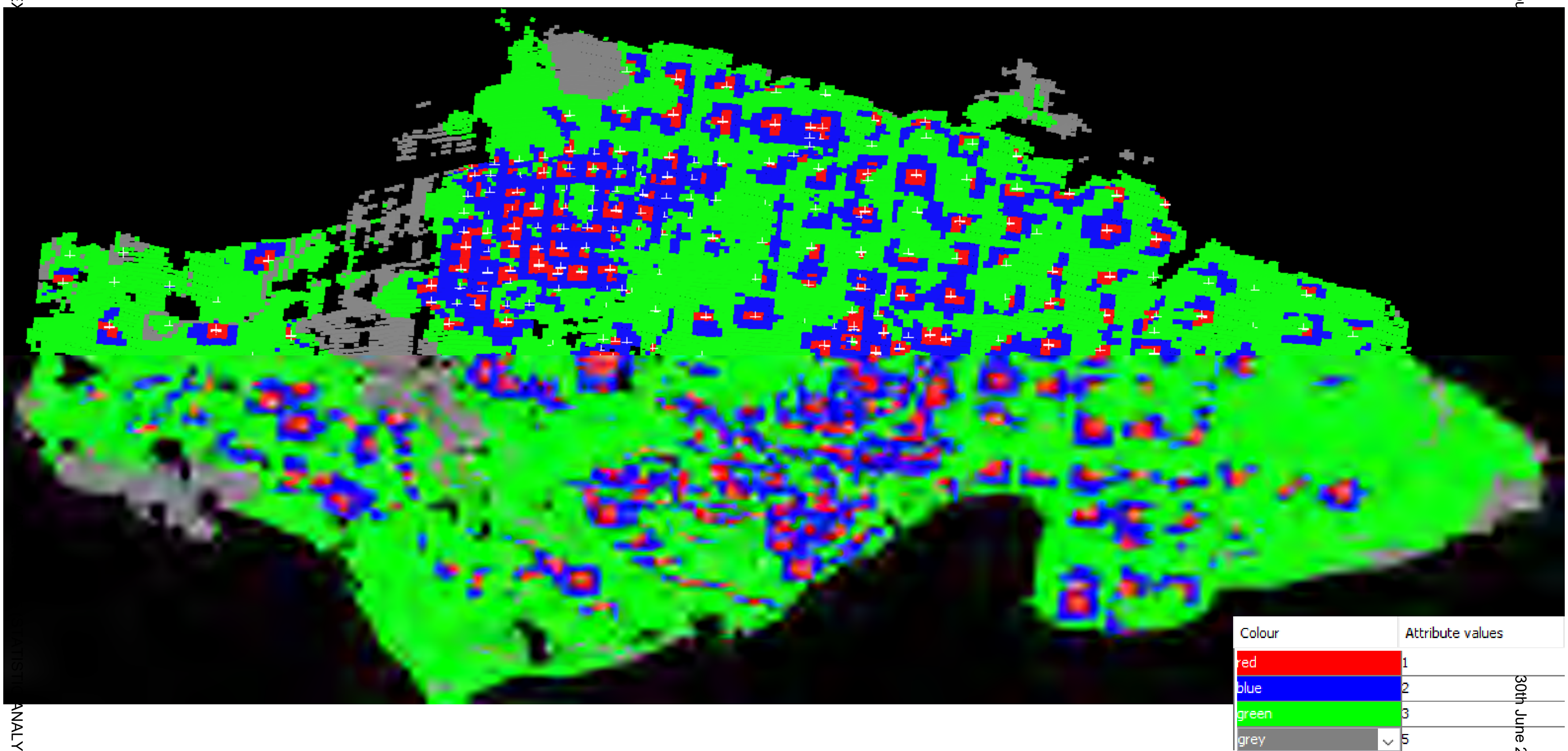
Estimation Parameters (Bete South)

Parameter	Bete South							
	Limonite				Saprolite			
	Pass 1	Pass 2	Pass3	Pass4	Pass 1	Pass 2	Pass3	Pass4
Search Type	Ellipsoid				Ellipsoid			
Bearing	90				144			
Plunge	0				0			
Dip	0				0			
Major-Semi Major Ratio	1.00				1.00			
Major-Minor Ratio	16.01				17.17			
Max Search Radius (m)	54	117	180	350	80	172	264	400
Max Vertical Search Distance (m)	2	2	2	2	2	2	2	2
Minimum Samples	3	3	2	1	3	3	2	1
Maximum Samples	15	15	15	15	15	15	15	15
Max. Samples per Hole								
Block Discretisation	3 X by 3 Y by 2 Z				3 X by 3 Y by 2 Z			

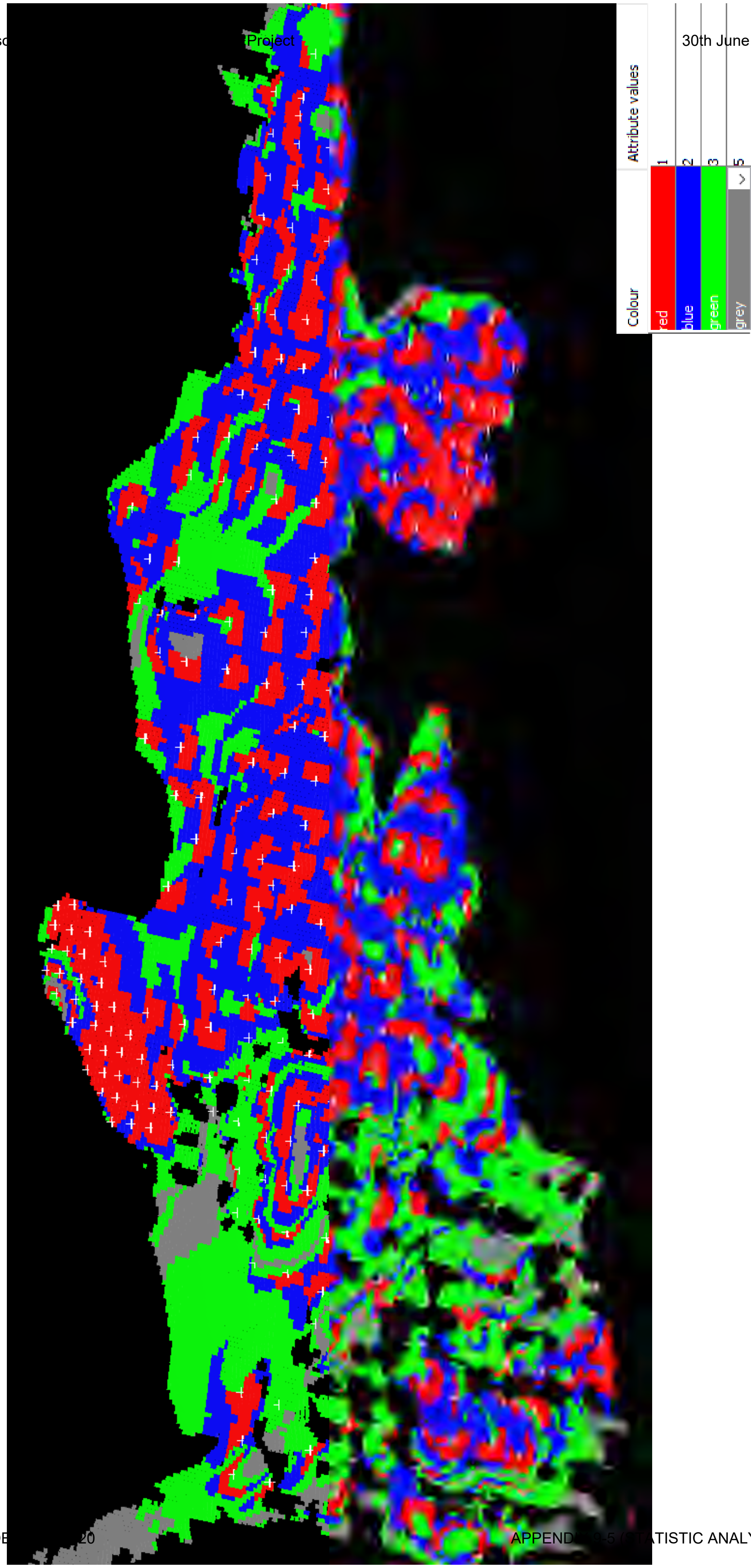
Display colour by pass kriging (Limonite – Bete Bete)

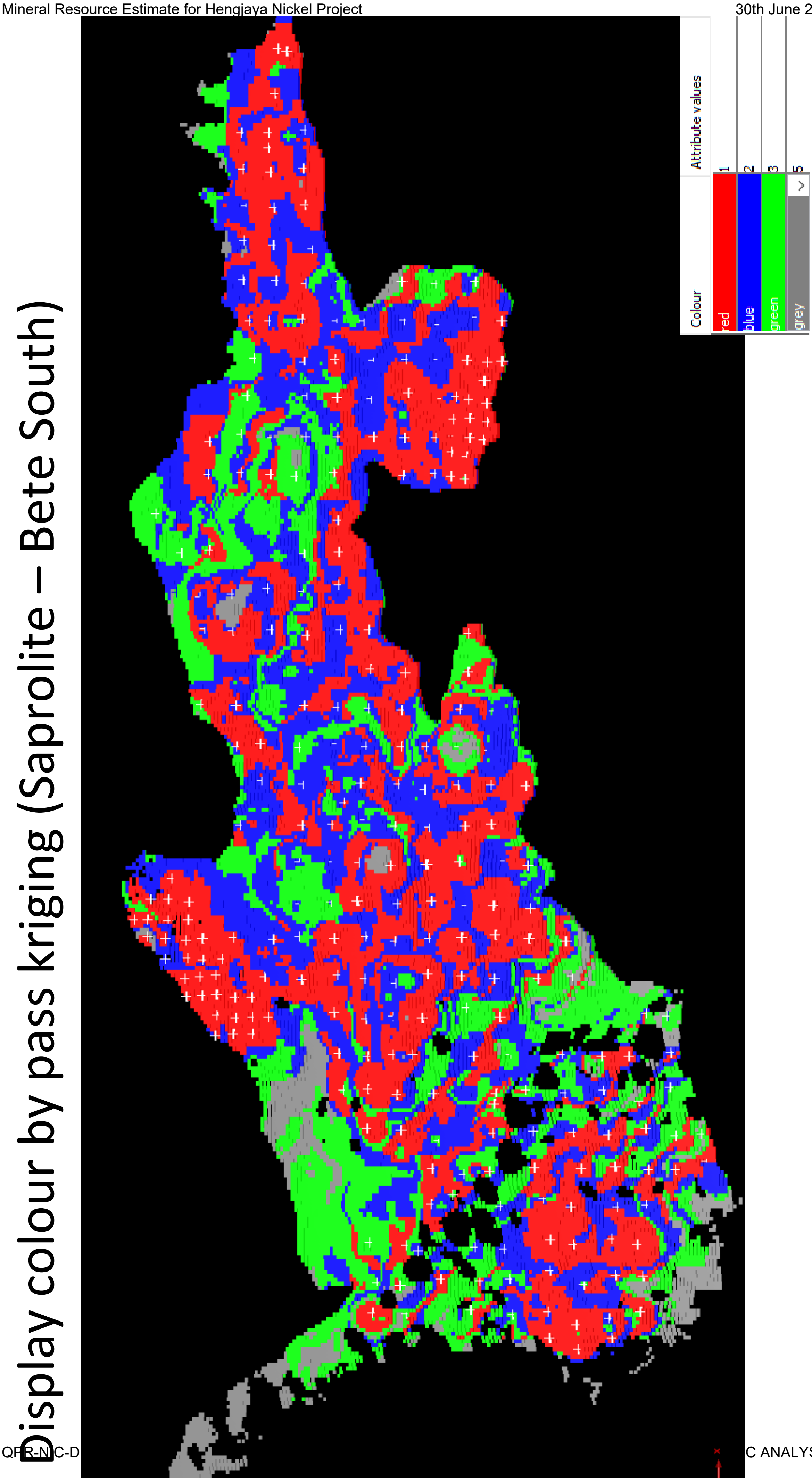


Display colour by pass kriging (Saprolite – Bete Bete)

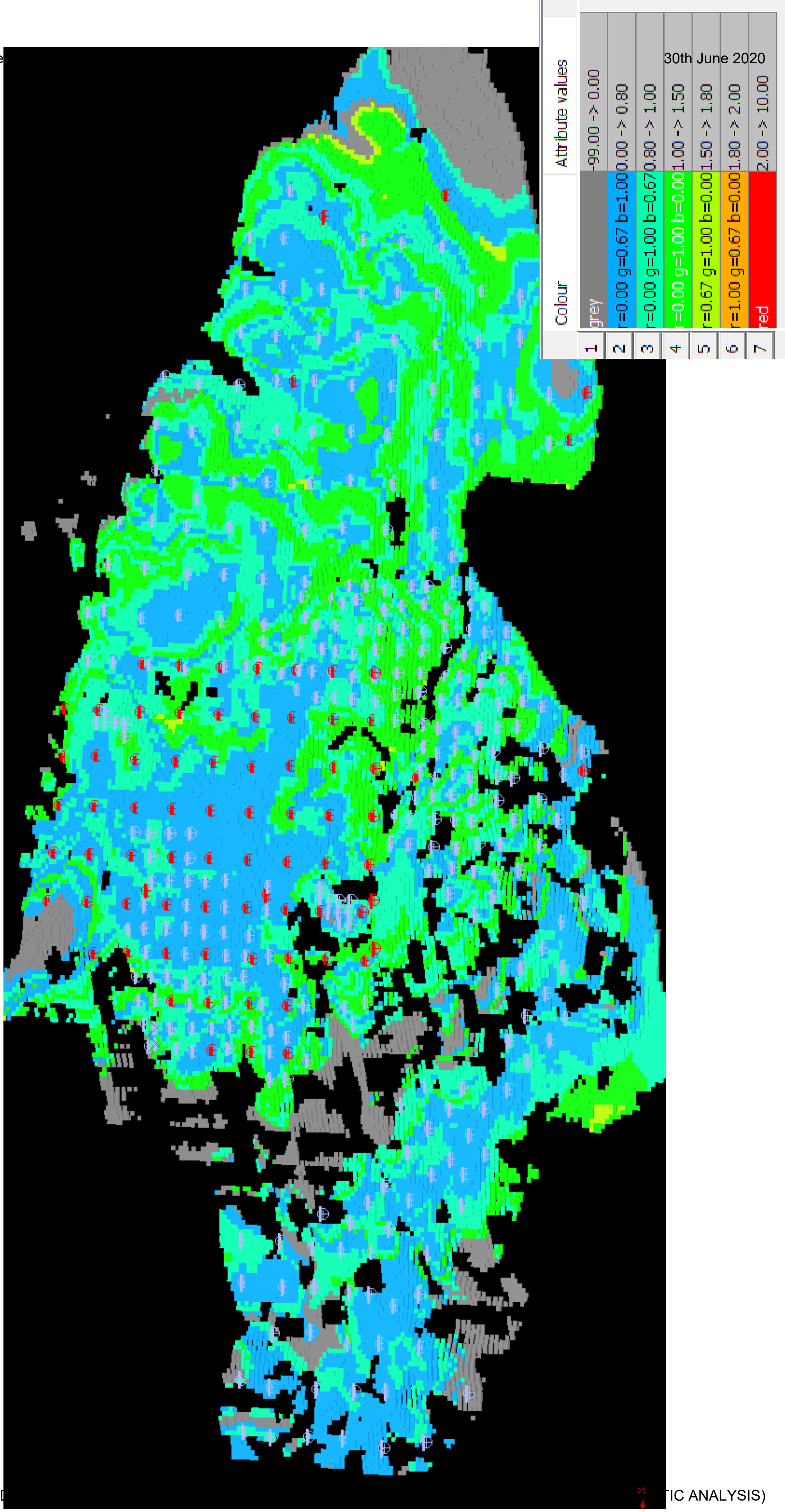


Display colour by pass kriging (Limonite – Bete South)

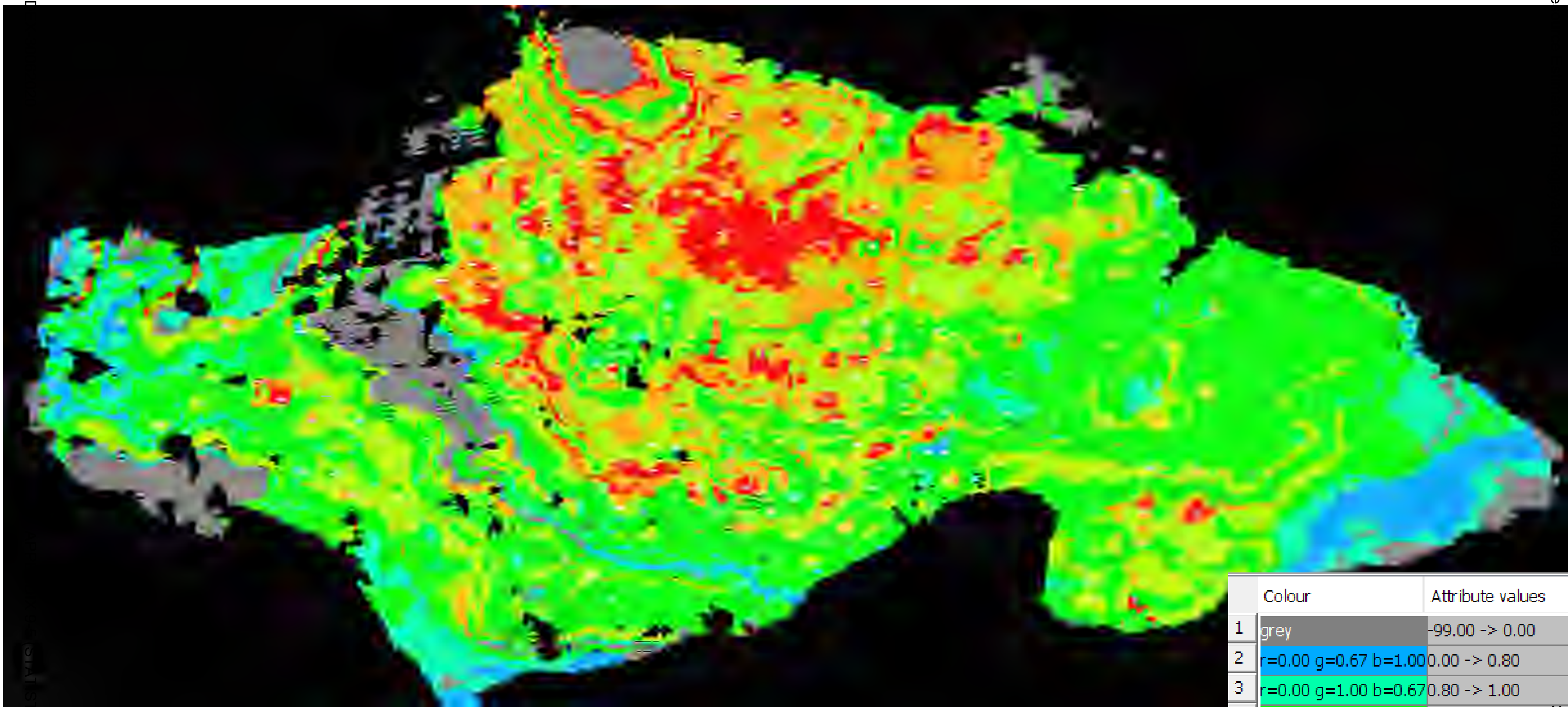



Display colour by pass kriging (Saprolite – Bete South)
Colour
Attribute values
red 1
blue 2
green 3
grey 5

Display colour by NI Ordinary Kriging (Limonite – Bete Bete)

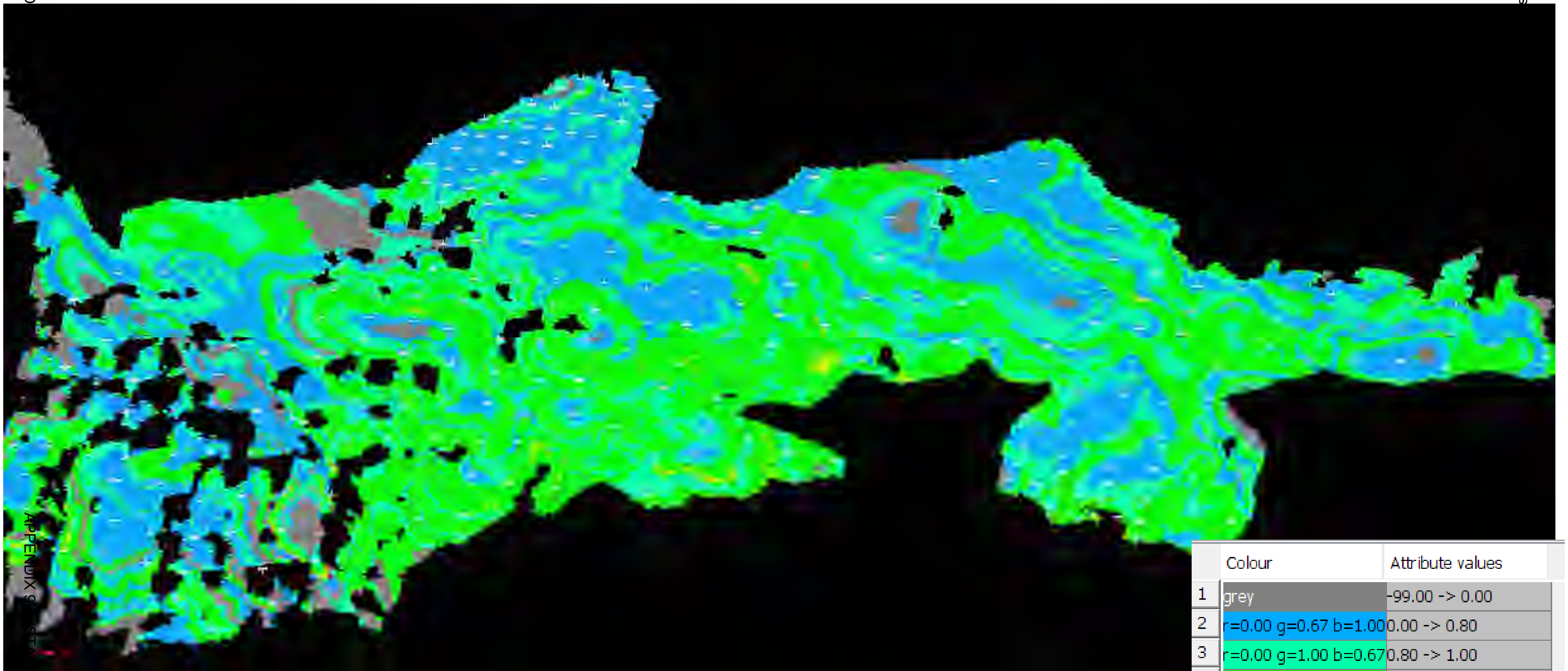


Display colour by NI Ordinary Kriging (Saprolite – Bete Bete)



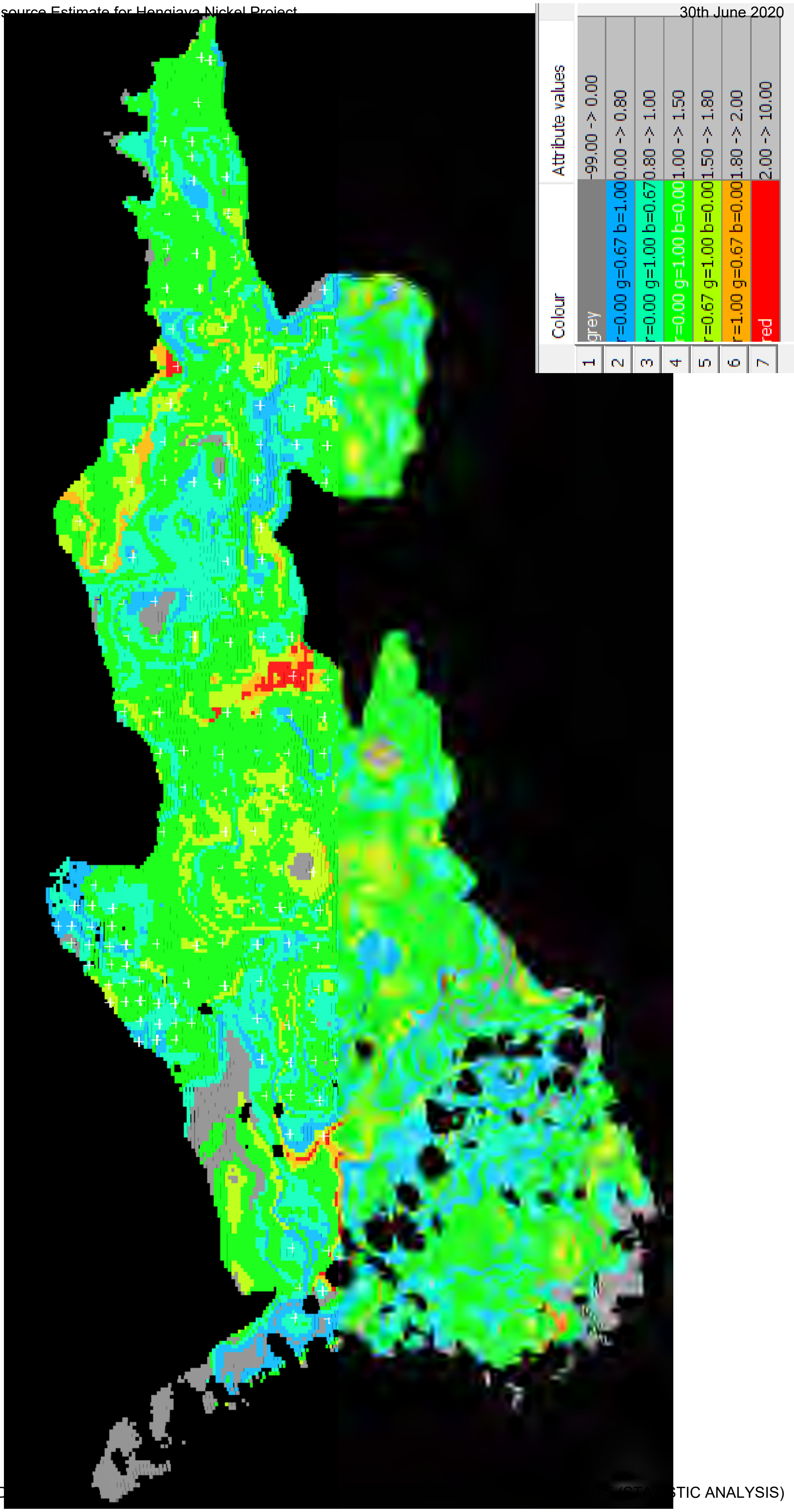
	Colour	Attribute values
1	grey	-99.00 -> 0.00
2	r=0.00 g=0.67 b=1.00	0.00 -> 0.80
3	r=0.00 g=1.00 b=0.67	0.80 -> 1.00
4	r=0.00 g=1.00 b=0.00	1.00 -> 1.50
5	r=0.67 g=1.00 b=0.00	1.50 -> 1.80
6	r=1.00 g=0.67 b=0.00	1.80 -> 2.00
7	red	2.00 -> 10.00

Display colour by NI Ordinary Kriging (Limonite – Bete South)

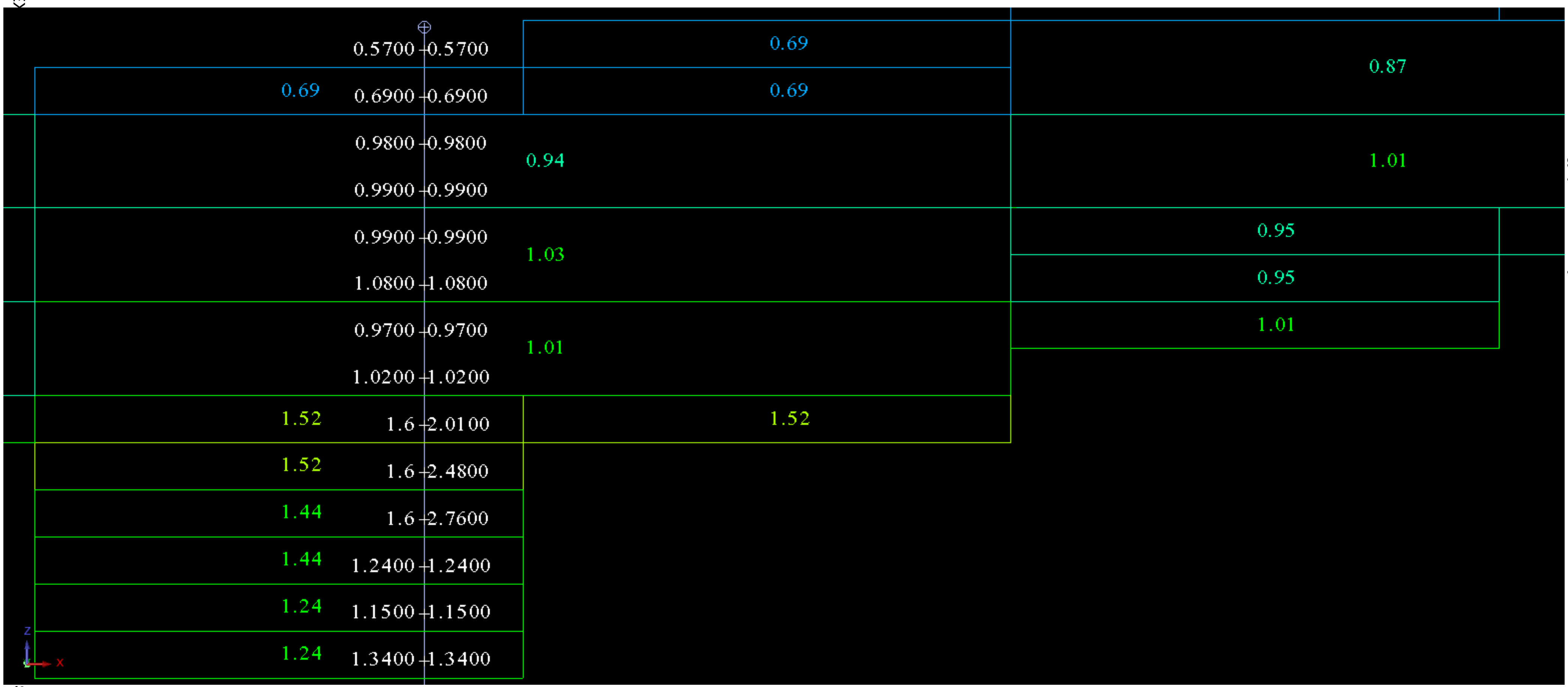


	Colour	Attribute values
1	grey	-99.00 -> 0.00
2	r=0.00 g=0.67 b=1.00	0.00 -> 0.80
3	r=0.00 g=1.00 b=0.67	0.80 -> 1.00
4	r=0.00 g=1.00 b=0.00	1.00 -> 1.50
5	r=0.67 g=1.00 b=0.00	1.50 -> 1.80
6	r=1.00 g=0.67 b=0.00	1.80 -> 2.00
7	red	2.00 -> 10.00

Display colour by NI Ordinary Kriging (Saprolite – Bete South)

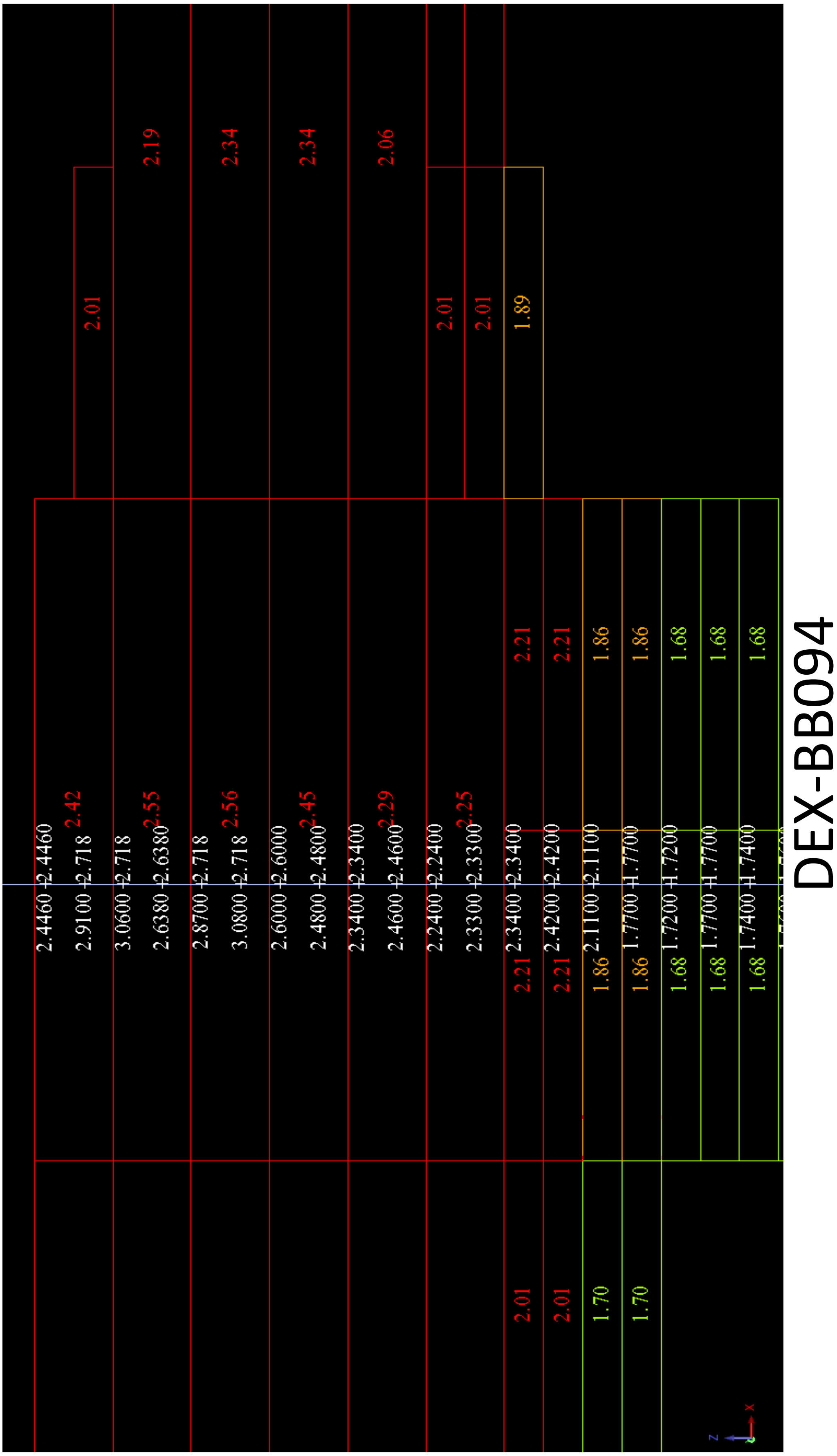


Section Validation Bete Bete (Limonite)

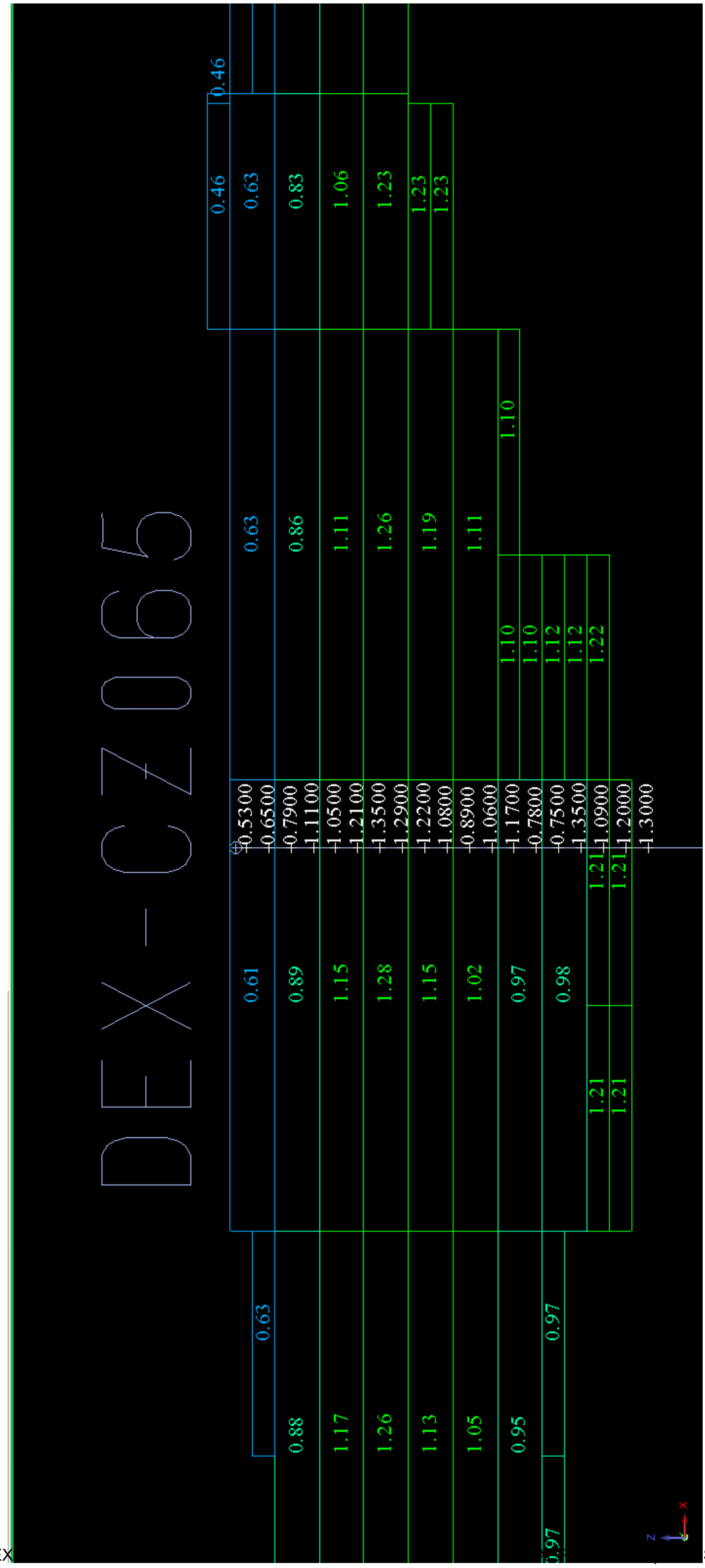


BB190032

Section Validation Bete Bete (Saprolite)

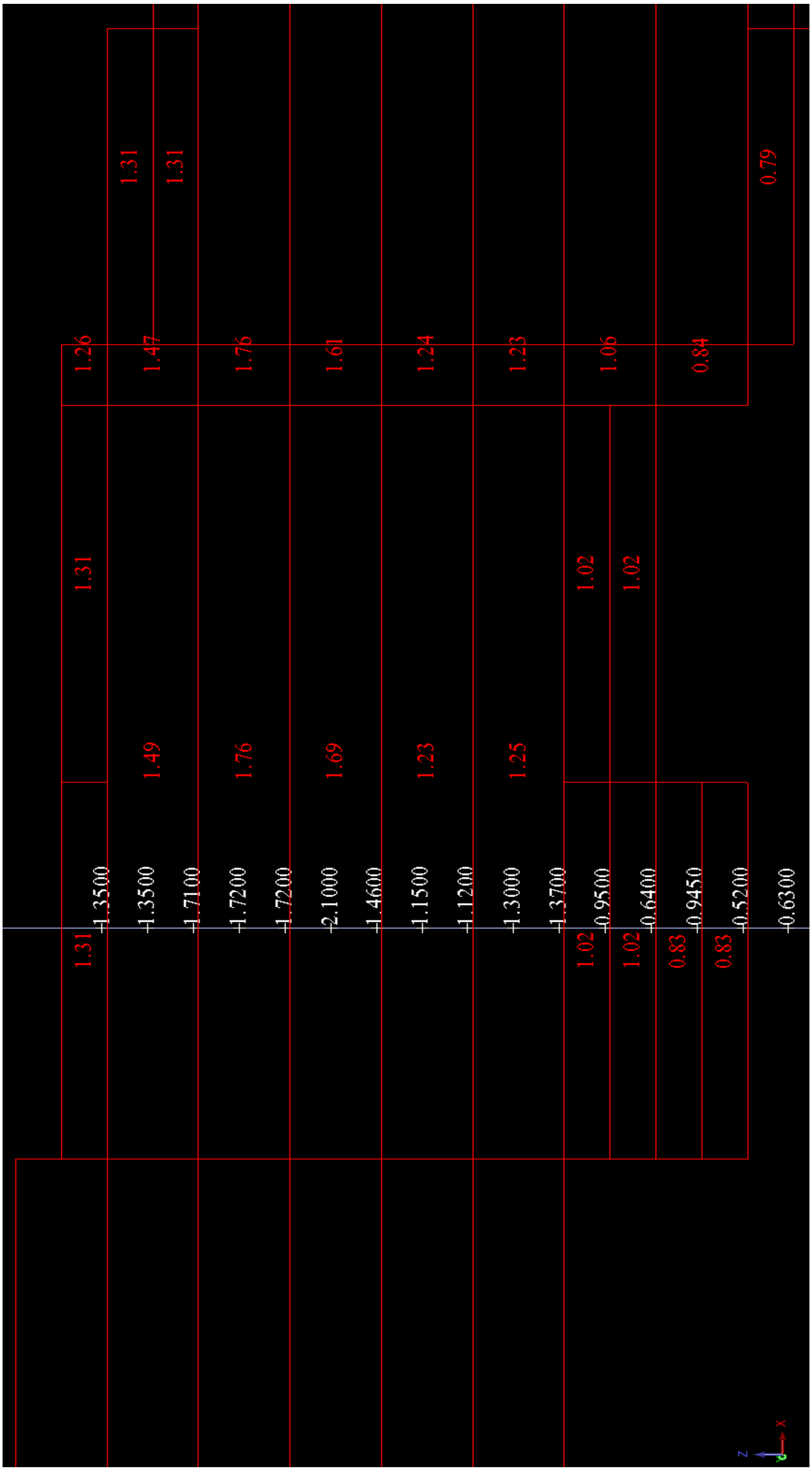


Section Validation Bete South (Limonite)



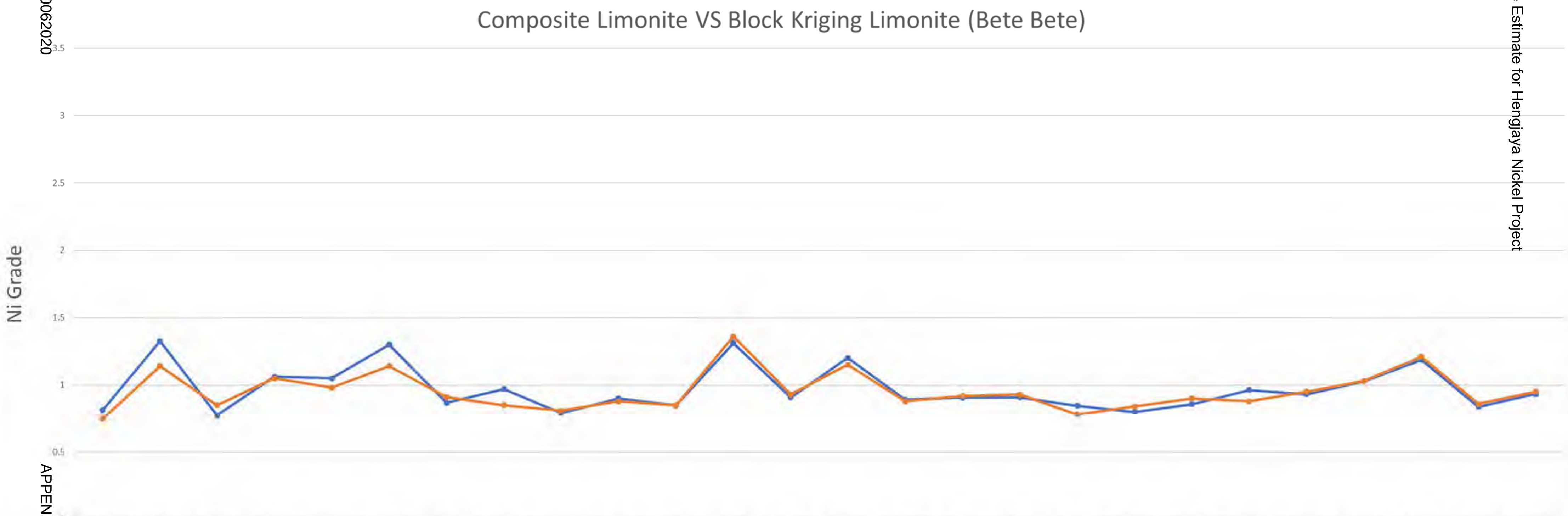
DEX-CZ065

Section Validation Bete South (Saprolite)



DEX-CZ352

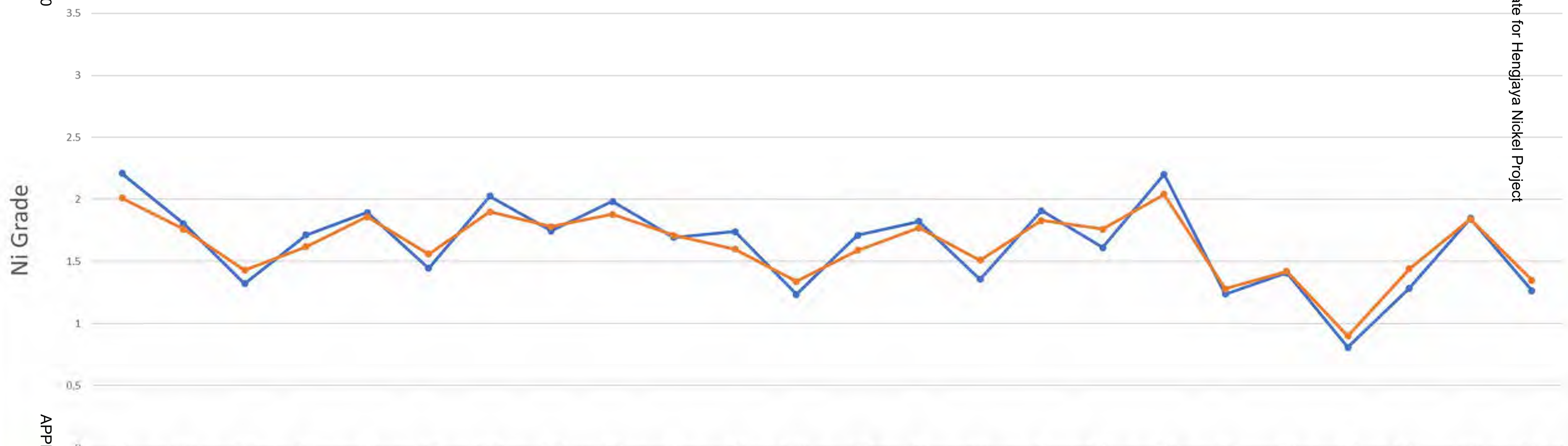
Swath Plot (Limonite – Bete Bete)



	DEX-BB094	BB190061	BB190064	BB190066	BB190033	BB190032	BS332	BSD333	DEX-BB018	BS334	DEX-BB021	BS447	BS344	DX00121	BS346	BS336	BS344	BB190102	BB190099	BB190103	DX00020	DX00019	DX00018	DX00162	DX00094	DX00088
comp_lim	0.8125	1.325	0.775	1.0613	1.05	1.2988	0.8683	0.9709	0.7918	0.9	0.8492	1.3114	0.9075	1.2	0.8917	0.9064	0.9075	0.8457	0.8	0.8589	0.9633	0.931	1.0283	1.1867	0.8376	0.9343
block_lim	0.75	1.14	0.85	1.05	0.98	1.14	0.91	0.85	0.81	0.88	0.85	1.36	0.93	1.15	0.88	0.92	0.93	0.78	0.84	0.9	0.88	0.95	1.03	1.21	0.86	0.95
	0.04	0.13	0.05	0.01	0.05	0.11	0.03	0.09	0.01	0.01	0.00	0.03	0.02	0.04	0.01	0.01	0.02	0.05	0.03	0.03	0.06	0.01	0.00	0.02	0.02	0.01

Swath Plot (Saprolite – Bete Bete)

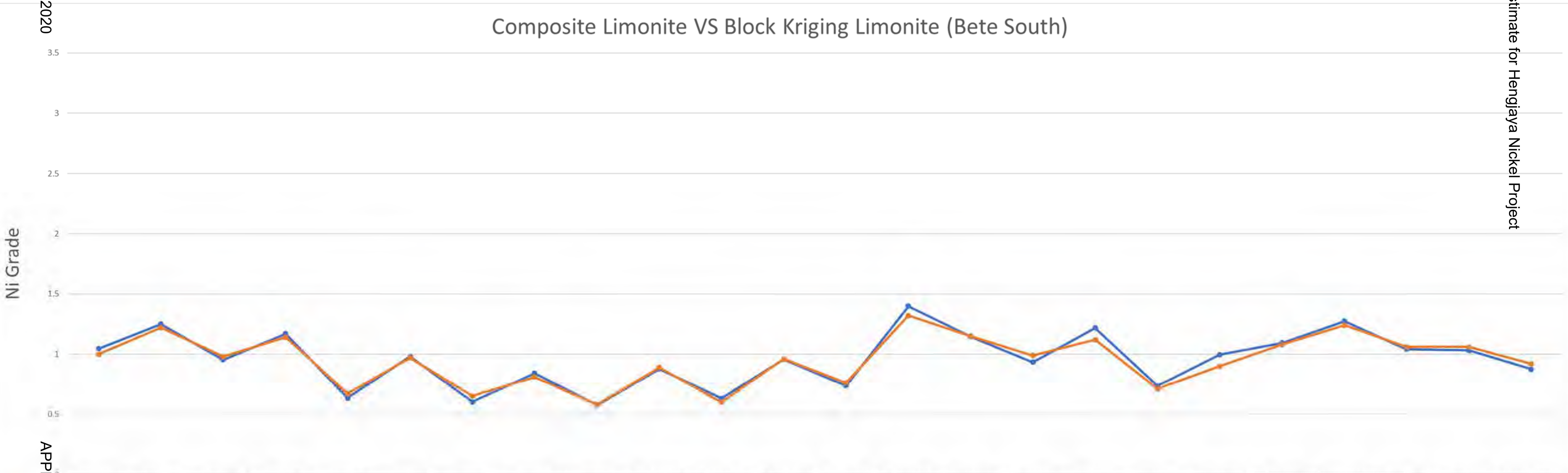
Composite Saprolite VS Block Kriging Saprolite (Bete Bete)



	0.14	0.03	0.08	0.07	0.02	0.08	0.09	0.02	0.07	0.01	0.10	0.07	0.08	0.04	0.11	0.06	0.10	0.11	0.03	0.01	0.07	0.11	0.01	0.06
mp_sap	2.2093	1.8054	1.3212	1.7136	1.8936	1.4443	2.0253	1.746	1.9838	1.6931	1.7402	1.235	1.71	1.822	1.3574	1.9078	1.6125	2.201	1.2379	1.4084	0.8076	1.2852	1.8474	1.2635
block_sap	2.01	1.76	1.43	1.62	1.86	1.56	1.9	1.78	1.88	1.71	1.6	1.34	1.59	1.77	1.51	1.83	1.76	2.04	1.28	1.42	0.9	1.44	1.84	1.35
	0.14	0.03	0.08	0.07	0.02	0.08	0.09	0.02	0.07	0.01	0.10	0.07	0.08	0.04	0.11	0.06	0.10	0.11	0.03	0.01	0.07	0.11	0.01	0.06

Hole Id

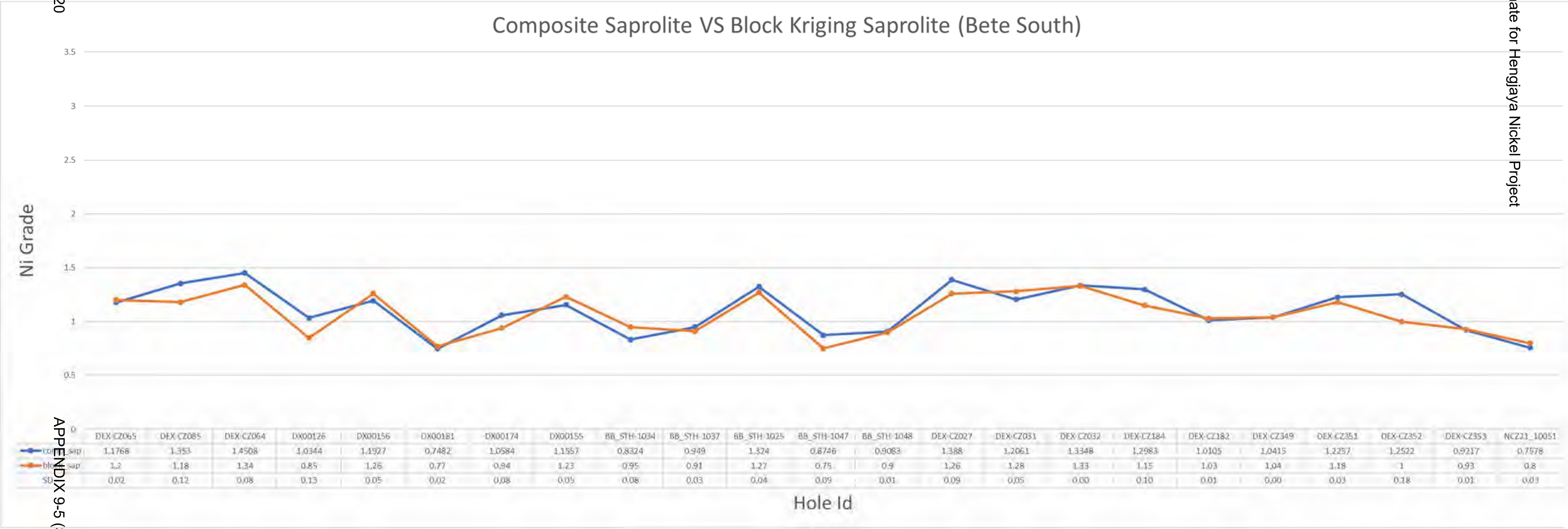
Swath Plot (Limonite – Bete South)



	DEX-CZ065	DEX-CZ085	DEX-CZ064	DEX-CZ083	DX00126	DX00156	DX00181	DX00174	DX00155	BB_STH-1034	BB_STH-1037	BB_STH-1025
comp lim	1.0458	1.2489	0.9533	1.17	0.635	0.9791	0.602	0.8413	0.5762	0.8763	0.63	0.958
block lim	1	1.22	0.98	1.14	0.67	0.97	0.65	0.81	0.58	0.89	0.6	0.96
SD	0.03	0.02	0.02	0.02	0.02	0.01	0.03	0.02	0.00	0.01	0.02	0.00

	BB_STH-1047	BB_STH-1048	DEX-CZ027	DEX-CZ031	DEX-CZ032	DEX-CZ184	DEX-CZ182	DEX-CZ349	DEX-CZ351	DEX-CZ352	DEX-CZ353	NCZ21_10051
comp lim	0.736	1.3978	1.1463	0.9327	1.2175	0.7354	0.995	1.0932	1.2744	1.0421	1.0314	0.8744
block lim	0.76	1.32	1.15	0.99	1.12	0.71	0.9	1.08	1.24	1.06	1.06	0.92
SD	0.02	0.06	0.00	0.04	0.07	0.02	0.07	0.01	0.02	0.01	0.02	0.03

Swath Plot (Saprolite – Bete South)



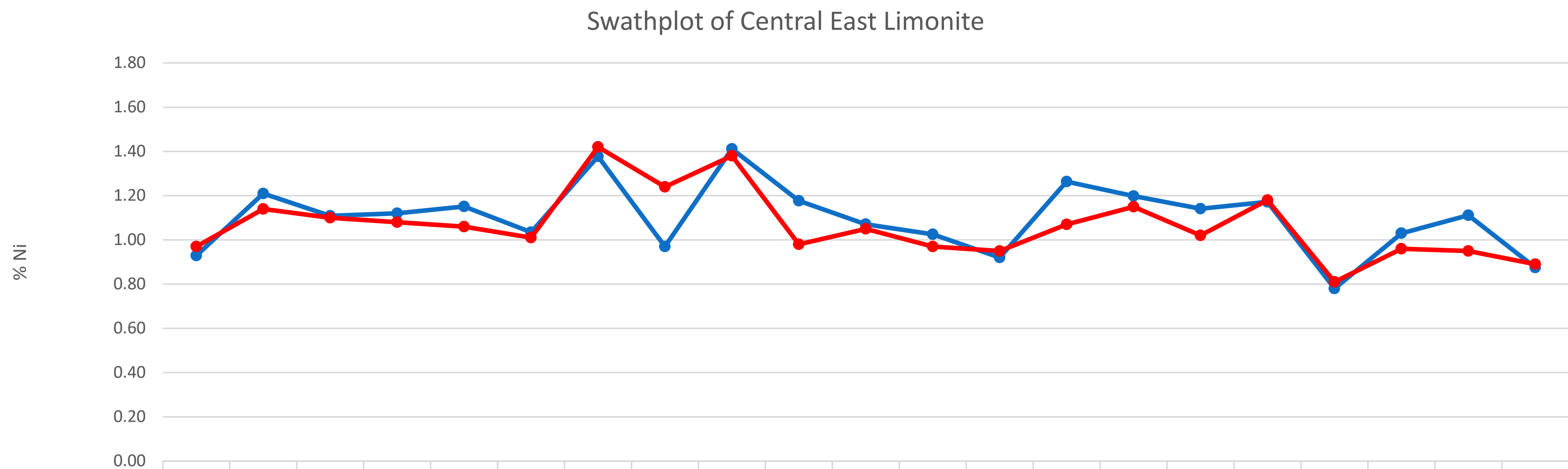
	DEX-CZ065	DEX-CZ085	DEX-CZ054	DX00126	DX00156	DX00181	DX00174	DX00155	BB_STH-1034	BB_STH-1037	BB_STH-1025
comp sap	1.1768	1.353	1.4508	1.0344	1.1927	0.7482	1.0584	1.1557	0.8324	0.949	1.324
block sap	1.2	1.18	1.34	0.85	1.26	0.77	0.94	1.23	0.95	0.91	1.27
SD	0.02	0.12	0.08	0.13	0.05	0.02	0.08	0.05	0.08	0.03	0.04

	BB_STH-1047	BB_STH-1048	DEX-CZ027	DEX-CZ031	DEX-CZ032	DEX-CZ184	DEX-CZ182	DEX-CZ349	DEX-CZ351	DEX-CZ352	DEX-CZ353	NCZ21_10051
comp sap	0.8746	0.9083	1.388	1.2061	1.3348	1.2983	1.0105	1.0415	1.2257	1.2522	0.9217	0.7578
block sap	0.75	0.9	1.26	1.28	1.33	1.15	1.03	1.04	1.18	1	0.93	0.8
SD	0.09	0.01	0.09	0.05	0.00	0.10	0.01	0.00	0.03	0.18	0.01	0.03

KRIGING COMPARISON BY SWATHPLOT

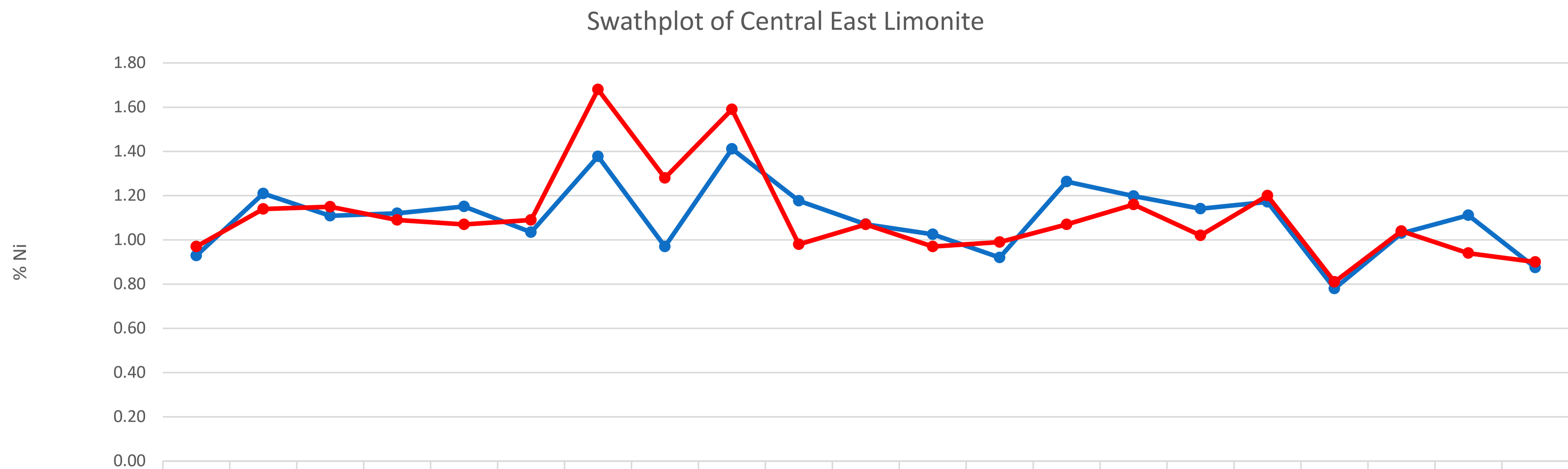
CENTRAL EAST

Swathplot – Limonite Ni OK



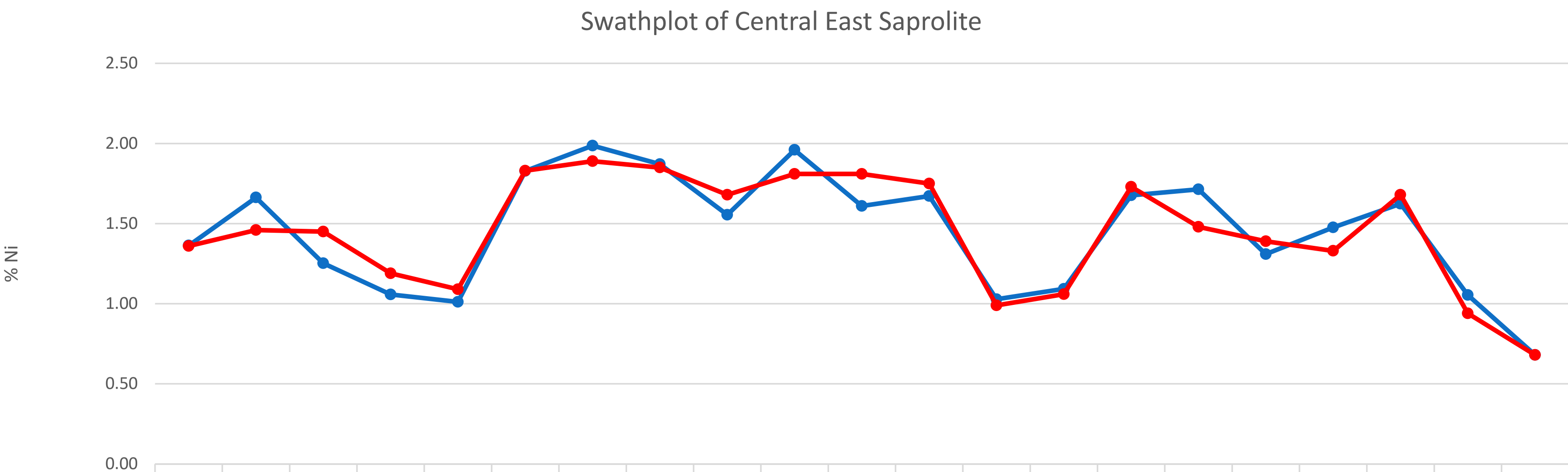
	CZ2101 44	CZ2101 45	CZ2101 46	CZ2101 47	CZ2101 48	CZ2101 49	CZ2101 11	CZ2100 53	CZ2100 58	CZ2100 65	CZ2100 70	CZ2100 77	CZ2100 43	CZ2100 84	CZ2100 38	CZ2100 91	CZ2100 34	CZ2100 97	CZ2100 28	CZ2101 89	CZ2101 90
Composite	0.93	1.21	1.11	1.12	1.15	1.03	1.38	0.97	1.41	1.18	1.07	1.03	0.92	1.26	1.20	1.14	1.17	0.78	1.03	1.11	0.87
Block Model	0.97	1.14	1.1	1.08	1.06	1.01	1.42	1.24	1.38	0.98	1.05	0.97	0.95	1.07	1.15	1.02	1.18	0.81	0.96	0.95	0.89
StDeviation	0.02	0.03	0.00	0.02	0.05	0.01	0.02	0.14	0.02	0.10	0.01	0.03	0.02	0.10	0.02	0.06	0.00	0.02	0.04	0.08	0.01

Swathplot – Limonite Ni New Model



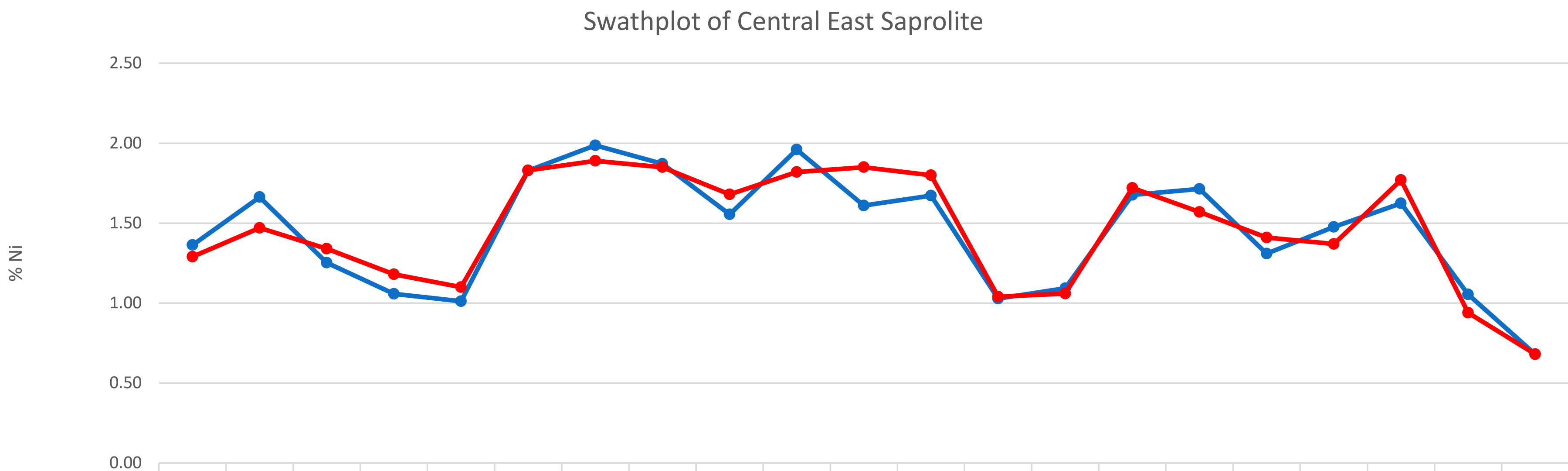
	CZ2101 44	CZ2101 45	CZ2101 46	CZ2101 47	CZ2101 48	CZ2101 49	CZ2101 11	CZ2100 53	CZ2100 58	CZ2100 65	CZ2100 70	CZ2100 77	CZ2100 43	CZ2100 84	CZ2100 38	CZ2100 91	CZ2100 34	CZ2100 97	CZ2100 28	CZ2101 89	CZ2101 90
Composite	0.93	1.21	1.11	1.12	1.15	1.03	1.38	0.97	1.41	1.18	1.07	1.03	0.92	1.26	1.20	1.14	1.17	0.78	1.03	1.11	0.87
Block Model	0.97	1.14	1.15	1.09	1.07	1.09	1.68	1.28	1.59	0.98	1.07	0.97	0.99	1.07	1.16	1.02	1.20	0.81	1.04	0.94	0.90
StDeviation	0.03	0.05	0.03	0.02	0.06	0.04	0.21	0.22	0.13	0.14	0.00	0.04	0.05	0.14	0.03	0.09	0.02	0.02	0.01	0.12	0.02

Swathplot – Saprolite Ni OK



	CZ2101 44	CZ2101 45	CZ2101 46	CZ2101 47	CZ2101 48	CZ2101 49	CZ2101 11	CZ2100 53	CZ2100 58	CZ2100 65	CZ2100 70	CZ2100 77	CZ2100 43	CZ2100 84	CZ2100 38	CZ2100 91	CZ2100 34	CZ2100 97	CZ2100 28	CZ2101 89	CZ2101 90
Composite	1.36	1.66	1.25	1.06	1.01	1.83	1.99	1.87	1.55	1.96	1.61	1.67	1.03	1.09	1.68	1.71	1.31	1.48	1.62	1.05	0.68
Block Model	1.36	1.46	1.45	1.19	1.09	1.83	1.89	1.85	1.68	1.81	1.81	1.75	0.99	1.06	1.73	1.48	1.39	1.33	1.68	0.94	0.68
StDeviation	0.00	0.10	0.10	0.07	0.04	0.00	0.05	0.01	0.06	0.08	0.10	0.04	0.02	0.02	0.03	0.12	0.04	0.07	0.03	0.06	0.00

Swathplot – Saprolite Ni New Model



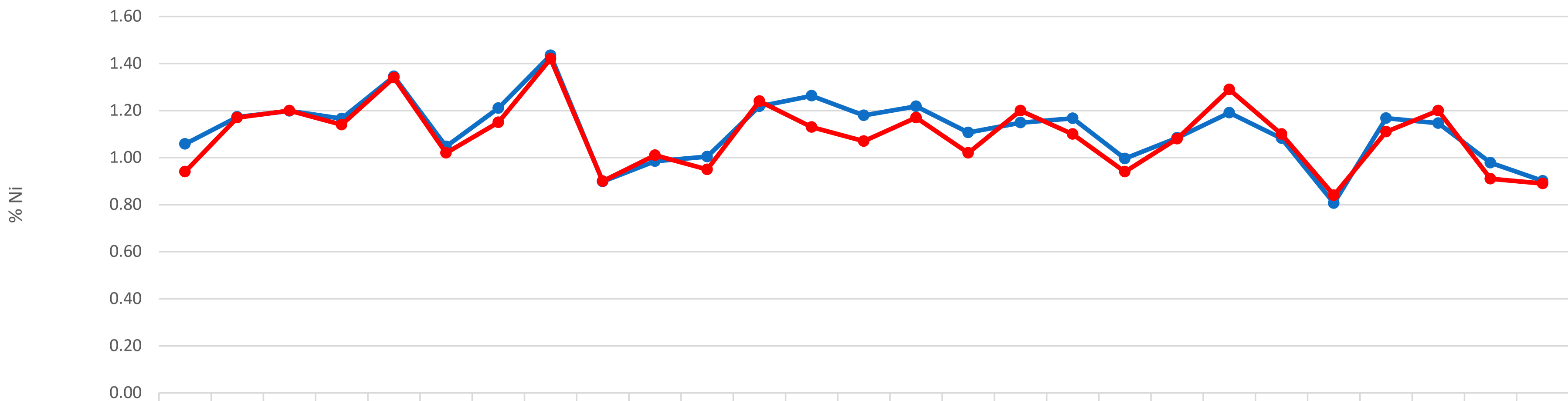
	CZ2101 44	CZ2101 45	CZ2101 46	CZ2101 47	CZ2101 48	CZ2101 49	CZ2101 11	CZ2100 53	CZ2100 58	CZ2100 65	CZ2100 70	CZ2100 77	CZ2100 43	CZ2100 84	CZ2100 38	CZ2100 91	CZ2100 34	CZ2100 97	CZ2100 28	CZ2101 89	CZ2101 90
Composite	1.36	1.66	1.25	1.06	1.01	1.83	1.99	1.87	1.55	1.96	1.61	1.67	1.03	1.09	1.68	1.71	1.31	1.48	1.62	1.05	0.68
Block Model	1.29	1.47	1.34	1.18	1.10	1.83	1.89	1.85	1.68	1.82	1.85	1.80	1.04	1.06	1.72	1.57	1.41	1.37	1.77	0.94	0.68
StDeviation	0.05	0.14	0.06	0.09	0.06	0.00	0.07	0.02	0.09	0.10	0.17	0.09	0.01	0.02	0.03	0.10	0.07	0.08	0.10	0.08	0.00

KRIGING COMPARISON BY SWATHPLOT

CENTRAL WEST

Swathplot – Limonite Ni OK

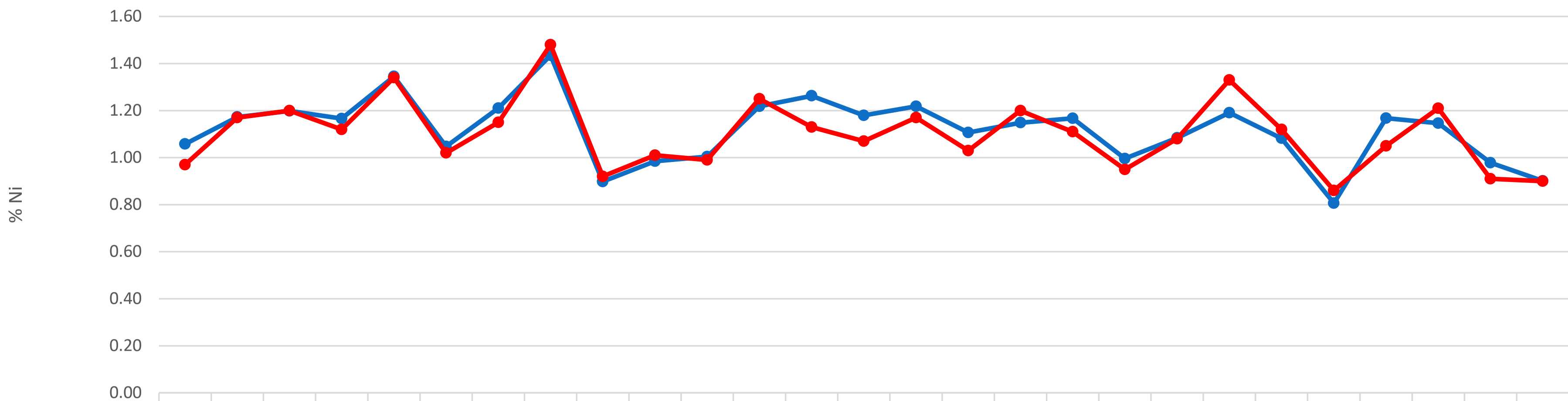
Swathplot of Central West Limonite



	DEX-CZ029	DEX-CZ050	DEX-CZ053	DEX-CZ073	DEX-CZ076	DEX-CZ095	DEX-CZ101	DEX-CZ118	DEX-CZ124	DEX-CZ138	DEX-CZ141	DEX-CZ169	BV_G3_1_29	BV_I3_5_29	BV_G3_9_29	BV_G3_13_29	DEX-CZ202	DEX-CZ205	NCZ21_10142	NCZ21_10143	NCZ21_10144	NCZ21_10145	NCZ21_10146	NCZ21_10147	NCZ21_10148	BV_H3_13_29	BV_H3_17_29
Composite	1.06	1.17	1.20	1.17	1.35	1.05	1.21	1.43	0.90	0.98	1.00	1.22	1.26	1.18	1.22	1.11	1.15	1.17	1.00	1.08	1.19	1.08	0.81	1.17	1.15	0.98	0.90
Block Model	0.94	1.17	1.20	1.14	1.34	1.02	1.15	1.42	0.90	1.01	0.95	1.24	1.13	1.07	1.17	1.02	1.20	1.10	0.94	1.08	1.29	1.10	0.84	1.11	1.20	0.91	0.89
StDeviation	0.06	0.00	0.00	0.01	0.00	0.01	0.03	0.01	0.00	0.01	0.03	0.01	0.07	0.05	0.02	0.04	0.03	0.03	0.03	0.00	0.05	0.01	0.02	0.03	0.03	0.03	0.01

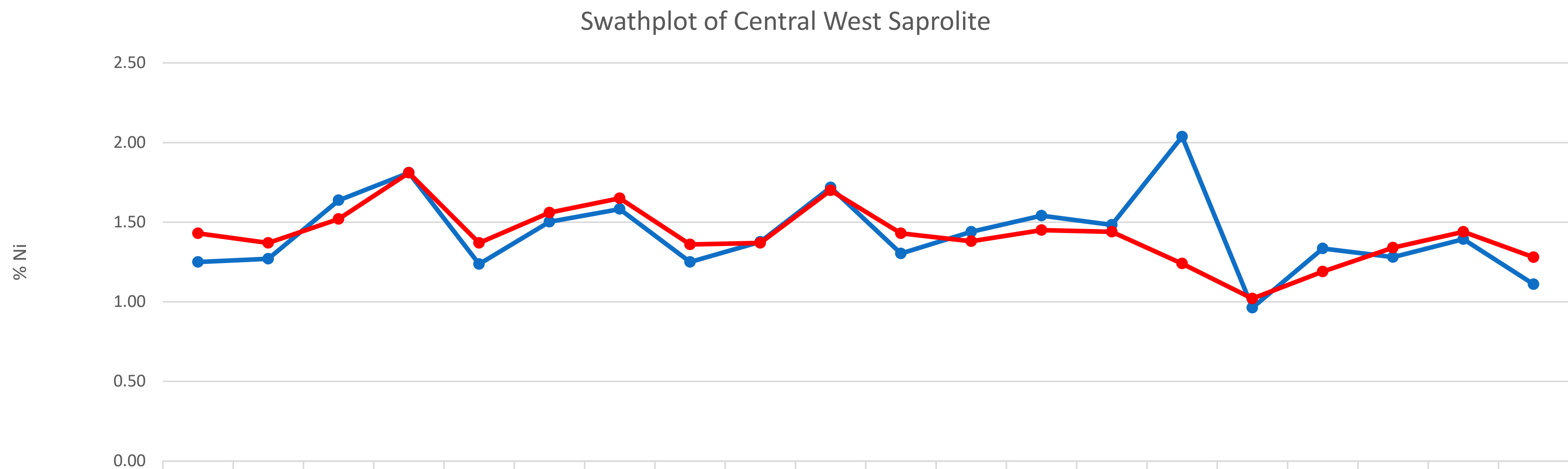
Swathplot – Limonite Ni New Model

Swathplot of Central West Limonite



	DEX-CZ029	DEX-CZ050	DEX-CZ053	DEX-CZ073	DEX-CZ076	DEX-CZ095	DEX-CZ101	DEX-CZ118	DEX-CZ124	DEX-CZ138	DEX-CZ141	DEX-CZ169	BV_G3_1_29	BV_I3_5_29	BV_G3_9_29	BV_G3_13_29	DEX-CZ202	DEX-CZ205	NCZ21_10142	NCZ21_10143	NCZ21_10144	NCZ21_10145	NCZ21_10146	NCZ21_10147	NCZ21_10148	BV_H3_13_29	BV_H3_17_29
Composite	1.06	1.17	1.20	1.17	1.35	1.05	1.21	1.43	0.90	0.98	1.00	1.22	1.26	1.18	1.22	1.11	1.15	1.17	1.00	1.08	1.19	1.08	0.81	1.17	1.15	0.98	0.90
Block Model	0.97	1.17	1.20	1.12	1.34	1.02	1.15	1.48	0.92	1.01	0.99	1.25	1.13	1.07	1.17	1.03	1.20	1.11	0.95	1.08	1.33	1.12	0.86	1.05	1.21	0.91	0.90
StDeviation	0.06	0.00	0.00	0.03	0.00	0.02	0.04	0.03	0.02	0.02	0.01	0.02	0.09	0.08	0.03	0.05	0.04	0.04	0.03	0.00	0.10	0.03	0.04	0.08	0.04	0.05	0.00

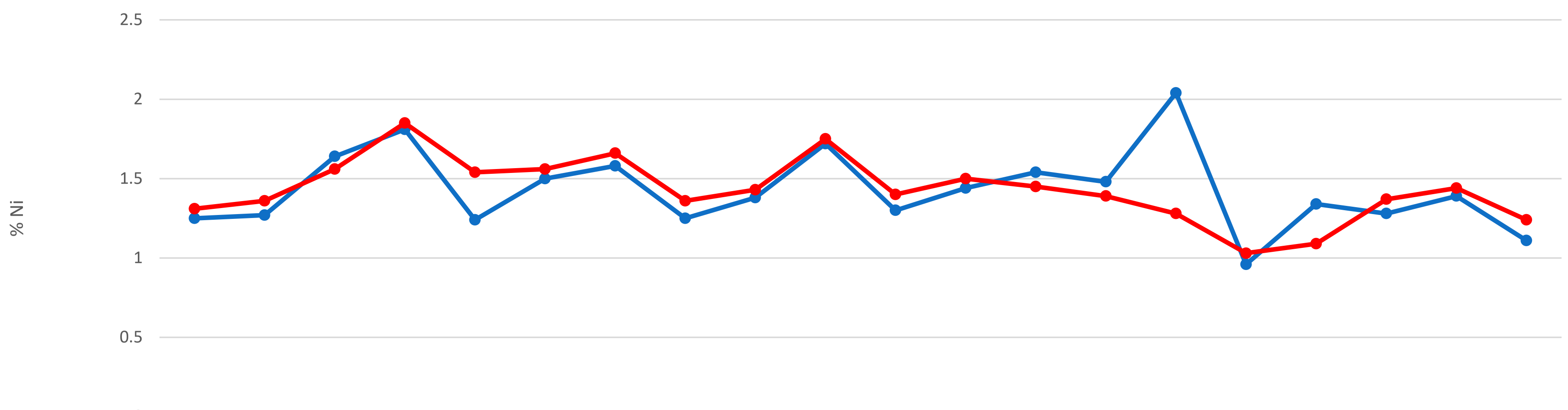
Swathplot – Saprolite Ni OK



	DEX-CZ118	DEX-CZ124	DEX-CZ138	DEX-CZ141	DEX-CZ169	BV_G3_1_29	BV_I3_5_29	BV_G3_9_29	BV_G3_13_29	DEX-CZ202	DEX-CZ205	NCZ21_10142	NCZ21_10143	NCZ21_10144	NCZ21_10145	NCZ21_10146	NCZ21_10147	NCZ21_10148	BV_H3_13_29	BV_H3_17_29
Composite	1.25	1.27	1.64	1.81	1.24	1.50	1.58	1.25	1.38	1.72	1.30	1.44	1.54	1.48	2.04	0.96	1.34	1.28	1.39	1.11
Block Model	1.43	1.37	1.52	1.81	1.37	1.56	1.65	1.36	1.37	1.7	1.43	1.38	1.45	1.44	1.24	1.02	1.19	1.34	1.44	1.28
StDeviation	0.09	0.05	0.06	0.00	0.07	0.03	0.03	0.06	0.00	0.01	0.06	0.03	0.05	0.02	0.40	0.03	0.07	0.03	0.02	0.09

Swathplot – Saprolite Ni New Model

Swathplot of Central West Saprolite



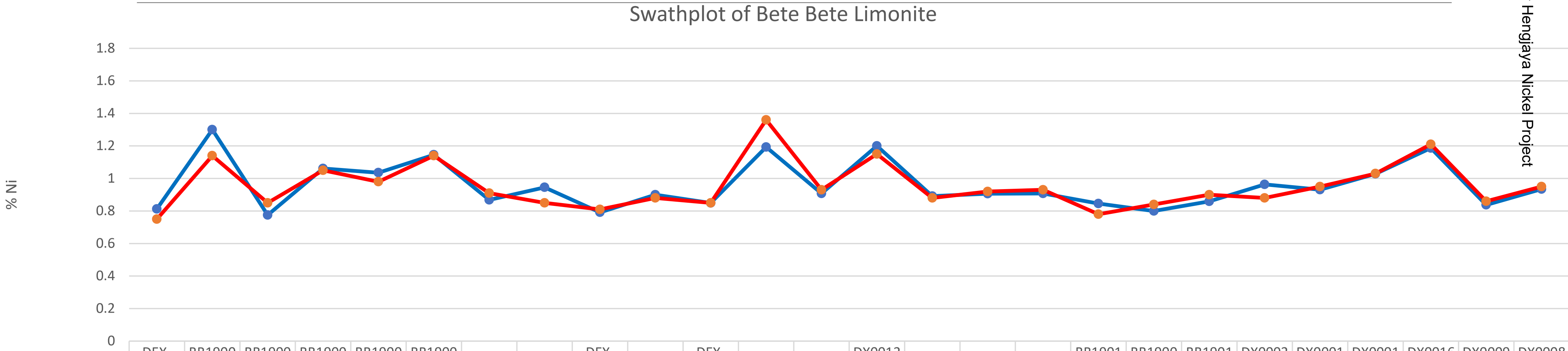
	DEX-CZ118	DEX-CZ124	DEX-CZ138	DEX-CZ141	DEX-CZ169	BV_G3_1_29	BV_I3_5_29	BV_G3_9_29	BV_G3_13_29	DEX-CZ202
Composite	1.25	1.27	1.64	1.81	1.24	1.5	1.58	1.25	1.38	1.72
Block Model	1.31	1.36	1.56	1.85	1.54	1.56	1.66	1.36	1.43	1.75
StDeviation	0.04	0.06	0.05	0.03	0.21	0.04	0.05	0.08	0.04	0.02

	DEX-CZ205	NCZ21_10142	NCZ21_10143	NCZ21_10144	NCZ21_10145	NCZ21_10146	NCZ21_10147	NCZ21_10148	BV_H3_13_29	BV_H3_17_29
Composite	1.3	1.44	1.54	1.48	2.04	0.96	1.34	1.28	1.39	1.11
Block Model	1.4	1.5	1.45	1.39	1.28	1.03	1.09	1.37	1.44	1.24
StDeviation	0.07	0.04	0.06	0.07	0.54	0.05	0.17	0.06	0.03	0.09

KRIGING COMPARISON BY SWATHPLOT

BETE BETE

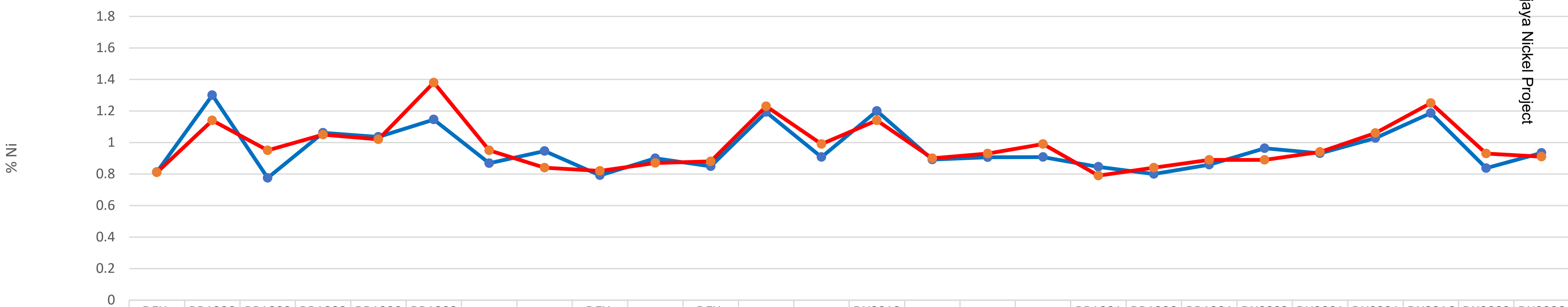
Swathplot – Limonite Ni OK



	DEX-BB094	BB190061	BB190064	BB190066	BB190033	BB190032	BS332	BSD333	DEX-BB018	BS334	DEX-BB021	BS447	BS344
Composite	0.8125	1.3	0.775	1.0613	1.0357	1.1456	0.8683	0.9455	0.7918	0.9	0.8492	1.1929	0.9075
Block Model	0.75	1.14	0.85	1.05	0.98	1.14	0.91	0.85	0.81	0.88	0.85	1.36	0.93
StDeviation	0.04	0.11	0.05	0.01	0.04	0.00	0.03	0.07	0.01	0.01	0.00	0.12	0.02

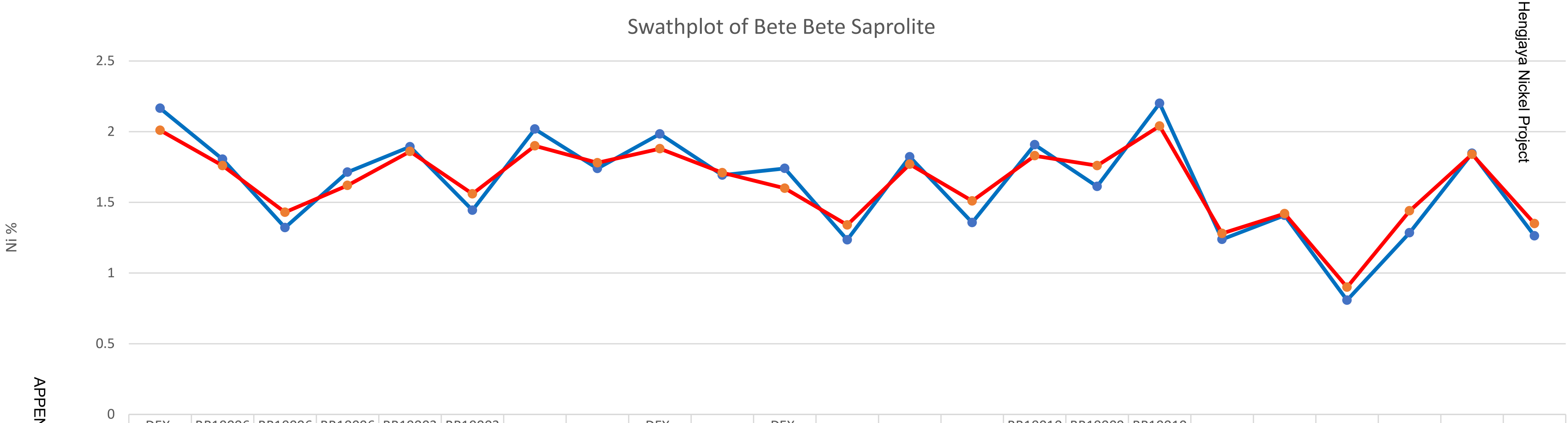
	DX00121	BS346	BS336	BS344	BB190102	BB190099	BB190103	DX00020	DX00019	DX00018	DX00162	DX00094	DX00088
Composite	1.2	0.8917	0.9064	0.9075	0.8457	0.8	0.8589	0.9633	0.931	1.0283	1.1867	0.8376	0.9343
Block Model	1.15	0.88	0.92	0.93	0.78	0.84	0.9	0.88	0.95	1.03	1.21	0.86	0.95
StDeviation	0.04	0.01	0.01	0.02	0.05	0.03	0.03	0.06	0.01	0.00	0.02	0.02	0.01

Swathplot – Limonite Ni New Model



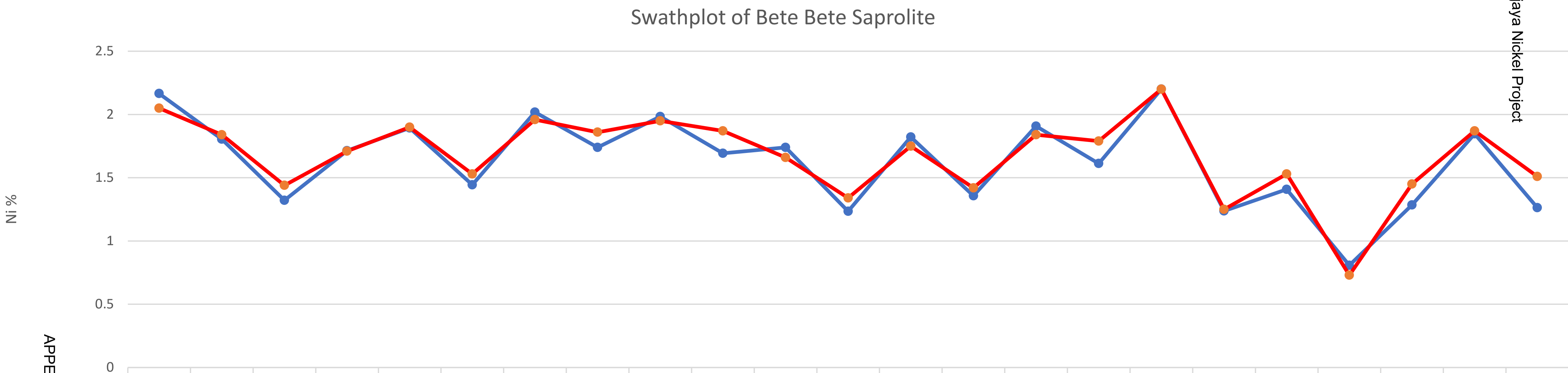
	DEX-BB094	BB190061	BB190064	BB190066	BB190033	BB190032	BS332	BSD333	DEX-BB018	BS334	DEX-BB021	BS447	BS344	DX00121	BS346	BS336	BS344	BB190102	BB190099	BB190103	DX00020	DX00019	DX00018	DX00162	DX00094	DX00088
Composite	0.8125	1.3	0.775	1.0613	1.0357	1.1456	0.8683	0.9455	0.7918	0.9	0.8492	1.1929	0.9075	1.2	0.8917	0.9064	0.9075	0.8457	0.8	0.8589	0.9633	0.931	1.0283	1.1867	0.8376	0.9343
Block Model	0.81	1.14	0.95	1.05	1.02	1.38	0.95	0.84	0.82	0.87	0.88	1.23	0.99	1.14	0.9	0.93	0.99	0.79	0.84	0.89	0.89	0.94	1.06	1.25	0.93	0.91
StDeviation	0.00	0.11	0.12	0.01	0.01	0.17	0.06	0.07	0.02	0.02	0.02	0.03	0.06	0.04	0.01	0.02	0.06	0.04	0.03	0.02	0.05	0.01	0.02	0.04	0.07	0.02

Swathplot – Saprolite Ni OK



	DEX-BB094	BB19006 1	BB19006 4	BB19006 6	BB19003 3	BB19003 2	BS332	BSD333	DEX-BB018	BS334	DEX-BB021	BS344	BS346	BS336	BB19010 2	BB19009 9	BB19010 3	DX00020	DX00019	DX00018	DX00162	DX00094	DX00088
Composite	2.1657	1.8054	1.3212	1.7136	1.8936	1.4443	2.0185	1.74	1.9838	1.6931	1.7402	1.235	1.822	1.3574	1.9078	1.6125	2.201	1.2379	1.4084	0.8076	1.2852	1.8474	1.2635
Block Model	2.01	1.76	1.43	1.62	1.86	1.56	1.9	1.78	1.88	1.71	1.6	1.34	1.77	1.51	1.83	1.76	2.04	1.28	1.42	0.9	1.44	1.84	1.35
StDeviation	0.11	0.03	0.08	0.07	0.02	0.08	0.08	0.03	0.07	0.01	0.10	0.07	0.04	0.11	0.06	0.10	0.11	0.03	0.01	0.07	0.11	0.01	0.06

Swathplot – Saprolite Ni New Model

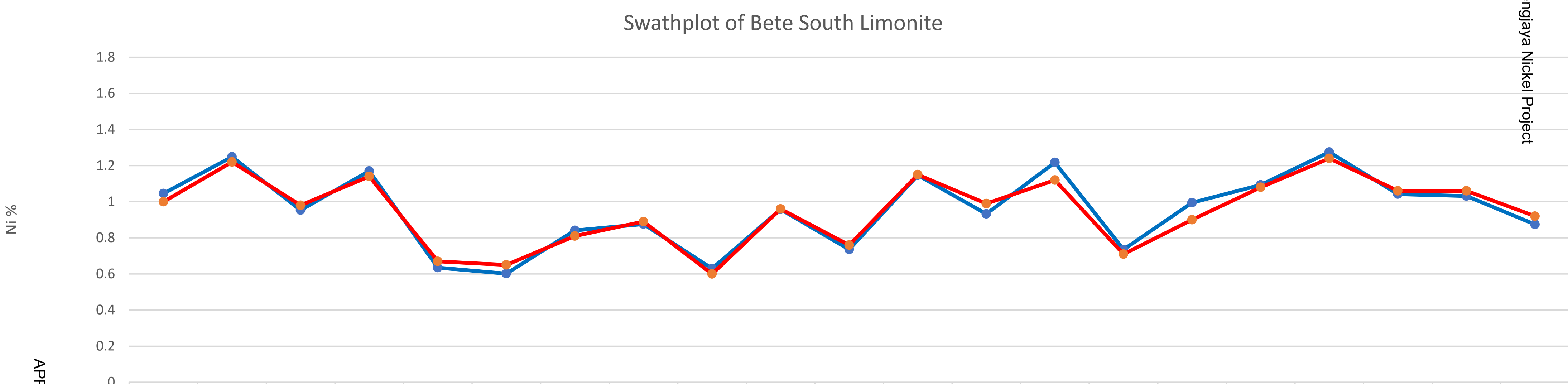


	DEX-BB094	BB190061	BB190064	BB190066	BB190033	BB190032	BS332	BSD333	DEX-BB018	BS334	DEX-BB021	BS344	BS346	BS336	BB190102	BB190099	BB190103	DX00020	DX00019	DX00018	DX00162	DX00094	DX00088
Composite	2.1657	1.8054	1.3212	1.7136	1.8936	1.4443	2.0185	1.74	1.9838	1.6931	1.7402	1.235	1.822	1.3574	1.9078	1.6125	2.201	1.2379	1.4084	0.8076	1.2852	1.8474	1.2635
Block Model	2.05	1.84	1.44	1.71	1.9	1.53	1.96	1.86	1.95	1.87	1.66	1.34	1.75	1.42	1.84	1.79	2.2	1.25	1.53	0.73	1.45	1.87	1.51
StDeviation	0.08	0.02	0.08	0.00	0.00	0.06	0.04	0.08	0.02	0.13	0.06	0.07	0.05	0.04	0.05	0.13	0.00	0.01	0.09	0.05	0.12	0.02	0.17

KRIGING COMPARISON BY SWATHPLOT

BETE SOUTH

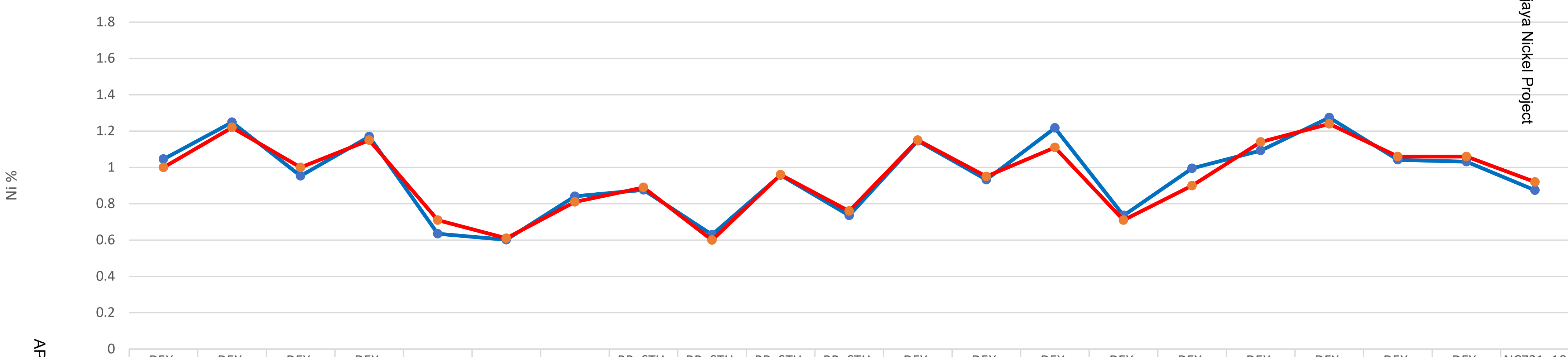
Swathplot – Limonite Ni OK



	DEX-CZ065	DEX-CZ085	DEX-CZ064	DEX-CZ083	DX00126	DX00181	DX00174	BB_STH-1034	BB_STH-1037	BB_STH-1025	BB_STH-1047	DEX-CZ027	DEX-CZ031	DEX-CZ032	DEX-CZ184	DEX-CZ182	DEX-CZ349	DEX-CZ351	DEX-CZ352	DEX-CZ353	NCZ21_10051
Composite	1.0458	1.2489	0.9533	1.17	0.635	0.602	0.8413	0.8763	0.63	0.958	0.736	1.1463	0.9327	1.2175	0.7354	0.995	1.0932	1.2744	1.0421	1.0314	0.8744
Block Model	1	1.22	0.98	1.14	0.67	0.65	0.81	0.89	0.6	0.96	0.76	1.15	0.99	1.12	0.71	0.9	1.08	1.24	1.06	1.06	0.92
StDeviation	0.03	0.02	0.02	0.02	0.02	0.03	0.02	0.01	0.02	0.00	0.02	0.00	0.04	0.07	0.02	0.07	0.01	0.02	0.01	0.02	0.03

Swathplot – Limonite Ni New Model

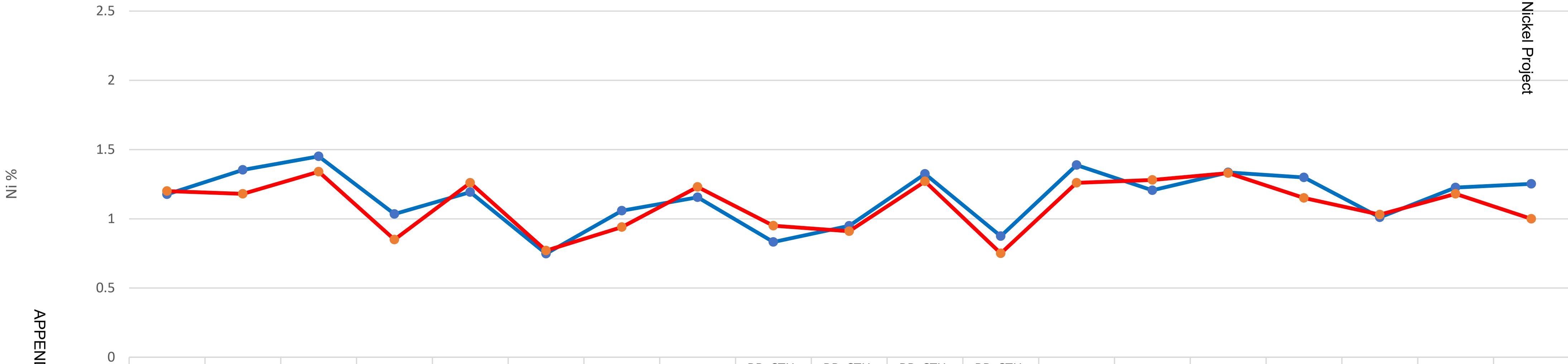
Swathplot of Bete South Limonite



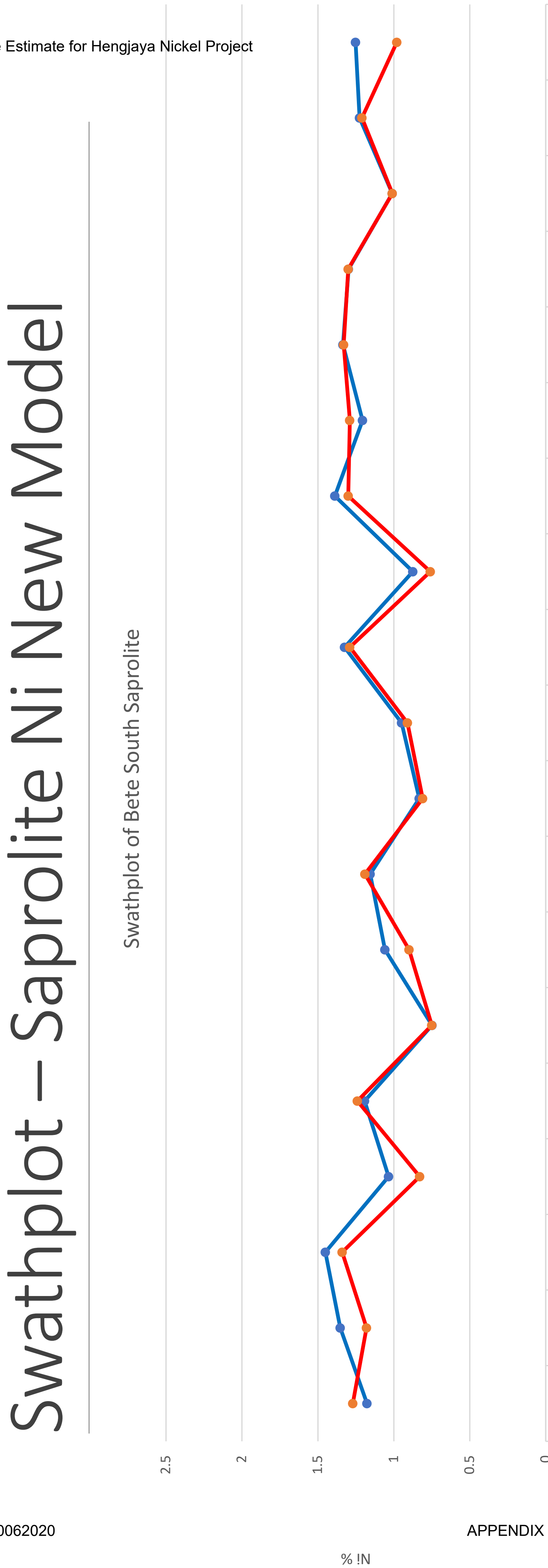
	DEX-CZ065	DEX-CZ085	DEX-CZ064	DEX-CZ083	DX00126	DX00181	DX00174	BB_STH-1034	BB_STH-1037	BB_STH-1025	BB_STH-1047	DEX-CZ027	DEX-CZ031	DEX-CZ032	DEX-CZ184	DEX-CZ182	DEX-CZ349	DEX-CZ351	DEX-CZ352	DEX-CZ353	NCZ21_10051
Composite	1.0458	1.2489	0.9533	1.17	0.635	0.602	0.8413	0.8763	0.63	0.958	0.736	1.1463	0.9327	1.2175	0.7354	0.995	1.0932	1.2744	1.0421	1.0314	0.8744
Block Model	1	1.22	1	1.15	0.71	0.61	0.81	0.89	0.6	0.96	0.76	1.15	0.95	1.11	0.71	0.9	1.14	1.24	1.06	1.06	0.92
StDeviation	0.03	0.02	0.03	0.01	0.05	0.01	0.02	0.01	0.02	0.00	0.02	0.00	0.01	0.08	0.02	0.07	0.03	0.02	0.01	0.02	0.03

Swathplot – Saprolite Ni OK

Swathplot of Bete South Saprolite



	DEX-CZ065	DEX-CZ085	DEX-CZ064	DX00126	DX00156	DX00181	DX00174	DX00155	BB_STH-1034	BB_STH-1037	BB_STH-1025	BB_STH-1047	DEX-CZ027	DEX-CZ031	DEX-CZ032	DEX-CZ184	DEX-CZ182	DEX-CZ351	DEX-CZ352
Composite	1.1768	1.353	1.4508	1.0344	1.1927	0.7482	1.0584	1.1557	0.8324	0.949	1.324	0.8746	1.388	1.2061	1.3348	1.2983	1.0105	1.2257	1.2522
Block Model	1.2	1.18	1.34	0.85	1.26	0.77	0.94	1.23	0.95	0.91	1.27	0.75	1.26	1.28	1.33	1.15	1.03	1.18	1
StDeviation	0.02	0.12	0.08	0.13	0.05	0.02	0.08	0.05	0.08	0.03	0.04	0.09	0.09	0.05	0.00	0.10	0.01	0.03	0.18



	DEX-CZ065	DEX-CZ085	DEX-CZ064	DX00126	DX00156	DX00181	DX00174	DX00155	BB_STH-1034	BB_STH-1037
Composite	1.1768	1.353	1.4508	1.0344	1.1927	0.7482	1.0584	1.1557	0.8324	0.949
Block Model	1.27	1.18	1.34	0.83	1.24	0.75	0.9	1.19	0.81	0.91
StDeviation	0.07	0.12	0.08	0.14	0.03	0.00	0.11	0.02	0.02	0.03

	BB_STH-1025	BB_STH-1047	DEX-CZ027	DEX-CZ031	DEX-CZ032	DEX-CZ184	DEX-CZ182	DEX-CZ351	DEX-CZ352
Composite	1.324	0.8746	1.388	1.2061	1.3348	1.2983	1.0105	1.2257	1.2522
Block Model	1.29	0.76	1.3	1.29	1.33	1.3	1.01	1.21	0.98
StDeviation	0.02	0.08	0.06	0.06	0.00	0.00	0.00	0.01	0.19

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