

29 February 2024

The Manager, Companies  
ASX Limited  
20 Bridge Street  
SYDNEY NSW 2000

(102 pages by email)

Dear Madam,

## ANNUAL REPORT AND APPENDIX 4E

I attach the Nickel Industries Limited and its controlled entities (**Nickel Industries Group**) Annual Report for the year ended 31 December 2023 and Appendix 4E, Preliminary Final Report.

### Highlights:

	12 Months to 31 December 2023 US\$M	12 Months to 31 December 2022 US\$M
• Nickel Industries Group Results:		
○ Sales revenue:	1,880.1	1,217.0
○ Gross profit:	338.0	293.8
○ Operating profit:	280.7	258.9
○ Profit after tax:	176.2	209.4
○ EBITDA:	403.3	339.2
	31 December 2023 US\$M	31 December 2022 US\$M
• Nickel Industries Group Balance Sheet:		
○ Total assets:	4,071.3	2,672.5
○ Net assets:	2,906.6	1,814.5
• A record 131,126 tonnes of nickel metal produced		
• Acquired an additional 10% interest in the Oracle Nickel RKEF Project, with the final two RKEF lines and power plant commissioned		
• Acquisition of a 10% interest in HNC HPAL Project		
• Acquisition Agreements, financing and FID for ENC HPAL Project		
• A record 13.4 million tonnes of saprolite and limonite ore mined at the Hengjaya Mine		
• A\$129.1M (US\$85.6M) of dividends distributed to shareholders		
• Final dividend declared and paid of A\$0.025, totalling A\$107.1M (US\$69.9M) subsequent to year end		

Yours sincerely



Richard Edwards  
Company Secretary

pjn12088

# Appendix 4E

## Preliminary final report

Name of entity

NICKEL INDUSTRIES LIMITED

ABN or equivalent company  
reference

44 127 510 589

Financial year ended ('current period')

31 DECEMBER 2023

### Results for announcement to the market

Revenues from ordinary activities	Up	54.5%	to	US\$1,880.1M
Profit from ordinary activities after tax attributable to members	Down	23.5%	to	US\$121.6M
Net profit for the period attributable to members	Down	23.5%	to	US\$121.6M
<b>Dividends (distributions)</b>	Amount per security		Franked amount per security	
Final dividend	A\$0.025		Nil	
Interim dividend	A\$0.02		Nil	
Previous corresponding period				
Final dividend	A\$0.02		Nil	
Interim dividend	A\$0.02		Nil	
Record date for determining entitlements to the dividend.	5 February 2024			
Brief explanation of any of the figures reported above and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:				
Refer attached audited financial reports for the year ended 31 December 2023.				
<b>NTA backing</b>	Current period		Previous corresponding period	
Net tangible asset backing per ordinary security	US\$0.66		US\$0.664	

The attached Annual Report which forms part of this Appendix 4E has been audited.

**NICKEL INDUSTRIES LIMITED**  
**and its controlled entities**

**A.B.N. 44 127 510 589**

**ANNUAL REPORT**

**FOR THE YEAR ENDED**  
**31 DECEMBER 2023**

For personal use only

**NICKEL INDUSTRIES LIMITED**  
**and its controlled entities**

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**NICKEL INDUSTRIES LIMITED**  
**and its controlled entities**

**CHAIRMAN'S LETTER**

Dear Fellow Shareholders,

It is with great pleasure I present to you the Nickel Industries Limited Annual Report for the financial year ended 31 December 2023.

The 2023 financial year was one of tremendous progress for our Company as we continued to transition our business further into the production of class 1 nickel suitable for use in the EV battery supply chain. Having already established ourselves as a leading global producer of NPI we began our transition into battery-grade nickel intermediates in late 2022 with the conversion of our Hengjaya Nickel's Project's production from NPI to nickel matte.

In early 2023 we continued this transition with the execution of a multi-faceted strategic framework agreement with our trusted partner Shanghai Decent to acquire a minority 10% interest in the Huayue Nickel Cobalt high pressure acid leach (HPAL) project (HNC), and also to become the cornerstone investor in a new "next generation" HPAL project to be known as the Excelsior Nickel Cobalt project (ENC). ENC will be capable of producing mixed hydroxide precipitate (MHP), nickel sulphate and nickel cathode, resulting in us having an expanded product offering covering the full spectrum of nickel products. This production flexibility will establish NIC as truly diversified global nickel producer and allow us to capitalise on prevailing pricing conditions across the various nickel markets. Furthermore, it will position the Company as a global top-5 nickel producer, a remarkable feat given we started with our initial two RKEF lines at Hengjaya Nickel in 2019.

ENC will deliver the benefit of significantly reducing our carbon footprint across our portfolio of downstream processing assets, with the project's primary energy requirements to be sourced from heat generation from a sulphuric acid plant and the integration of renewable energy. Our recognition as a leader in responsible and sustainable mining in Indonesia has continued to gain momentum, evidenced by the Hengjaya Mine once again being awarded a Green PROPER Rating and the Company being invited to present at the United Nations Climate Change Conference (COP28) in the United Arab Emirates in December, where we unveiled our future emission targets of a 50% reduction in carbon intensity by 2035 and net zero emissions by 2050.

Another major milestone achieved during the year was the opening of the Hengjaya Mine to IMIP haul road. This road is set to be transformative for the Company's mining operations in the years ahead, allowing significantly larger volumes of ore to be trucked and sold into the IMIP at lower costs and thereby unlocking the strategic value of Hengjaya Mine. With ore mining volumes set to surpass 10M wmt in 2024 and targeting 25M wmt within 3 years, we look forward to Hengjaya Mine making an increasingly significant contribution to our overall Group result.

On the corporate front, we were pleased to announce several exciting developments that undoubtedly strengthened the foundation of our Company. We were delighted to welcome United Tractors (UT), a Jardine Matheson subsidiary, as a new 19.99% strategic shareholder, a company whose long established operating track record and deep connections into Indonesia's industrial supply chains makes it a tier-1 partner for NIC. UT's A\$943M cash injection into our Company further strengthened our robust balance sheet and paved the way for the Company to establish a maiden US\$400M financing facility with Indonesia's PT Bank Negara (BNI), a sign of our growing in-country reputation and status.

During the year we farewelled three non-Executive Directors from the Company's Board with Rob Neale (Chairman), Huang Weifeng and Mark Lochtenberg, all retiring. I would like to personally thank all three gentlemen for their enormous contribution to our Company over a number of years and would particularly like to thank Mr. Huang for the crucial role he has played in fostering the prosperous and harmonious relationship we have enjoyed with Shanghai Decent and the broader Tsingshan group since our collaboration began back in 2017.

Finally, I would again like to thank our management team led by Managing Director Justin Werner for their continuing hard work and dedication to growing and improving all facets of our business and making us the world-class nickel business that we are today. Despite recent market turbulence, we have great confidence in the outlook for our business as evidenced by our commitment to increasing our 2023 Final Dividend to 2.5cps and announcing capital management initiatives that will allow enhanced returns to you our valued shareholders.

Yours sincerely



Norman Seckold  
Executive Chairman

# NICKEL INDUSTRIES LIMITED and its controlled entities

## REVIEW OF OPERATIONS

### Principal Activities and Review of Operations

(All amounts in US\$ unless otherwise stated)

The operating profit of Nickel Industries Limited and its controlled entities (together **the Group**) for the year ended 31 December 2023 after income tax was \$176,203,376 (31 December 2022: \$209,367,610).

Nickel Industries Limited (**the Company** or **Nickel Industries**) was incorporated on 12 September 2007, under the laws of the State of New South Wales, Australia. The Group has become a globally significant, low cost producer of nickel pig iron (**NPI**), a key ingredient in the production of stainless steel. Additionally, the Group has moved into the production of nickel matte and acquired interests in high pressure acid leach (**HPAL**) projects, producing mixed hydroxide precipitate (**MHP**) for use in the electric vehicle (**EV**) supply chain. The Group's principal operations, located in Indonesia, are the Hengjaya Nickel, Oracle Nickel and Ranger Nickel rotary kiln electric furnace (**RKEF**) projects located within the Indonesia Morowali Industrial Park (**IMIP**), the Angel Nickel RKEF Project within the Indonesia Weda Bay Industrial Park (**IWIP**) and the Hengjaya Mine, a large tonnage, high grade nickel laterite deposit in close proximity to the IMIP. At year end, the Company held an 80% interest in each of the Angel Nickel, Hengjaya Nickel, Oracle Nickel and Ranger Nickel projects and the Hengjaya Mine, a 10% interest in the Huayue Nickel Cobalt HPAL project (**HNC**) and a 13.75% interest in the Excelsior Nickel HPAL project (**ENC**).

During the year ended 31 December 2023 significant milestones were achieved as follows:

- the Company's RKEF projects produced a record 128,259 tonnes of nickel metal, 107,720 tonnes of nickel metal in NPI and 20,539 tonnes of nickel metal in nickel matte. A total of 128,327 tonnes of nickel metal were sold by the RKEF projects during the year. EBITDA<sup>1</sup> from RKEF operations for 2023 was a record \$337.2M;
- commercial sales of NPI commenced at the Oracle Nickel RKEF project, following commissioning of the RKEF lines and power plant. The 380MW power plant at Oracle Nickel commissioned in late June 2023;
- 13,401,289 wet metric tonnes (wmt) of nickel ore were mined at the Hengjaya Mine, 3,832,833 wmt of saprolite ore and 9,568,456 wmt of limonite ore. EBITDA from the Hengjaya Mine for the year was \$87.9M<sup>2</sup>;
- on 18 January 2023, the Company signed an EV Battery Supply Chain Strategic Framework Agreement with Shanghai Decent and entered into binding agreements with Shanghai Decent to acquire an additional 10% interest in the Oracle Nickel project and a 10% interest in HNC. Additionally, the Company acquired options to collaborate with Shanghai Decent on future battery nickel opportunities for \$40M (**Acquired Options**). The Acquired Options comprised: (i) a \$25M option for the construction of the ENC project (which option has subsequently been executed); and (ii) a \$15M option to invest in and construct a low-grade to high-grade nickel matte converter at Oracle Nickel;
- to fund these transactions, the Company undertook an institutional placement issuing 259,103,641 shares to complete component of the raising at A\$1.02 per share, raising A\$264.3M (\$185.7M), before costs and a Share Purchase Plan raising A\$34.6M (\$23.4M);
- in February 2023, the Company declared a final dividend for 2022 of A\$0.02 per share, representing a distribution of A\$60.5M (\$40.7M), and in August 2023 the Company paid an interim dividend of A\$0.02 per share, being a distribution of A\$68.6M (\$44.9M);
- from mid-August 2023 to 31 December 2023, HNC produced 28,679 tonnes of nickel and 2,100 tonnes of cobalt in MHP, with the Company's share of this being 10%.
- in April 2023, the Company completed a \$400M issuance of senior unsecured notes, the refinancing of the Company's \$225M senior secured notes and completion of a Concurrent Tender Offer for the existing \$325M senior unsecured notes maturing in April 2024;

<sup>1</sup> EBITDA is defined as profit/(loss) for the period, plus depreciation and amortisation costs, plus interest income/(expenses), plus withholding tax expense. This non-IFRS financial measure, which is referred to throughout the Directors' Report, is used internally by management to assess the performance of the Group's business and make decisions on allocation of resources. This non-IFRS measure has not been subject to audit or review.

<sup>2</sup> During the year, the Hengjaya Mine sold saprolite ore to Hengjaya Nickel, Oracle Nickel and Ranger Nickel. Hengjaya Mine profit of \$3.4M relating to nickel ore inventory still held by Hengjaya Nickel, Oracle Nickel and Ranger Nickel at 31 December 2023 is eliminated on consolidation. On a stand-alone basis, EBITDA from the Hengjaya Mine was \$91.3M.

# NICKEL INDUSTRIES LIMITED and its controlled entities

## REVIEW OF OPERATIONS

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- in August 2023, the Company completed a \$270M Placement to Shanghai Decent at A\$1.02 per share for a 10% interest in HNC and acquired an additional 10% of Oracle Nickel for \$75M in cash (plus a retained earnings adjustment of \$1.5M), and also paid \$40M for the Acquired Options;
- in August 2023, the haul road and double lane bridge linking the Hengjaya Mine to the IMIP was completed, enabling the Hengjaya Mine to rapidly expand total ore sales;
- in September 2023, following shareholder approval, the Company completed a A\$943M (\$628M) placement of shares at A\$1.10 per share in the Company to PT Danusa Tambang Nusantara (**DTN**), a subsidiary of PT United Tractors Tbk (**United Tractors**);
- in October 2023, the Company made a positive final investment decision (**FID**) for ENC, supported by US\$400M of Indonesian bank loans. As at 31 December 2023, the Company had completed the acquisition of a 13.75% indirect equity interest in ENC;
- in October 2023, the Company signed an Operational Lease and Service Agreement (OLSA) with PT Sumber Energi Surya Nusantara (**SESNA**) for the development, installation, operation and maintenance of a 200MWp + 20MWh battery solar project within the IMIP; and
- throughout the year, the Company has advanced a number of material resource acquisitions in Indonesia, including the Siduarsi project in the Papua Province. The Company anticipates the conclusion of the acquisitions for a number of resource projects in 2024.

### SAFETY

#### Hengjaya Mine

At the Hengjaya Mine over 10.17 million work hours have been registered since the last reported lost time injuries (**LTI**) in November 2021. This gives the Hengjaya Mine a LTI frequency rate (**LTIFR**) of 0.10 and a total recordable incident frequency rate (**TRIFR**) of 0.98 for each million work hours.

Safety and career development training continued, including supervisory and ISO 45001-2018 standards and reporting components which are currently focusing on Health and Safety certification. With the new haul road to IMIP now in operation, there has been an increased focus on contractor management, the use of mobile equipment and the introduction of new safe work procedures for long distance road-haulage.

#### RKEF Operations

For the twelve months to 31 December 2023, 11,144,676 cumulative work hours without an LTI were achieved across Nickel Industries' RKEF operations.

#### Group Safety

16,718,448 LTI-free man hours across all of Nickel Industries' projects were achieved in 2023. The Company will continue to strengthen its 'best practice' mining and all processing standards. In addition to the Hengjaya Mine, all of our operations continue to focus on our safety training, risk assessments and change management. The Company remains committed to continuous improvement in all operations and will continue to work collaboratively with stakeholders to drive positive environmental, safety, social, and governance outcomes.

**NICKEL INDUSTRIES LIMITED**  
and its controlled entities

**REVIEW OF OPERATIONS**

**RKEF OPERATIONS**

Throughout 2023 Nickel Industries held an 80% interest in the Hengjaya Nickel, Ranger Nickel and Angel Nickel RKEF projects and in August 2023 increased from a 70% to an 80% interest in the Oracle Nickel RKEF project.

A summary of NPI production from the four RKEF projects for the year ended 31 December 2023 is as follows:

PRODUCTION		HNI	RNI	ANI	ONI	Total
NPI production	tonnes	-	154,802	339,905	339,485	834,192
NPI grade	%	-	12.6	14.4	11.5	12.9
Nickel in NPI	tonnes	-	<b>19,550</b>	<b>49,058</b>	<b>39,112</b>	<b>107,720</b>
LG matte production	tonnes	119,822	-	-	-	119,822
Matte grade	%	17.1	-	-	-	17.1
Nickel in LG matte	tonnes	<b>20,539</b>	-	-	-	<b>20,539</b>
<b>Total nickel production</b>	<b>tonnes</b>	<b>20,539</b>	<b>19,550</b>	<b>49,058</b>	<b>39,112</b>	<b>128,259</b>

SALES AND CONTRACTS		HNI	RNI	ANI	ONI	Total
Weighted av contract price	\$	15,632	13,809	14,027	13,311	14,021
Tonnes sold	tonnes	19,907	19,550	49,011	39,859	128,327
<b>Sales revenue</b>	<b>\$M</b>	<b>320.2</b>	<b>271.9</b>	<b>688.0</b>	<b>530.6</b>	<b>1,810.7</b>

COSTS AND MARGINS		HNI	RNI	ANI	ONI	Total
Cash costs/tonne produced <sup>3</sup>	\$/t	12,632	12,562	10,472	11,289	11,385
<b>EBITDA</b>	<b>\$/M</b>	<b>50.2</b>	<b>25.0</b>	<b>179.5</b>	<b>82.5</b>	<b>337.2</b>

SUMMARY RKEF METRICS		2022	2023	% movement
Nickel production	tonnes	70,079	128,259	83.0
Nickel tonnes sold	tonnes	67,701	128,327	89.5
Nickel metal production attributable to Nickel Industries	tonnes	55,993	100,496	79.5
Sales revenue	\$M	1,202.4	1,810.7	50.6
EBITDA	\$M	298.7	337.2	12.9

<sup>3</sup> Cash costs refers to the cash costs of production, a non-IFRS performance measure, in order to provide investors with information about the measure used by management to monitor performance. Cash costs/tonne produced are equal to cash costs divided by nickel tonnes produced.



**NICKEL INDUSTRIES LIMITED**  
and its controlled entities

**REVIEW OF OPERATIONS**

**Hengjaya Nickel (80% interest held by Nickel Industries)**

During the year, Hengjaya Nickel produced 20,539 tonnes of nickel metal in low grade (LG) matte, with an average LG matte grade of 17.1% and a weighted average cash cost of \$12,632 per tonne of nickel metal.

HENGAYA NICKEL		Mar 2023 Quarter	Jun 2023 Quarter	Sep 2023 Quarter	Dec 2023 Quarter	Total
LG matte production	tonnes	26,922	28,624	31,618	32,658	119,822
LG matte grade	%	18.8	17.8	16.7	15.6	17.1
Nickel metal production	tonnes	5,060	5,104	5,291	5,083	20,539
Cash cost	\$/t Ni	14,880	13,146	11,379	11,184	12,632
Nickel metal sold	tonnes	4,638	4,723	5,285	5,261	19,907

For the year ended 31 December 2023, Hengjaya Nickel recorded total sales of \$320.2M from 19,907 tonnes of nickel metal sold. EBITDA for Hengjaya Nickel for the year was \$50.2M.

**Ranger Nickel (80% interest held by Nickel Industries)**

During the year, Ranger Nickel produced 19,550 tonnes of nickel metal in NPI, with an average NPI grade of 12.6% at a weighted average cash cost of \$12,562/tonne of nickel metal.

RANGER NICKEL		Mar 2023 Quarter	Jun 2023 Quarter	Sep 2023 Quarter	Dec 2023 Quarter	Total
NPI production	tonnes	37,074	37,823	38,659	41,246	154,802
NPI grade	%	12.8	12.9	12.9	12.0	12.6
Nickel metal production	tonnes	4,750	4,891	4,973	4,936	19,550
Cash cost	\$/t Ni	15,161	13,005	11,242	10,952	12,562
Nickel metal sold	tonnes	4,750	4,891	4,973	4,936	19,550

Nickel Industries' attributable nickel metal production from Ranger Nickel for the year ended 31 December 2023 was 15,640 tonnes.

For the year ended 31 December 2023, Ranger Nickel recorded sales of \$271.9M for 19,550 tonnes of nickel metal sold. EBITDA for Ranger Nickel for the year was \$25.0M.

**NICKEL INDUSTRIES LIMITED**  
and its controlled entities

**REVIEW OF OPERATIONS**

**Angel Nickel (80% interest held by Nickel Industries)**

During the year, Angel Nickel produced 49,058 tonnes of nickel metal in NPI, with an average NPI grade of 14.4% at a weighted average cash cost of \$10,472/tonne of nickel metal.

ANGEL NICKEL		Mar 2023 Quarter	Jun 2023 Quarter	Sep 2023 Quarter	Dec 2023 Quarter	Total
NPI production	tonnes	80,909	84,785	92,050	82,162	<b>339,905</b>
NPI grade	%	15.3	14.7	13.2	14.8	<b>14.4</b>
Nickel metal production	tonnes	12,382	12,422	12,127	12,127	<b>49,058</b>
Cash cost	\$/t Ni	11,888	10,907	9,467	9,587	<b>10,472</b>
Nickel metal sold	tonnes	12,479	12,062	12,544	11,926	<b>49,011</b>

Nickel Industries' attributable nickel metal production from Angel Nickel for the year ended 31 December 2023 was 39,247 tonnes.

For the year ended 31 December 2023, Angel Nickel recorded sales of \$688.0M for 49,011 tonnes of nickel metal sold. EBITDA for Angel Nickel for the year was \$179.5M.

**Oracle Nickel (80% interest held by Nickel Industries)**

Having commenced production from its first line in November 2022, the commissioning of Oracle Nickel's remaining three lines occurred during the first half of 2023, and the power plant commenced commissioning in late June 2023.

In August 2023, following shareholder approval, the Company completed the acquisition of an additional 10% interest in Oracle Nickel, following payment of \$75M to Shanghai Decent, increasing the Company's interest from 70% to 80%.

During the year, Oracle Nickel produced 39,112 tonnes of nickel metal in NPI, with an average NPI grade of 11.5% at a weighted average cash cost of \$11,289/tonne of nickel metal.

ORACLE NICKEL		Mar 2023 Quarter	Jun 2023 Quarter	Sep 2023 Quarter	Dec 2023 Quarter	Total
NPI production	tonnes	44,401	89,167	97,149	108,768	<b>339,485</b>
NPI grade	%	11.5	11.4	11.8	11.3	<b>11.5</b>
Nickel metal production	tonnes	5,206	10,141	11,461	12,304	<b>39,112</b>
Cash cost	\$/t Ni	14,605	12,794	9,973	9,671	<b>11,289</b>
Nickel metal sold	tonnes	5,953	10,141	11,461	12,304	<b>39,859</b>

Nickel Industries' attributable nickel metal production from Oracle Nickel for the year ended 31 December 2023 was 29,365 tonnes.

For the year ended 31 December 2023, Oracle Nickel recorded sales of \$530.6M for 39,859 tonnes of nickel metal sold. EBITDA for Oracle Nickel for the year was \$82.5M.

# NICKEL INDUSTRIES LIMITED and its controlled entities

## REVIEW OF OPERATIONS

### Commentary on RKEF Operations

The Company's RKEF operations delivered record production of 128,258 tonnes of nickel metal equivalent and record EBITDA of \$337.2M for the year ended 31 December 2023. This performance was underpinned by the following highlights:

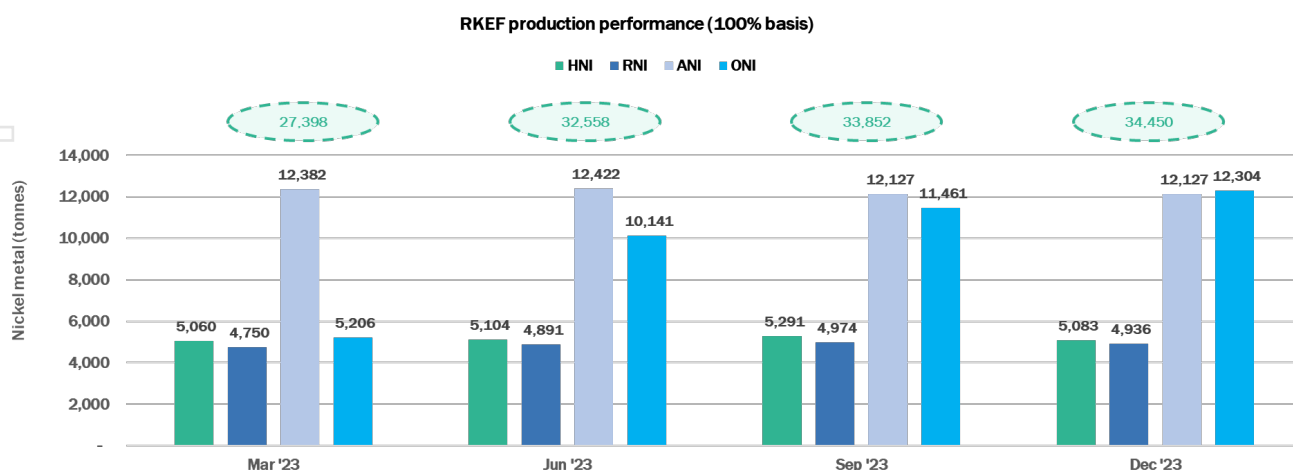
- the consistent contributions of Hengjaya Nickel and Ranger Nickel, delivering 20,539 tonnes and 19,550 tonnes of nickel metal respectively for a combined EBITDA of \$75.2M, with matte sales from Hengjaya Nickel delivering material EBITDA margin benefits relative to Ranger Nickel;
- the outstanding contribution of Angel Nickel, delivering 49,058 tonnes of nickel metal and \$179.5M of EBITDA with the Project's performance clearly validating the Company's decision to invest in larger, "next generation" RKEF assets with integrated power at a time where higher energy costs were negatively impacting the economics of RKEF lines; and
- the successful ramp-up beyond nameplate capacity of Oracle Nickel, delivering 39,112 tonnes of nickel metal and \$82.5M of EBITDA, with the Project's integrated power only reaching full capacity during the September quarter.

The record EBITDA of the RKEF operations was achieved against the backdrop of a deteriorating nickel price environment across the year, with the LME nickel price and all nickel intermediate pricing experiencing declines on concerns of short to medium term oversupply (predominantly out of Indonesia) combined with softer demand for electric vehicles, ex-China.

The Company's increasing production profile across the year as Oracle Nickel continued to ramp-up to full production helped offset falling realised contract process and sustain a strong EBITDA profile, at a time where many global nickel producers were struggling to break even or had deteriorated into a loss-making position.

The Company's larger Angel Nickel and Oracle Nickel Projects, both with their own integrated power clearly outperformed the earlier Hengjaya Nickel and Ranger Nickel Project and, despite the falling contract prices, were able to maintain EBITDA margins above \$2,000/t across each quarter, once Oracle Nickel was in steady state production.

The Company believes its continued transition into class 1 nickel production will enable it to further optimise margins for its products and also broaden its customer base, both of which are expected to deliver tangible long-term benefits for the business.



***RKEF operations recorded strong quarterly production growth during 2023 driven by the ramp-up of Oracle Nickel***

# NICKEL INDUSTRIES LIMITED and its controlled entities

## REVIEW OF OPERATIONS

### HPAL OPERATIONS

#### Huayue Nickel Cobalt HPAL project (10% interest held by Nickel Industries)

In August 2023, following shareholder approval at an EGM held in July 2023, the Company completed the acquisition of an indirect 10% interest in the Huayue Nickel Cobalt HPAL project (HNC), through the issuance of 381,365,628 ordinary shares in the Company to a Shanghai Decent affiliate (Decent Investment International Private Limited), at an issue price of \$1.02. Pursuant to the acquisition agreement, the Company acquired 100% of the issued capital of Tsing Creation International Holding Limited (**Tsing Creation**) from Newstride Development Limited, an affiliate of Shanghai Decent. Tsing Creation is the holder of a direct 10% interest in PT Huayue Nickel Cobalt, the owner and operator of HNC.

From 16 August 2023 to 31 December 2023, HNC produced 28,679 tonnes of nickel and 2,100 tonnes of cobalt in MHP. Nickel Industries' attributable share of HNC's production was 2,868 tonnes of nickel and 210 tonnes of cobalt.

Whilst HNC undertakes its own sales of MHP, offtake is also distributed to Tsing Creation for sale. The combined EBITDA of the Company's 100% interest in Tsing Creation and its 10% indirect interest in HNC for the period from 15 August to 31 December 2023 was \$5.2M, comprised of \$7.8M EBITDA contribution from the Company's 100% interest in Tsing Creation and a \$2.6M loss from the Company's 10% loss in an equity accounted investee for the period<sup>4</sup>.



*View of HNC operations*

<sup>4</sup> The stand-alone EBITDA of HNC for the period from 15 August 2023 to 31 December 2023 was \$14.0M. At a group level the Company is required to report in EBITDA the profit/loss of an equity accounted investee as EBITDA. This amount includes financing expenses and amortisation of the fair value step up in the Company's investment in HNC.

# NICKEL INDUSTRIES LIMITED and its controlled entities

## REVIEW OF OPERATIONS

### Excelsior Nickel Cobalt HPAL project (13.75% interest currently held by Nickel Industries)

During the year the Company executed an acquisition agreement (**Acquisition Agreement**) to acquire a 55% equity interest in the Excelsior Nickel Cobalt HPAL project (**ENC or the Project**) from Decent Resource, through the acquisition of shares in a Singaporean incorporated holding company, Excelsior International Investment Pte. Ltd (**EII**), and shareholder loans (**Shareholder Loans**) due or owing by EII (and/or its subsidiaries) (**ENC Acquisition**).

In October 2023, the Company reached a positive final investment decision (**FID**) with respect to its participation and investment in ENC, and the ENC Acquisition was approved by shareholders at an Extraordinary General Meeting (**EGM**) held on 12 December 2023

ENC is expected to produce 72,000 metric tons per annum of nickel across the three major class 1 nickel products being MHP, nickel sulphate and nickel cathode. ENC will be the first HPAL globally with the capacity to produce the three major class 1 nickel products, all of which are suitable for use in the EV battery market.

Shanghai Decent will once again be providing a “capex guarantee” whereby the total construction costs will not exceed US\$2.3 billion (**Capex Guarantee**). The Capex Guarantee represents a highly competitive capital intensity compared to several recently announced projects and advances beyond purely “EPC” costs as it includes Project commissioning and production build-up to nameplate capacity of at least 60,000 metric tons per annum of contained nickel. Importantly, the Capex Guarantee includes a tailings facility encompassing industry best practice storage and management (via dry-stack tailings), and an integrated sulphuric acid plant (which will produce the majority of ENC’s power needs via renewable energy). Given the recent series of announced capex overruns in the nickel and battery metals industry, the value of the Capex Guarantee cannot be overstated.

The ability to produce the three major class 1 nickel products (MHP, nickel sulphate and nickel cathode) will:

- provide the Company with significant operating flexibility to target its products for EV battery markets where there may be significant pricing and demand premiums in the future; and
- significantly diversify the Company’s customer base.

The 55% equity interest in ENC will be acquired over the next two years on the following dates:

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

Additionally, the Company initially paid a \$25M option for the construction of the ENC project (which was subsequently executed).

Payment of a refundable deposit of US\$126.5M had been made prior to 31 October 2023, which converted following shareholder approval to a 5.5% equity interest in the Project. Then, in December 2023, the Company paid \$189.8M to increase to a 13.75% equity interest in the Project.

# NICKEL INDUSTRIES LIMITED and its controlled entities

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### HENGJAYA MINE (80% interest held by Nickel Industries)

The Company holds an 80% interest in PT Hengjaya Mineralindo, the owner of 100% of the Hengjaya Mine, with the remaining 20% interest owned by the Company's Indonesian partner.

The mine is located approximately 12 kilometres from the IMIP in the Morowali Regency, Central Sulawesi, Indonesia. The Hengjaya Mine tenement covers 5,983 hectares and holds a 20-year mining operation/production licence (issued in June 2011) with two further 10-year extension periods.

#### Mining

The Hengjaya Mine finished the year with a very pleasing record result for 2023, mining a combined total of 13,401,289 wmt of nickel ore (3,832,833 wmt of saprolite and 9,568,456 wmt of limonite), an increase of ore production of 97.2% versus 2022 year of 6,792,851 wmt. The result of this increased production and sales was an EBITDA contribution of \$87.9M from the Hengjaya Mine in 2023, compared to the \$53.9M EBITDA contribution from the mine in 2022.

		Mar 2023 Quarter	Jun 2023 Quarter	Sept 2023 Quarter	Dec 2023 Quarter	Total
<b>Saprolite mined</b>	wmt	662,004	692,937	1,013,949	1,463,943	3,832,833
<b>Limonite mined</b>	wmt	1,822,636	2,029,624	2,616,041	3,100,155	9,568,456
<b>Nickel ore mined</b>	wmt	2,484,640	2,722,561	3,629,990	4,564,098	13,401,289
<b>Overburden mined</b>	BCM <sup>5</sup>	398,017	226,798	332,155	381,494	1,338,464
<b>Strip ratio</b>	BCM/wmt	0.16	0.08	0.09	0.08	0.1

#### Haul road

In August 2023, the Company completed the haul road between the Hengjaya Mine and the IMIP. This included the construction of a 70-metre double lane bridge with public road underpass near the entrance of the IMIP. The completion of the haul road represents a landmark development in the history of the Company's mining operations and will allow the mine to rapidly increase total ore sales from current levels of ~3.5M tonnes per annum to a targeted 10M tonnes per annum. The trucking of limonite ore on the haul road commenced in September. Whilst there were initial delays in commissioning and ramping up the limonite haulage fleet, the mine haul road is now fully operational with a full complement of trucks and the Company anticipates a significant increase in limonite sales during 2024.

An official ceremony to mark the opening of the haul road was held on Thursday 3 August 2023 and was attended by several senior Nickel Industries executives including Chairman Norman Seckold, Managing Director Justin Werner and Director James Crombie, in addition to Tsingshan Chairman Xiang Guangda, now retired Shanghai Decent Chairman and Nickel Industries Director Huang Weifeng and Eternal Tsingshan Chairman and Nickel Industries Director Xiang Binghe.

<sup>5</sup> BCM represents 'bank cubic metres'.



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*Nickel Industries' Chairman Norman Seckold and Managing Director Justin Werner officially open the Hengjaya Mine to IMIP Haul Road with Tsingshan Chairman Xiang Guangda*

**Exploration**

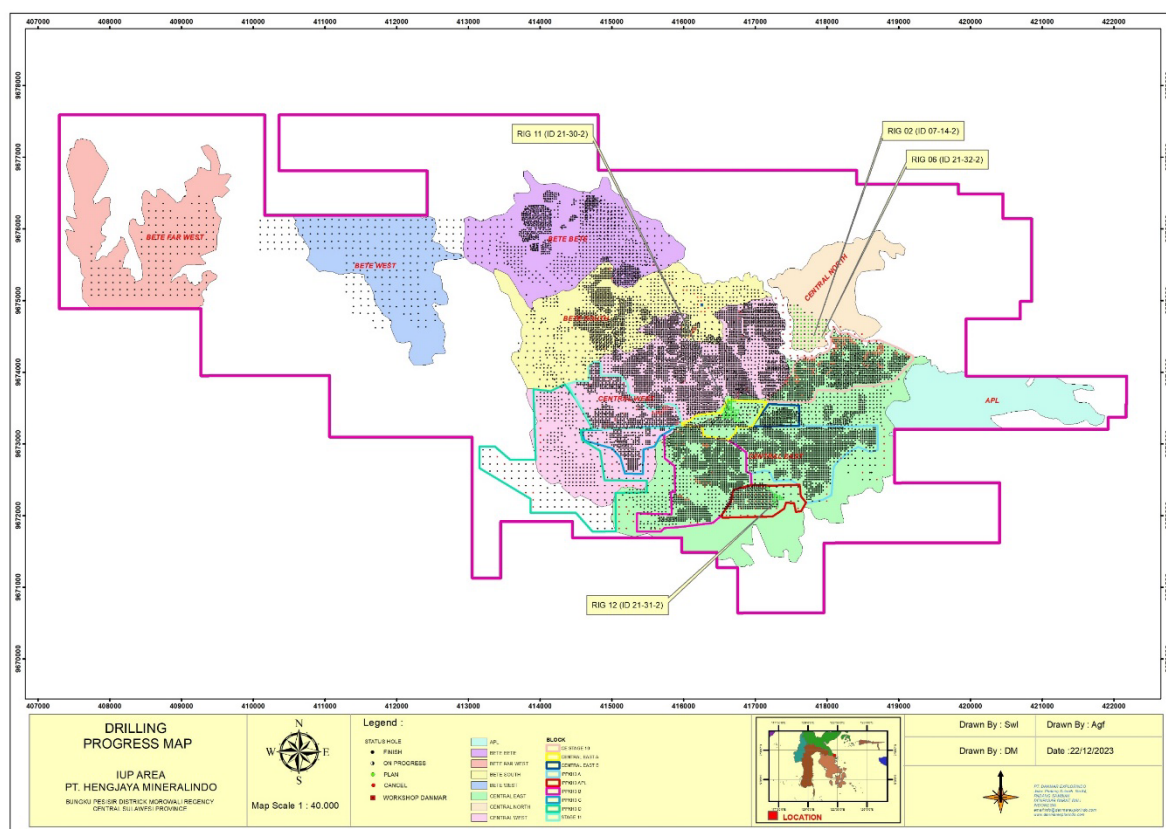
During 2023 there were a total of 119,718 metres resource definition and infill drilling at Hengjaya Mine. Infill drilling totalled 116,787 metres, while exploration drilling accounted for 2,691 metres, disposal drilling drilled 1,256 metres. All drilling costs were absorbed into the mine's operating costs.

The 4,936 holes drilled in 2023 focused on the infill drilling mostly developed in Central West, Central East, Central North Bete Bete South, Bete Bete, while the exploration drilling (100m x 100m) drilled in Central East and Central North, and in the first half of the year drilled in Central North, the disposal drilling drilled in the September Quarter in the Central West, and Bete Bete South.

The mine reconciliation of saprolite ore modelled versus actual saprolite mined continued to confirm excellent results, well above the forecasted industrial recovery of +80% throughout the planning and mining operations.

Closely associated with drilling activities is the Hengjaya Mine's on-site laboratory which includes preparation and assay facilities. During the year, the laboratory processed and assayed over 121,341 exploration samples, enabling fast turnaround times whilst being very cost effective across all areas of exploration, mine grade control and barging operations. A percentage of samples were also sent off-site to a 3<sup>rd</sup> party for quality control and assurance reconciliation.

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### *Drilling progress and drill rig locations - December 2023*



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### Community Development and Sustainability

#### Community development

The Company's Hengjaya Mine received two gold trophies at the Nusantara CSR Awards 2023 for the SEA Tangofa (Selamatkan Terumbu Karang/Coral Reef Tangofa) and CSP HM (Collaborative Stakeholders for PPM HM). These latest awards further strengthen Nickel Industries' credentials as a responsible metal producer in the region.



*The Hengjaya Mine team received a couple of gold awards at the Nusantara CSR Awards 2023*

Moreover, the Hengjaya Mine was also nominated as the recipient of the Indonesia Sustainable Development Goals Award (ISDA) 2023 for the fisherman empowerment program at Bete Bete Village.

#### Environment and Sustainability

In 2023, the Company conducted a detailed study to design its biodiversity conservation area with a total of 200 Ha in the Hengjaya Mine site. Once completed, this technical document will be submitted to the Indonesian government for further evaluation. Additionally, the Company also aimed to strengthen its waste management processing at the mining area by developing a Material Recovery Facility (MRF) that will be able to recycle some of the generated waste into organic fertiliser and more valuable materials. The construction of this MRF facility is expected to start before the end of this year.



*Technical study at the Hengjaya Mine site to develop a biodiversity conservation area (200 Ha) and a Material Recovery Facility (MRF)*

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Moreover, Nickel Industries is pleased to be nominated as the “Most Promising Transitioning Company” at the ESG World Summit & GRIT Awards 2023 during this quarter in Bangkok. The accolade was granted for the Company’s leadership in transforming its business operations to contribute towards sustainability and its numerous initiatives to minimise the impact of its operations on the environment. The Summit and Awards are organised by CorpStage and ESG Research Foundation. The GRIT Awards stand for: Growth, Resilience, Intention and Innovation, and Transcending. The Awards aim to “advance responsible capitalism” and green initiatives recognising outstanding companies which are making strides towards a sustainable world through impactful environmental, social, and governance (ESG) practices.



*Nickel Industries’ nomination as the “Most Promising Transition” Company  
at the 2023 ESG World Summit and GRIT Awards*

Furthermore, the Company has received an upgraded MSCI ESG (Environmental, Social, and Governance) rating to 'BBB', the highest MSCI ESG rating given to Indonesian-based metals and mining companies, underscoring the Company's ongoing commitment to sustainability and responsible business practices. The upgraded MSCI ESG rating reflects the Company's steadfast dedication to environmental stewardship, social responsibility, and ethical governance. The Company has undertaken significant efforts to enhance its ESG performance across various aspects of its operations, resulting in this notable achievement. Additionally, Nickel Industries was also nominated as the winner of the TrenAsia ESG Award 2023 for the sustainability aspect of the nickel mining sector. The TrenAsia ESG Award 2023 jury consists of representatives of the Financial Services Authority, the Indonesian Chamber of Commerce (KADIN), Investment Managers, ESG practitioners, the Indonesian Entrepreneur Association, and the National Committee on Governance Policy.

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### *Placement and execution of collaboration agreement with United Tractors*

In June, the Company entered into a conditional share subscription agreement (**Subscription Agreement**) for a A\$943M (\$628M) placement of shares in the Company (**Conditional Placement**) to PT Danusa Tambang Nusantara (**DTN**), a subsidiary of PT United Tractors Tbk (**United Tractors**).

The Conditional Placement comprised the issuance of 857M new fully paid ordinary shares (**New Shares**) at A\$1.10 per New Share (**Placement Price**), representing a 27.2% premium to the last traded price of A\$0.87 on Thursday, 8 June 2023 (the day prior to announcement). The New Shares represent approximately 19.99% of the Company's total ordinary shares outstanding. The Conditional Placement was approved by shareholders at an EGM held on 8 September 2023.

The Company sees numerous benefits to its collaboration with United Tractors and DTN that include but are not limited to:

- additional local knowledge and operational expertise: United Tractors is one of the largest heavy equipment distributors and mine operators in Indonesia and has deep knowledge of the Indonesian mining landscape; and
- financial firepower: DTN's investment provides Nickel Industries with an immediate capital injection of A\$943M, strengthened Nickel Industries' balance sheet and positioned the Company as well funded for the acquisition of a 55% interest in the ENC project, which will further establish Nickel Industries as a leading global and diversified nickel company.

### *Completion of HNC HPAL and Oracle Nickel Acquisitions*

Following shareholder approval at an EGM held on 5 July 2023, the Company completed the acquisition of a 10% equity interest in HNC and an additional 10% interest in the Oracle Nickel project, in addition to completing the payment obligations of two future battery nickel opportunities (collectively the **Acquired Options**) contemplated under its Electric Vehicle Battery Supply Chain Strategic Framework Agreement (announced in January 2023).

The Company:

- issued to a Shanghai Decent affiliate company (Decent Investment International Private Limited) 381,365,628 ordinary shares in Nickel Industries at an issue price of \$1.02, as consideration for acquiring the 10% equity interest in HNC; and
- made a cash payment of US\$75M to Shanghai Decent, as consideration for the additional 10% equity interest in Oracle Nickel Project, increasing the Company's interest from 70% to 80%. An additional retained earnings settlement variance of \$1.5M will also be made to Shanghai Decent in respect of the 10% of undistributed profits prior to the Company's acquisition of the additional 10% interest.

The Company has also completed the payment obligations for the two Acquired Options with cash payments to Shanghai Decent of US\$40M comprising:

- US\$25M consideration for an option to participate in the construction and ownership of the ENC project (refer below for more detail); and
- US\$15M consideration for an option to invest in and construct a high-grade matte converter at Oracle Nickel.

Both options secure access to proprietary technology and experienced technical teams from Shanghai Decent to support the future success of these projects.



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### US\$400m loan facility with leading Indonesian bank

In October 2023 the Company executed financing facilities totalling US\$400M with PT Bank Negara Indonesia (Persero) Tbk Singapore Branch (BNI), a tier-1 Indonesian Bank, to support the Company's funding obligations in relation to the ENC Project.

The facilities comprise a 5-year senior term loan facility (**the Facility**) of US\$350M, split across two tranches:

- tranche A: US\$200M (secured against the Company's Angel Nickel Project and associated shareholder loans); and
- tranche B: US\$150M (unsecured).

In addition, the Company has secured a US\$50M revolving credit facility (**RCF**), for general working capital purposes.

The interest rate applicable on the Facility will be a margin above the Secured Overnight Financing Rate (**SOFR**) (currently ~5.3%), according to the following schedule: (i) initial 12-month period: 2.00%; (ii) months 12-18: 3.00%; and (iii) 18 months onwards: 3.50%.

The margin applicable to the RCF will be 3.00%.

The Facility represents a new source of funding for the Company within the local Indonesian banking industry.

The Facility, along with placement funds of A\$943M (~US\$628M) recently received from United Tractors, in addition to the Company's existing cash and strong ongoing cash flows from its existing operations, leaves the Company well positioned to fund its share of the ENC acquisition payments (US\$1.29 billion including option fee) over the Project construction period of 2023 to 2025.

In late December 2023 the Company drew down US\$189.8M of the facility, ahead of making a US\$189.8M payment for an additional 8.25% interest in the ENC project.

### \$400M Senior Unsecured Notes Issuance and concurrent refinance and tender offer of existing bonds

In April, the Company completed a \$400M issuance of senior unsecured notes (**Notes**), the refinancing of the Company's \$225M senior secured notes and completion of a Concurrent Tender Offer for the existing \$325M senior unsecured notes maturing in April 2024 (**Target Notes**).

Under the tender offer the Company accepted valid tender for an aggregate amount of \$80,082,000 at a purchase price equal to 102% of the principal amount of the Target Notes.

A material outcome of the New Notes issuance was a removal of all secured debt and a simplification of the Company's capital structure. The Company's outstanding bonds now comprise \$400M of Notes (maturing 21 October 2028) and \$244.9M of Target Notes (maturing 1 April 2024). Importantly, the Notes extended the Company's debt maturity profile, optimally positioning it to continue the strong growth trajectory to becoming a leading producer of battery grade class 1 nickel.

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Key details of the Notes are as follows:

Issuer	Nickel Industries Limited
Issue size	\$400M
Coupon	11.25% per annum, payable on a semi-annual basis in arrears
Distribution format	Rule 144A / Regulation S
Amortisation	11% amortisation on April and October each year commencing 21 October 2025
Final maturity date	21 October 2028
Listing	Notes are listed on the Singapore Exchange Securities Trading Limited (SGX-ST)
144A ISIN	US653890AA15
Reg S ISIN	USQ67949AC34

### Equity Capital Raise

To fund the acquisition of the 10% interest in HNC and the additional 10% interest in Oracle Nickel, as well as the Acquired Options the Company undertook a capital raise (**Equity Raise**).

The Equity Raise comprised:

- (i) a \$185.7M (A\$264.3M) fully underwritten, institutional placement (**Institutional Placement**);
- (ii) a \$270M (~A\$386M) placement to Newstride (or its nominee), a \$15M (~A\$21M) placement to Shanghai Wanlu Investment Co. Ltd. (or its nominee) and \$1.4M (~A\$2M) placement to former Non-Executive Director Mark Lochtenberg on a non-underwritten basis (**Conditional Placement**); and
- (iii) a non-underwritten share purchase plan (**SPP**) to eligible shareholders in Australia and New Zealand.

The Institutional Placement was successfully completed on 19 January 2023 and the SPP offer closed on 24 February 2023. Under the SPP the Company issued 33,880,135 shares at A\$1.02 for total receipts of A\$34,557,737.70.

The Conditional Placement was approved by FIRB on 30 June 2023 and by shareholders at an EGM held on 5 July 2023, and all shares to be issued under the Conditional Placement had been issued by 3 August 2023.

### 2022 Sustainability Report

The Company released its 2022 Sustainability Report in March 2023. Significant progress was made by the Company across numerous sustainability initiatives in 2022, evidenced by Nickel Industries becoming the only nickel company to receive seven trophies at the Environmental and Social Innovation Awards, earning a silver award at the Asia Sustainability Reporting Rating and achieving a “Green Proper” rating for the Hengjaya Mine from the Indonesia Ministry of Environment and Forestry. In addition, the Company was nominated as a finalist for three categories at the Asia Sustainability Reporting Awards and was included in the top-half of ESG performers in the global Mining and Metals Industry according to the S&P Global.

This report builds on the Company’s maiden 2021 Sustainability Report and reflects the strong commitment the Company has regarding reporting transparency across both its mining and downstream processing operations. With Nickel Industries having established itself as a large and active participant across Indonesia’s mining and industrial landscape, the Company is highly committed to contributing to a more sustainable future for these industries and to advancing the welfare of Indonesia’s people through employment opportunity and social progression. The Company also looks forward to continuing to reduce the carbon footprint of its operations through the adoption of and adherence to industry ‘best practice’ mining and processing standards, in addition to the gradual transition to renewable forms of energy and production diversity into lower carbon intensive products that will contribute to a green energy future.

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### *Second Green PROPER rating*

In December the Company's Hengjaya Mine was once again awarded the Green PROPER Award from the Ministry of Environment and Forestry (KLHK), which indicates beyond compliance practices in terms of ESG implementation and reporting. The Hengjaya Mine became the sole entity from Morowali and the only mining company from Central Sulawesi to achieve this rank, confirming its growing status as a showpiece mine for responsible and sustainable nickel mining in Indonesia.

Additionally, the Hengjaya Mine was also nominated as the recipient of the Indonesia Sustainable Development Goals Award (ISDA) 2023 for the fisherman empowerment program at Bete-Bete Village. The Hengjaya Mine was one of more than a hundred companies assessed for this accolade nationally.

### *Presentation to COP28 Climate Summit and announcement of future emission targets*

As a leading exponent of responsible and sustainable nickel mining in Indonesia, the Company was invited to present at the 2023 United Nations Climate Change Conference (COP28) in the United Arab Emirates (UAE) on 2 December 2023.

At the conference the Company announced its future emission targets, committing to a 50% reduction in carbon intensity by 2035 and net zero emissions by 2050, outlining some of the current and future initiatives that are going to be implemented, to reduce its carbon footprint and support the sustainability of the environments and communities in its area of operations.

### *Nickel Matte sales contract with Glencore*

In December, the Company entered into a maiden nickel matte sales contract with Glencore AG (Glencore).

The contract, commencing January 2024 and running for an initial 6-month term, will result in nickel matte from the Company's Hengjaya Nickel Project being sold to Glencore. This initial sales contract represents a maturing of the Company's nickel matte business and an important diversification of its customer base into western markets closely linked with the global EV supply chain.

Volume and pricing terms remain commercial in confidence.

### *Execution of binding agreement for solar project at IMIP*

In October 2023, the Company signed a binding Operational Lease and Service Agreement (**OLSA**) with PT Sumber Energi Surya Nusantara (**SESNA**) with respect to the development, installation, operation and maintenance of a 200MWp + 20MWh battery solar project within the IMIP. This solar project is designed to supply electricity to the Company's existing RKEF operations, along with the future ENC Project, and represents a transition of the Company's operations to renewable energy sources.

Under the terms of the OLSA, Nickel Industries will be the long-term offtake partner for SESNA and will not be required to contribute any capital funding. SESNA is responsible for the construction and commissioning of the project, which is expected to occur within 36 months of signing the agreement. This solar project supplements the Company's existing 450kWp plus 250kWh battery storage project at the Hengjaya Mine (also in partnership with SENSE) which replaced diesel-powered generators and expected to reduce diesel consumption by approximately 31 million litres over the 25-year projected project life.

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### *Board Changes*

In May, the Company appointed Xiang Binghe as a Non-Executive Director of the Company. Mr Xiang has been a key member of the rapid development of Tsingshan since 2000. Mr Xiang has already played a key role in the development of the Company's RKEF operations, as a Shanghai Decent nominee to the Board of the Company's Indonesian RKEF entities, as well as a director of the Company's Singaporean subsidiary holding companies. In his current role as Chairman of Eternal Tsingshan, he has successfully led the management, development and operations of the IMIP and the IWIP.

The Company appointed Muliady Sutio as a Non-Executive Director of the Company, satisfying United Tractors' right to a Board seat upon completion of their 19.99% equity interest in the Company.

Mr Sutio currently serves as the President Director of DTN, now a 19.99% Nickel Industries shareholder, President Director of PT Agincourt Resources which operates the world class 6.5 million ounces resources Martabe gold mine and is Commissioner of the following companies: PT Energia Prima Nusantara (a renewable energy company with interests in solar- and hydro-power operations), PT Persada Tambang Mulia, PT Sumbawa Jutaraya, PT Bhumi Jepara Services and PT Unitra Nusantara Persada, all of which are subsidiaries companies of the United Tractors group.

In November, following his retirement as President Director of Shanghai Decent, Huang Weifeng also retired as a Non-Executive Director of the Company. His position as Non-Executive Director and a representative of Shanghai Decent will be taken by Mr Wang Haijun. Mr Wang is also replacing Mr Huang as President Director of Shanghai Decent. Mr Huang joined the Board of the Company in April 2018, in the lead up to the Company's listing on the ASX, when the Company and Shanghai Decent signed their initial Collaboration and Subscription Agreement. Since then, he has been an integral part of the growth of the Company and the partnership between the Company and Shanghai Decent.

Mr Wang was the CEO of Shanghai Decent from 2008 until his move to replace Mr Huang as President Director of Shanghai Decent. He has worked in various senior roles with Tsingshan since 2004, including as CEO of Ruipu Technology Group from 2013 to 2016. He has a Degree from Beijing University of Aeronautics and Astronautics, majoring in Solid Rocket Engines, as well as post graduate degree from the China Academy of Launch Vehicle Technology majoring in Liquid Rocket Engines.

In November, Mark Lochtenberg retired as a Non-Executive Director of the Company. Mr Lochtenberg joined the Board of the Company in March 2017, prior to the Company's listing on the ASX the following year.

In December, the Company announced the retirement of Mr Rob Neale who had served as the Company's Chairman since April 2018, leading the Company through its Initial Public Offering in August 2018 to its current position as a global-top 10 nickel producer.

Company founder and former Deputy Chairman Norm Seckold replaced Mr Neale as Executive Chairman, effective 1 January 2024.

### *Declaration and payment of maiden interim and final dividends*

In February 2023, the Company declared a final dividend for 2022 of A\$0.02 per share, being a distribution of A\$60.5M (\$40.7M). In July 2023, the Company declared a A\$0.02 interim dividend. The dividend was paid on 14 August 2023, totalling A\$68.6M (\$44.9M).

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**Task Force on Climate-Related Financial Disclosures (TCFD)**

**Introduction**

Nickel Industries recognises its responsibility to support the global effort to transition to a low-carbon economy, whilst ensuring that its operations reduce its exposure to climate risks.

**Climate Action**

In December 2023, Nickel Industries announced its emission reduction target against the backdrop of the COP28 United Nations Climate Change Conference that took place in Dubai, United Arab Emirates. During the conference, the Company unveiled its commitment to a 50% reduction in carbon intensity by 2035 and net zero emissions by 2050.

Nickel Industries was one of only two companies with Indonesian mining operations invited to present at the conference, reflecting the growing recognition it is receiving for taking a leadership role in advancing the sustainability of Indonesia's nickel industry.

**Climate Strategy**

This year, as part of our ongoing commitment to international best practices, Nickel Industries has chosen to be an early adopter of some of the International Financial Reporting Standards (IFRS) Sustainability Disclosure Standards and aims to increase its disclosures over time to fully comply with these standards. These standards establish a global foundation for sustainability disclosures tailored to the needs of investors and financial markets, enhancing trust and confidence in company sustainability disclosures for more informed investment decisions.

These standards have been developed by building upon the efforts of investor-focused reporting initiatives driven by the market, including the Climate Disclosure Standards Board (CDSB), the Task Force for Climate-related Financial Disclosures (TCFD), the Value Reporting Foundation's Integrated Reporting Framework and industry-based SASB Standards, as well as the World Economic Forum's Stakeholder Capitalism Metrics.

Building on the Company's previous advancements within the TCFD framework and now transitioning into the IFRS Sustainability Standards, Nickel Industries remains steadfast in strengthening its climate resilience and capitalising on the opportunities arising from this transitioning economy. Our objective is to progressively align over time with Climate-related Disclosures (IFRS S2) starting from 2024.

In alignment with short, medium, and long-term climate actions developed in 2021, we have further engaged external consultants in 2023 to assist in the creation of our decarbonisation roadmap. This initiative is integral to our commitment to achieve a 50% reduction in carbon intensity by 2035 and reach net-zero emissions by 2050. Through these efforts, we aim to address climate-related challenges and capitalise on relevant opportunities in a systematic and impactful manner.



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Short-term Strategy	Medium-term Strategy	Long-term strategy
<p>In 2021, the Company initiated the development of a Greenhouse Gas (GHG) inventory, coupled with a comprehensive analysis of governance and risks.</p> <p>To further this endeavour, Nickel Industries collaborated with Pertiwi Consulting and Hatch. The assessment aimed to understand our emissions profile, and results revealed that the predominant contributors were coal combustion and electricity consumption.</p> <p>In response, we have identified optimising fuel and energy consumption as a key short-term action to mitigate our environmental impact.</p>	<p>Given the current status of Scope 1 and 2 GHG emissions, along with the climate scenario analysis and the formulation of a coal climate policy, it is anticipated that carbon-related regulations may be enacted in the near future.</p> <p>Recognising the potential financial impact of such regulations, including the imposition of penalty fees and the necessity for reduced emissions, Nickel Industries is proactively directing its efforts towards energy transition. This involves strategic investments in renewable or lower-emission energy options and technology across key operations.</p> <p>Notably, the development phase of a solar power project with a capacity exceeding 200 MW at IMIP is underway, offering a promising avenue for emissions reduction in our processes.</p>	<p>Anticipating increased pressure from international and national regulations to reduce GHG emissions, The Company is strategically planning to mitigate transition risks associated with the adoption of low-carbon technologies. This involves the installation of renewable energy technologies at our sites.</p> <p>Recognising the time-intensive nature of this technological transition, additional studies are underway. In parallel with the gradual reduction of carbon emissions through operational changes, the Company is exploring the implementation of mechanisms to offset carbon emissions during the transition period.</p> <p>Nickel Industries is also leveraging market opportunities in the development of low-carbon technologies, including supplying ore to battery manufacturers.</p>

**Climate Risk and Resilience**

Nickel Industries is dedicated to taking proactive measures to tackle the challenges associated with climate change. We recognise the financial implications posed by climate-related risks and respond by systematically accounting for our GHG emissions while prioritising the assessment of the most financially significant risks. Our commitment extends to the development of a holistic sustainability strategy, which not only mitigates our vulnerability to climate-related risks but also identifies avenues for innovation and expansion within the emerging low-carbon economy.

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Aspect	Importance	Risk	Description
Physical Risk	<p>Nickel Industries recognises the potential physical risks associated with climate change, including extreme weather events and long-term shifts in weather patterns that could impact our operations. These risks may result in production delays, increased costs, loss of productivity days, and heightened liabilities. To comprehensively assess current and future risks, we employ various climate scenarios. These scenarios offer distinct descriptions of future climate projections based on greenhouse gas concentration. We evaluate physical risks using IPCC RCP 4.5 and 8.5 scenarios, representing medium and high emission concentrations, to gauge the potential severity of climate change impacts on the Company.</p> <p>The Representative Concentration Pathway (RCP) is a scenario developed by the Intergovernmental Panel on Climate Change (IPCC) that describes different climate futures based on the trajectory of greenhouse gas concentration and its radiative forcing. The scenario has a set of projections and is named after its radiative forcing values. RCP 4.5 is a moderate scenario in which emissions peak around 2040 and then decline. RCP 8.5 is the highest baseline emissions scenario in which emissions continue to rise throughout the twenty-first century.</p>	Temperature	IMIP and IWIP are experiencing temperature increases, with both scenarios indicating a range of 28-29°C (approximately a 0.6°C increase). This additional temperature rise poses challenges for field working conditions, potentially making them harsher, as well as potentially increasing demand for water resources.
		Precipitation	In both scenarios, IWIP is anticipated to undergo an increase in average precipitation ranging from 2,500 to 2,700 mm per year. On the other hand, precipitation around IMIP is slightly reduced from 2,300 to 1,900 mm annually. Despite the rise in precipitation in IWIP, a study using scenario RCP 8.5 indicates a tendency for longer dry periods (6 months) in North Maluku Province compared to Central Maluku Province (3 months). In Central Halmahera, where IWIP is situated, the quality of surface water might pose a challenge.
		Sea Level Rise	Both IMIP and IWIP are situated in coastal areas. Currently, the available data has not indicated a rise in sea levels. However, it is important to note that data on the rise of sea levels is limited. High tide events were recorded in Central Sulawesi Province in 2015 and 2018, but as of now, they have not had a significant impact on the operations of IMIP.
		Disasters	<p>Climate-related disasters have been documented in both Central Sulawesi and North Maluku provinces. Historical data from 2015 to 2021 reveals instances of flooding, landslides, storms, and forest fires in Central Sulawesi, while North Maluku faced flooding, landslides, storms, droughts, and forest fires during the same period. Fortunately, these disasters have not directly impacted the Company's operational sites, resulting in significant financial losses.</p> <p>The only notable indirect impact occurred in 2019 when flooding in North Konawe Regency, Southeast Sulawesi Province, affected Nickel Industries' operations. This event led to a reduction in nickel production, disrupted mining operations and logistics, and resulted in damaged public facilities, including three broken bridges. The disruption caused a decrease in mine production from 127,000 to 78,000 wet metric tonnes in the second quarter of 2019, primarily due to logistical challenges and staff movement disruptions on the HM site.</p>

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Transition Risk	Nickel Industries recognises that the global shift toward low-carbon development, aligned with the Paris Agreement, could potentially impact our business, particularly in the mining and metal production sectors, which are often associated with significant greenhouse gas emissions due to their energy-intensive operations. To assess transitional risks, we employ the International Energy Agency World Energy Outlook (IEA WEO) 2021 Announced Policy and Sustainable Development Scenarios for the years 2021 to 2050. This IEA WEO scenario serves as a valuable tool for evaluating our preparedness for forthcoming changes in the global energy landscape.	Policy	<p>Nickel Industries faces medium risks related to policy changes in the IEA WEO 2021 'Announced Pledges' and 'Sustainable Development' Scenario. The Company may encounter challenges due to regulatory shifts promoting low carbon in the energy and power sector. Indonesian regulations are rapidly evolving, showcasing a clear direction toward low-carbon development. This policy shift also influences the nickel market.</p> <p>The Indonesian Government is actively integrating climate considerations across various policy areas to achieve its Nationally Determined Contribution (NDC) target, aligning with the IEA WEO 2021 'Announced Pledges' scenario, spanning power generation to industry. Specific regulations include not building new coal power plants by 2030 and increasing the use of renewables in the energy mix, with targets of 14% natural gas and 30% renewable energy sources.</p> <p>In the 'Sustainable Development' scenario, policies pivot towards supporting the deployment of Carbon Capture Storage (CCS)/Carbon Capture Utilisation and Storage (CCUS) and hydrogen in industries and fuel transformation. Both scenarios emphasise policy measures for carbon, energy efficiency, and management. While hydrogen has the potential to become a significant renewable resource, its use is currently being studied and planned in Indonesia. Similarly, CCS/CCUS is in the development and pilot phase, with the government preparing regulations to reduce carbon emissions from hard-to-abate industries, despite debates and scepticism about the widespread application of this technology.</p>
		Technology	Nickel Industries is exposed to medium to long-term risks involving potential additional costs in its operations due to the technology shift, primarily stemming from policy changes in the energy and power plant sectors. The IEA WEO 2021 'Announced Policy' and 'Sustainable Development' scenarios envision the adoption of low-carbon technologies across the energy sector, including crucial renewable electricity production and storage technologies. While both scenarios project that technology will become progressively cheaper over time, the initial shift requires significant capital investment.

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			Additional costs may arise from the implementation of a potential carbon tax, driven by the high intensity of carbon emissions from fossil fuel technologies..
		Market	<p>Nickel Industries faces low market risk, encountering fewer challenges in both the IEA WEO 2021 'Announced Pledges' and 'Sustainable Development' scenarios. Nickel continues to play a pivotal role in emerging industries, and our strategic product diversification efforts effectively manage market risks. The prevailing favourable conditions validate future business prospects.</p> <p>Nickel Industries has actively explored new markets and diversified its products, enhancing its competitiveness for the future. The growing demand for EVs directly impacts the demand for nickel, aligning with the trajectories outlined in both scenarios. The increased interest in the EV battery industry globally, particularly in China and Indonesia, presents new opportunities for the Company to participate.</p>
		Reputation	The Company encounters moderate risks regarding its reputation, a common challenge for mining and processing industries associated with perceived negative impacts on climate change, environmental degradation, and social conflicts. The global shift towards low-carbon development aligns with the goals of the Paris Agreement, aiming to limit temperature increases to 1.5 degrees. Investors are increasingly attuned to climate policy trends, and financial institutions factor climate change considerations into their lending practices.

# NICKEL INDUSTRIES LIMITED and its controlled entities

## REVIEW OF OPERATIONS

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### Climate Risk Management

Nickel Industries proactively searches for opportunities to further enhance its climate risk management approach to mitigate potential disruption in its operations due to increased risk of disasters in its surrounding sites, mainly attributed to physical and transition risks. This may lead to an increase in business costs due to possible delays.

In addressing physical risks, the following risk management measures are considered:

- continue to monitor the development of acute and chronic physical risks by collecting yearly data;
- develop water management plans;
- monitor water usage and analysis;
- recycle used water and lessen water loss due to waste, leakage, and evaporation; and
- develop a contingency plan whenever such extreme climate disasters arise, both onsite and offsite.

Further, the Company faces significant transition risks, primarily stemming from policy, technology, and reputational risks, while market risk remains relatively low. To address these challenges, a comprehensive transition risk management plan is being developed and implemented, in collaboration with strategic partners. Additionally, the Company is taking the following measures to enhance climate resilience and reduce emissions:

The Company's transition risks are largely due to its exposure to policy, technology, and reputational risks, while market risk remains relatively low. A comprehensive transition risk management has to be created and followed by strategic plans and actions that should be conducted together with our strategic partners. Additionally, the Company considers these measures with the goal of increasing climate resilience and reducing emissions:

- continuation of the 'Future Energy' collaboration framework to optimise the transition to renewable energy sources across the Company's operations;
- proactive planning and implementation of green practices across the Company's operations and facilities to anticipate a carbon tax;
- continue building its reputation as a clean nickel producer to build trust among investors and the broader public;
- market expansion towards high-grade nickel to position the Company as a prominent player in sustainable, transition-oriented businesses, particularly within the clean EV battery sector; and
- continuous monitoring of both Indonesian and global climate policies is an integral part of the Company's risk management strategy to stay adaptive and explore potential collaborations in line with emerging standards and regulations.

### Climate Governance

Nickel Industries has established a sustainability committee dedicated to addressing ESG concerns, with a specific focus on climate change. The Company recognises climate change as a significant governance and strategic issue, consistently featuring on the agenda of the Board of Directors. This prominence is evident in discussions related to strategy, portfolio evaluations, investment decisions, risk management oversight, and performance assessments against established commitments.

Furthermore, the diverse backgrounds and experiences of the Board of Directors contribute positively to the Company's approach to climate change and other ESG-related matters. The varied perspectives of each Board member are valuable in shaping decisions related to these issues. The committee ensures that inputs and outputs from regular sessions are integrated into the decision-making process.

### Metrics and Targets

The Company will publish its detailed roadmap to achieve the targets of a 50% reduction in carbon intensity by 2035 and net zero emissions by 2050 in its 2023 Sustainability Report, which is expected to be made publicly available in the first half of 2024.

**NICKEL INDUSTRIES LIMITED**  
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**REVIEW OF OPERATIONS**

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**Corporate Governance Statement**

The Board is committed to maintaining standards of Corporate Governance. Corporate Governance is about having a set of core values and behaviours that underpin the Company's activities and ensure transparency, fair dealing and protection of the interests of stakeholders. The Company has reviewed its corporate governance practises against the Corporate Governance Principles and Recommendations (4th edition) published by the ASX Corporate Governance Council.

The Corporate Governance Statement is dated as at 29 February 2024, reflecting the corporate governance practises throughout the 2023 financial year and was approved by the Board of Directors of the Company on 29 February 2024. A description of the Company's current corporate governance practises is set out in the Company's Corporate Governance Statement which can be viewed at [www.nickelindustries.com.au/corporate-governance/](http://www.nickelindustries.com.au/corporate-governance/).

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**DIRECTORS' REPORT**

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The Directors present their report together with the financial report of Nickel Industries Group, being Nickel Industries Limited ('the Company' or 'Nickel Industries') and its controlled entities ('the Group'), for the year ended 31 December 2023 and the auditor's report thereon:

**Directors**

The names and particulars of the Directors of the Company at any time during or since the end of the year are:

**Robert Charles Neale – Non-Executive Chairman**

Non-Executive Chairman from 16 April 2018 to 31 December 2023.

Mr Neale graduated from the University of Queensland with a First Class Honours Degree in Geology and Mineralogy with an additional major in Chemistry.

Mr Neale is the former Managing Director of New Hope Corporation Limited and the former Non-Executive Chairman of Mayur Resources Limited. He joined NHC in 1996 as General Manager and was appointed as an 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 and 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 he spent 23 years with Esso Australia and EXXON Coal and Minerals Company.

**Norman Alfred Seckold – Executive Chairman**

Executive Chairman to 16 April 2018 and again from 31 December 2023. Director since 12 September 2007.

Norman Seckold graduated with a Bachelor of Economics degree from the University of Sydney and has spent more than 30 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 ASX-listed companies Alpha HPA Limited and Sky Metals Limited.

**Justin Charles Werner – Managing Director**

Director since 23 August 2012.

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 then ASX-listed Robust Resources Limited.

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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). He was a Director of ASX listed Alpha HPA Limited until November 2023.

Mr Werner is currently a non-executive director of ASX-listed Far East Gold Limited.

**Christopher Shepherd – Director and Chief Financial Officer**

Chief Financial Officer since 15 November 2021. Director since 23 December 2022.

Chris Shepherd is a Chartered Accountant who holds Bachelor degrees in Applied Finance and Commerce. Most recently Chris acted as a Partner and Managing Director of The Pallinghurst Group in London and has over 20 years' experience in private equity, investment banking and corporate finance, advising on more than \$30 billion in transactions across Australasia, North America, Europe and Africa.

Prior to The Pallinghurst Group where he was responsible for establishing and executing Pallinghurst's battery materials investment strategy, Chris was an investment banker at Merrill Lynch and Deutsche Bank gaining extensive experience in transaction origination, structuring and execution across the mining, industrial and consumer sectors.

**James Crombie – Non-Executive Director**

Director since 23 May 2008.

Jim Crombie graduated from the Royal School of Mines, London, 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.

**Weifeng Huang – Non-Executive Director**

Director from 26 April 2018 to 1 November 2023.

Mr Huang has graduated with a Bachelor of Engineering degree from Zhejiang University and a Masters of Business Administration from Zhejiang University.

Mr Huang began his career in several industrial enterprises and has broad management experiences from serving as the Plant Manager of Wenzhou Tractor Plant, the General Manager of Wenzhou Machinery Industrial Corporation, the Vice Mayor of Wenzhou and the Executive Chairman of China Perfect Machinery Industry Corp., Ltd. Mr Huang also served as the Deputy Director of the Management Committee of Shanghai Jinqiao Export Processing Zone, where he was appointed as a Director of Shanghai Jinqiao Export Processing Zone Development Co., Ltd, a publicly-listed company on the Shanghai Stock Exchange and 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.

Until his retirement in 2023 Mr Huang was the Chairman of Shanghai Decent Investment (Group) Co., Ltd, a flagship company within the Tsingshan group which led in the development of the IMIP and he was a Director of PT Indonesia Morowali Industrial Park.



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**DIRECTORS' REPORT**

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**Mark Hamish Lochtenberg – Non-Executive Director**

Director from 10 March 2017 to 8 November 2023.

Mr Lochtenberg graduated with a Bachelor of Law (Hons) degree from Liverpool University, U.K. and has been actively involved in the coal industry for more than 25 years. He was the Executive Chairman and founding Managing Director of ASX-listed Cockatoo Coal Limited.

He was also 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. Prior to this Mr Lochtenberg established a coal "swaps" market for Bain Refco, (Deutsche Bank) after having served as a senior coal trader for Hansen Neuerburg AG and as coal marketing manager for Peko Wallsend Limited.

Mr Lochtenberg is currently Chairman of ASX-listed Equus Resources Limited and a director of Terracom Limited

**Dasa Sutantio – Non-Executive Director**

Director since 29 May 2020.

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. Within the Tanito Group, Mr Sutantio is a Director of PT Karunia Bara Perkasa, currently the Company's second largest shareholder.

**Muliady Sutio – Non-Executive Director**

Director since 21 September 2023.

Mr Sutio has a Bachelor of Industrial Engineering degree from Trisakti University in 1994. His career began at PT Astra International Tbk in 1994 as an Efficiency Division Analyst. Mr Sutio was appointed as Team Leader for PT Pamapersada Nusantara's business processes in 2000. In 2004, he was appointed as Corporate Planning and System Development Head and in 2007, he was appointed as Head of Supply Management. In 2014, he was appointed as President Director of PT Energia Prima Nusantara, as well as the Director of PT Pama Indo Mining. From 2015 until 2017, he was also appointed President Director of PT Unitra Persada Energia.

Mr Sutio currently serves as the President Director of DTN, President Director of PT Agincourt Resources which operates the world class 6.5 million ounces resources Martabe gold mine and is Commissioner of the following companies: PT Energia Prima Nusantara (a renewable energy company with interests in solar- and hydro-power operations), PT Persada Tambang Mulia, PT Sumbawa Jutaraya, PT Bhumi Jepara Services and PT Unitra Nusantara Persada, all of which are subsidiaries companies of the United Tractors group.

**Haijun Wang – Non-Executive Director**

Director since 1 November 2023.

Mr Wang has a Degree from Beijing University of Aeronautics and Astronautics, majoring in Solid Rocket Engines, as well as post graduate degree from the China Academy of Launch Vehicle Technology majoring in Liquid Rocket Engines. Mr Wang was the CEO of Shanghai Decent from 2008 until his move to replace Mr Huang as President Director of Shanghai Decent. He has worked in various senior roles with Tsingshan since 2004, including as CEO of Ruipu Technology Group from 2013 to 2016.

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**DIRECTORS' REPORT**

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**Binghe Xiang – Non-Executive Director**

Director since 9 May 2023.

Mr Xiang has been a key member of the rapid development of Tsingshan since 2000. His previous experience spans many senior roles and operations including head of AOD Department of Zhejiang Tsingshan Special Steel Company Limited, the General Manager of Zhejiang Tsingshan Steel Company Limited, the Chairman of Zhejiang Ruipu Machinery Company Limited, the Vice President of Ruipu Technology Group Company Limited, the Chairman of Fujian Dingxin Nickel Company Limited and the Vice Chairman of Tsingtuo Group Company Limited.

Mr Xiang has already played a key role in the development of the Company's RKEF operations, as a Shanghai Decent nominee to the Board of the Company's Indonesian RKEF entities, as well as director of the Company's Singaporean subsidiary holding companies. In his current role as Chairman of Eternal Tsingshan he has successfully led the management, development and operations of the Indonesia Morowali Industrial Park ('IMIP') and the Indonesia Weda Bay Industrial Park ('IWIP'), which are the world's largest integrated nickel processing industrial parks with nearly 100,000 employees.

**Yuanyuan Xu – Non-Executive Director**

Director since 26 April 2018.

Ms Yuanyuan Xu graduated with a Bachelor's Degree in Fashion Business and Fashion Design from Instituto Marangoni. Since graduation, Ms Xu has focused on marketing, public relations and procurement activities.

She is currently an Executive Director of Shanghai Wanlu Investment Co., Ltd.

**Management**

**Richard James Edwards – Company Secretary**

Company Secretary since 28 March 2012.

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, a member of CPA Australia and holds a Graduate Diploma of Applied Finance and Investment from FINSIA. Mr Edwards has worked for over twenty 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 also Company Secretary of ASX-listed Alpha HPA Limited and Prospech Limited.

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**DIRECTORS' REPORT**

**Directors' Meetings**

The number of Directors' meetings held and number of meetings attended by each of the Directors of the Company, while they were a Director, during the year are:

Director	Board meetings		Audit Committee meetings		Nomination Committee meetings		Remuneration Committee meetings		Sustainability Committee meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Robert Neale <sup>(6)</sup>	12	10	2	2	1	1	1	1	-	-
Norman Seckold	12	12	-	-	1	1	-	-	3	3
Justin Werner	12	12	-	-	-	-	-	-	3	3
Chris Shepherd	12	12	-	-	-	-	-	-	3	3
James Crombie	12	10	2	2	-	-	1	1	-	-
Weifeng Huang <sup>(4)</sup>	11	10	2	2	-	-	-	-	-	-
Mark Lochtenberg <sup>(5)</sup>	11	11	2	2	1	1	1	1	-	-
Dasa Sutantio	12	9	-	-	-	-	-	-	-	-
Muliady Sutio <sup>(2)</sup>	2	2	-	-	-	-	-	-	-	-
Haijun Wang <sup>(3)</sup>	1	1	-	-	-	-	-	-	-	-
Binghe Xiang <sup>(1)</sup>	8	7	-	-	-	-	-	-	3	2
Yuanyuan Xu	12	12	-	-	-	-	-	-	-	-

<sup>(1)</sup> Appointed as a Director on 9 May 2023.

<sup>(2)</sup> Appointed as a Director on 21 September 2023.

<sup>(3)</sup> Appointed as a Director on 1 November 2023.

<sup>(4)</sup> Resigned as a Director on 1 November 2023.

<sup>(5)</sup> Resigned as a Director on 8 November 2023.

<sup>(6)</sup> Resigned as Chairman on 31 December 2023.

**Directors' Interests**

The beneficial interests of each Director of the Company in the issued share capital of the Company are:

Director	1 January 2023	Purchased	Sold	Date of this report
Robert Neale	10,700,000	-	-	10,700,000 <sup>(6)</sup>
Norman Seckold	113,715,661	-	-	113,715,661
Justin Werner	29,765,228	2,846,000	-	32,611,228
James Crombie	6,580,000	-	-	6,580,000
Chris Shepherd	57,723	-	-	57,723
Weifeng Huang	3,510,000	350,000	-	3,860,000 <sup>(4)</sup>
Mark Lochtenberg	37,538,584	2,000,000	-	39,538,584 <sup>(5)</sup>
Dasa Sutantio	-	-	-	-
Muliady Sutio	-( <sup>(2)</sup> )	-	-	-
Haijun Wang	-( <sup>(3)</sup> )	-	-	-
Binghe Xiang	-( <sup>(1)</sup> )	-	-	-
Yuanyuan Xu	97,258,258	21,816,979	-	119,075,237

<sup>(1)</sup> Number held on date of appointment as a Director on 9 May 2023.

<sup>(2)</sup> Number held on date of appointment as a Director on 21 September 2023.

<sup>(3)</sup> Number held on date of appointment as a Director on 1 November 2023.

<sup>(4)</sup> Number held on date of resignation as a Director on 1 November 2023.

<sup>(5)</sup> Number held on date of resignation as a Director on 8 November 2023.

<sup>(6)</sup> Number held on date of resignation as a Director on 31 December 2023.

# NICKEL INDUSTRIES LIMITED and its controlled entities

## DIRECTORS' REPORT

### Dividends

The Company paid an interim unfranked dividend of A\$0.02 per share during the year and a final unfranked dividend for 2022 of A\$0.02 during the year ended 31 December 2023 amounting to \$85,569,052. Total dividends of A\$0.04 were paid or declared during the year ended 31 December 2023.

### Significant Changes in State of Affairs

In the opinion of the Directors, significant changes in the state of affairs of the Group that occurred during the year ended 31 December 2023 were as follows:

- the Company signed an EV Battery Supply Chain Strategic Framework Agreement with Shanghai Decent and entered into binding agreements with Shanghai Decent to acquire an additional 10% interest in the Oracle Nickel project and a 10% interest in HNC. These transactions were completed following shareholder approval, with the Company completing a \$270M Placement to Shanghai Decent at A\$1.02 per share for a 10% interest in HNC and also acquired an additional 10% of Oracle Nickel for \$75M (plus a retained earnings adjustment of \$1.5M);
- to fund these transactions the Company undertook an institutional placement issuing 259,103,641 shares to complete component of the raising at A\$1.02 per share, raising A\$264.3M (\$185.7M), before costs and a Share Purchase Plan raising A\$34.6M (\$23.4M). In August 2023 following shareholder approval of a \$270M Conditional Placement to Shanghai Decent the Company completed the acquisition of 10% of HNC and an additional 10% of Oracle Nickel, as well as paid \$40M for the Acquired Options;
- in April 2023 the Company completed a \$400M issuance of senior unsecured notes, the refinancing of the Company's \$225M senior secured notes and completion of a Concurrent Tender Offer for the existing \$325M senior unsecured notes maturing in April 2024;
- the Company entered into a conditional share subscription agreement for a A\$943M (\$628M) placement of shares in the Company to DTN (a subsidiary of United Tractors). The placement to DTN was completed in September 2023;
- commercial sales of NPI commenced at Oracle Nickel, following the completion of commissioning of the RKEF lines and power plant;
- the Company made a positive final investment decision (FID) for ENC, supported by US\$400M of Indonesian bank loans. At 31 December 2023 the Company had completed the acquisition of a 13.75% indirect equity interest in ENC; and
- the haul road and double-lane bridge linking the Hengjaya Mine to the IMIP was completed.

In the opinion of the Directors, there were no other significant changes in the state of affairs of the Group during the year ended 31 December 2023 other than as disclosed in this Directors' Report, or in the financial statements.

### Impact of Legislation and Other External Requirements

On 12 January 2014 the Indonesian Government introduced a ban on the export of unprocessed minerals. As a consequence, the mining operations at the Hengjaya Mine ceased. Whilst the ban on the export of unprocessed minerals remains in place, mining operations were recommenced in October 2015 following the signing of a series of offtake agreements to supply ore to Tsingshan group companies within the IMIP. There were no environmental or other legislative requirements during the year that have significantly impacted the results or operations of the Group.

As disclosed in the Business Risks section of this report the Company is also monitoring the potential tax implications and risks resulting from the Base Erosion and Profit Shifting (BEPS) Pillar 2.0 requiring multinational enterprises to pay a minimum effective corporate tax rate of 15%

### Environmental Regulations

The Group's operations are subject to environmental regulations in the Republic of Indonesia.

The Board of Directors, the Sustainability Committee of the Company and its Sustainability Manager regularly monitors compliance with environmental regulations. The Directors are not aware of any significant breaches of these regulations during the period covered by this report.

**NICKEL INDUSTRIES LIMITED**  
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**DIRECTORS' REPORT**

The Group's second Sustainability Report was published in March 2023.

**Likely Developments**

Information as to likely developments in the operations of the Group and the expected results of those operations in subsequent years has not been included in this report because disclosure of this information would be likely to result in unreasonable prejudice to the Group.

**Indemnification of Officers and Auditors**

During or since the end of the year, the Company has not indemnified or made a relevant agreement to indemnify an officer or auditor of the Company against a liability incurred by such an officer or auditor. In addition, the Company has not paid or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an officer or auditor.

**Non-audit Services**

During the year ended 31 December 2023 KPMG, the Company's auditor, has performed other services in addition to their statutory audit duties.

	2023	2022
	\$	\$
<i>Auditors of the Company</i>		
Audit and review of financial reports – KPMG Australia	388,483	300,249
Audit and review of financial reports – KPMG Indonesia	254,567	105,462
Other assurance services – KPMG Australia	250,515	47,360
Other assurance services – KPMG Indonesia	13,413	-
Advisory services – KPMG Australia	-	10,350
	<u>906,978</u>	<u>463,421</u>

The Directors are satisfied that the provision of non-audit services, during the 2023 year, by the auditor, or by another person or firm on the auditor's behalf, is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 (Cth). The Directors are of the opinion that these services, do not compromise the external auditor's independence for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence, as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

**Events Subsequent to Balance Date**

On 30 January 2024, the Company declared a final dividend for 2023 of A\$0.025 per share, being a distribution of A\$107.1M (\$69.9M). At the same time, the Company announced a revised dividend policy and planned on market share buyback of up to \$100M to be conducted over a 12 month period, commencing no earlier than 1 March 2023 and subject to DTN receiving approval from the Foreign Investment Review Board (FIRB) approval to move to a greater than 20% equity interest in the Company as a result of any share buyback.

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 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 INDUSTRIES LIMITED**  
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**DIRECTORS' REPORT**

**Business Risk Disclosures**

<b>Risk</b>	<b>Description</b>	<b>Mitigant</b>
<b>Commodity price fluctuations</b>	<p>As a producer of NPI and nickel matte, the earnings of Nickel Industries are correlated to the price of NPI and nickel matte, and Nickel Industries' cash costs are correlated to the price of other commodities including coal and nickel ore.</p> <p>Commodity prices, including NPI, nickel matte, coal and nickel ore can fluctuate rapidly and are affected by numerous factors beyond the control of the Company. These factors include world demand for commodities, production cost levels, macroeconomic factors such as expectations regarding inflation, interest rates and global and regional demand for, and supply of, commodities, general global economic conditions, and short positions taken by traders, miners and processors.</p> <p>A decline in the market price of NPI or nickel matte, and price fluctuations for other commodities may have an adverse effect on the Company's revenues and operations and the Company's ability to fund those operations and may require the Company to impair the carrying value of its RKEF assets.</p>	<p>The Company continues to focus on minimising the cost of production, which we believe provides a level of cash flow protection through the cycle.</p> <p>In addition, the Company has recently diversified its production to include nickel matte and MHP production – these products all have different price drivers that over the medium to long-term, should increase the stability of the Company's earnings.</p>
<b>Reliance on Tsingshan group</b>	<p>The continued operations of Hengjaya Nickel, Ranger Nickel, Angel Nickel and Oracle Nickel and the development of HPAL and potential nickel matte converter projects are reliant on the relationship between the Company and Tsingshan, and Tsinghan's role in developing and constructing those projects.</p> <p><b>Sales</b> All sales of NPI and MHP are currently sold to Tsingshan group companies and the Company has heavy reliance on the Tsingshan group as a purchaser of NPI produced from Hengjaya Nickel, Ranger Nickel, Angel Nickel and Oracle Nickel.</p> <p>There may be a materially adverse effect on the Company's financial performance and that of Hengjaya Nickel, Ranger Nickel, Angel Nickel, Oracle Nickel and Tsing Creation if Shanghai Decent fails to purchase all of the offtake and alternative customers are not found.</p> <p><b>Supply of ancillary services within the IMIP and IWIP</b> The Company and the Group Entities do not have any formal contractual agreements for the supply of ancillary services within the IMIP or IWIP that support the operations of Hengjaya Nickel, Ranger Nickel, Angel Nickel and Oracle Nickel (for example, power and access to port). The operations of the Company and the Group Entities may be affected if these services are not supplied as in the past.</p> <p><b>Design and construction of the ENC Project</b> Additionally, Shanghai Decent is responsible for the design and construction of the Excelsior Nickel Cobalt project, and currently holds an 86.25% interest in the project.</p>	<p>To facilitate the operations of Hengjaya Nickel, Ranger Nickel and Oracle Nickel within the IMIP, and Angel Nickel within the IWIP, Shanghai Decent has formally, in CAs entered into with the Company in which:</p> <ul style="list-style-type: none"> <li>Shanghai Decent has committed to purchase all of the Company's NPI production. The production of nickel products other than NPI may be sold to third parties (which Shanghai Decent encourages) providing customer diversification;</li> <li>IMIP/IWIP provides such services to the relevant Group Entity in accordance with the 'principle of non-discrimination', substantially 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 users within the IMIP or IWIP (as the case may be); and</li> <li>Shanghai Decent has provided a nameplate (i.e. production level) and commissioning guarantee to the Company, and Shanghai Decent has an extensive history of successfully doing as such.</li> </ul> <p>Finally, the Board of Directors believes the interests of Shanghai Decent are closely aligned with that of the Company, given Shanghai Decent's major shareholding in the Company (directly) and its ownership interests in each of the Company's RKEF projects.</p>
<b>Environmental, social and governance risk</b>	<p>Mining for ore and processing NPI and nickel matte can be potentially environmentally hazardous and may give rise to potentially substantial costs for environmental rehabilitation, damage control and losses.</p>	<p>The Company seeks to minimise these risks by conducting its activities (including its operating entities where within its control) in an environmentally responsible manner, in accordance with</p>

**NICKEL INDUSTRIES LIMITED**  
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**DIRECTORS' REPORT**

<b>Risk</b>	<b>Description</b>	<b>Mitigant</b>
	Significant liability could be imposed on the Hengjaya Mine, Hengjaya Nickel entities, the Ranger Nickel entities, the Angel Nickel entities, the Oracle Nickel entities, and the ENC and HNC HPAL projects for damages, clean-up costs, or penalties in the event of certain discharges into the environment, environmental damage caused by previous occupiers or non-compliance with environmental laws or regulations. Further, the failure of the Company or its related entities to engage with the local communities would risk disaffection on the part of the communities, which may have adverse implications for the Company's operations.	applicable laws and regulations and where possible, by carrying appropriate insurance coverage.  Further, the Company maintains strong community relations to ensure that the local stakeholders are supportive of the Company's operations in Indonesia.
<b>Management and key personnel risk</b>	The Company's business and future success heavily depends upon the continued services of a small group of executive management and other key personnel.  If one or more of the Company's management or key personnel were unable or unwilling to continue in their present positions, the Company might not be able to replace them easily or at all.  The Company's business may be severely disrupted, its financial condition and results of operations may be materially adversely affected, and it may incur additional expenses to recruit, train and retain personnel.	Remuneration consultants have been engaged by the Group during the year ended 31 December 2023, but their final reporting to the Company still remains outstanding.
<b>Climate risk</b>	The Hengjaya Mine and the IMIP, where the Hengjaya Nickel, Ranger Nickel and Oracle Nickel RKEF lines and the HNC and ENC Projects are located, is located in the Indonesian province of Central Sulawesi. The IWIP, where the Angel Nickel RKEF lines are located, is located in Halmahera Island in Indonesia's North Maluku province.  The Hengjaya Mine. Hengjaya Nickel, Ranger Nickel, Angel Nickel Oracle Nickel and HNC operations are therefore subject to the local climate of Central Sulawesi and North Maluku. Exploration, mining production and transportation activities may be susceptible to risks and hazards resulting from sustained precipitation or other weather conditions. If these risks do occur, they may result in production delays, increased costs and increased liabilities.  Further, changes in laws and policies, including in relation to carbon pricing, greenhouse gas emissions and energy efficiency, may adversely impact operations. Technological changes, including increasing use of renewable energy, may affect operations.	For a discussion on the Company's current strategy to mitigate these risks, please refer to 'TCFD section' of this report.
<b>Cyber risk</b>	The Company and its Group Entities rely on IT infrastructure and systems and the efficient and uninterrupted operation of core technologies. The Company's core technologies and other systems and operations could be exposed to damage or interruption from system failures, computer viruses, cyber-attacks, power or telecommunication provider's failure or human error. These events may cause one or more of the Company's core technologies to become unavailable. Any interruptions to these operations would impact the Company's ability to operate and could result in business interruption, loss of customers and revenue, damaged reputation and weakening of competitive position and could therefore adversely affect the Company's operating and financial performance.	The Company engages a reputable third-party IT firm to manage its IT infrastructure and cyber-security. In early 2024 the Company changed IT firms with the aim of enhancing its cyber-security levels.
<b>Changes in taxation laws and policies</b>	Changes to tax laws may affect the Company and its shareholders, and the Group Entities.  There may be tax implications arising from ownership of the Company's shares, the receipt of dividends (if any) from the Company, receiving returns of capital and the disposal of the shares. Taxation concessions available to any Group Entity may change or cease to be applicable over time.	The Company, with its advisors, monitors developments in this respect and would seek to engage the relevant authorities should any of these risks emerge.  Further, the Company continues to diversify its production mix which may provide some protection against the

**NICKEL INDUSTRIES LIMITED**  
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**DIRECTORS' REPORT**

<b>Risk</b>	<b>Description</b>	<b>Mitigant</b>
	Further, there may be potential tax implications and risks resulting from the Base Erosion and Profit Shifting (BEPS) Pillar 2.0. Broadly, the rules are on new global minimum tax and aim to ensure that multinational enterprises (MNEs) pay a minimum effective corporate tax rate of 15%. This is expected to be effective in 2024 and impacts countries including Australia, Indonesia, and Singapore. Additionally, the rules are expected to heighten the level of reporting and compliance to evaluate the impact on the Company's financial statements, and report to the relevant tax authorities where required.	effects of any changes in tax laws and policies that affect any one nickel product.  With respect to BEPS Pillar 2.0, the Company has taken measures to analyse the potential impact on the Company's future financial and tax position. The Company continues to monitor any developments in the BEPS Pillar 2.0 rules for 2024 reporting purposes.

**Remuneration Report - (Audited)**

All amounts in this remuneration report are in Australian Dollars unless otherwise stated.

**Principles of Compensation - (Audited)**

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel comprise the Directors of the Company. No other employees have been deemed to be key management personnel. The policy of remuneration of Directors and senior executives is to ensure the remuneration package properly reflects the person's duties and responsibilities, and that remuneration is competitive in attracting, retaining and motivating people of the highest quality. Compensation levels have been, and will be, set to be in line with Australian listed entities of equivalent size and comparable operations in order to attract and retain suitably qualified and experienced key management personnel but also having regard to the prevailing financial capacity of the Company.

The Board is responsible for reviewing and evaluating its own performance. The evaluation process is intended to assess the Group's business performance, whether long term strategic objectives are being achieved and the achievement of individual performance objectives.

Remuneration generally consists of salary payments. There is no variable remuneration and no share-based payments have been made. The remuneration disclosed below represents the cost to the Group for the services provided under these arrangements.

**Consultancy Agreements with key management personnel**

The Company has entered into an executive consultancy agreement with a company associated with Norman Seckold. Under this executive consultancy agreement, the consultancy company of Mr Seckold agrees to make Mr Seckold available to perform the duties and responsibilities of the position of Executive Deputy Chairman. During the year the Company received a fee of A\$33,333 per month, equating to A\$400,000 per annum. The consultancy agreement commenced on 1 May 2018 and continues until terminated in accordance with its terms.

The Company has entered into an executive consultancy agreement with a company associated with Justin Werner. Under this executive consultancy agreement, the consultancy company of Mr Werner agrees to make Mr Werner available to perform the duties and responsibilities of the position of Managing Director. During the year the consultancy company received a fee of US\$29,533 per month, equating to US\$354,396 per annum, the equivalent of A\$534,075. Additionally, Mr Werner is paid a salary by PT Hengjaya Mineralindo, which combined with his consultancy fee received by the Company is to take his underlying salary to US\$500,000. His gross compensation shown in the table below includes amounts paid to him directly in Indonesia for travel allowance, taxes and an operational bonus equivalent to A\$51,484, which combined took his total remuneration by the group to the equivalent of A\$906,521. The consultancy agreement commenced on 1 April 2018 and continues until terminated in accordance with its terms, the employment agreement with PT Hengjaya Mineralindo being ongoing until terminated in accord with its terms.



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**DIRECTORS' REPORT**

**Remuneration Report - (Audited)**

**Principles of Compensation - (Audited) (Cont.)**

The Company has entered into an employment agreement with Director and Chief Financial Officer Chris Shepherd. Under this agreement, Mr Shepherd received A\$50,000 per month, including superannuation, equating to A\$600,000 per annum, inclusive of superannuation and a performance bonus of \$24,318. The agreement commenced on 1 August 2021 and Mr Shepherd assumed the position of Chief Financial Officer on 15 November 2021.

Each Executive Director is entitled to be reimbursed for reasonable travel and other expenses incurred in connection with attending meetings of the Board and any committee on which he or she serves. The consultancy and employment agreements may be terminated by the Company or the consultancy company by either party giving three months' notice. The Company may in its absolute discretion make a payment in lieu of all or part of such notice and the employment would terminate on the date that the Company notifies the Director of the termination. The Company may terminate the consultancy agreements without notice in certain circumstances, including but not limited to a breach of contract, criminal activity or serious misconduct by the consultancy company or the key management personnel.

Each of the Company's Non-Executive Directors have entered into Letters of Appointment with the Company to serve as Non-Executive Directors. During the period from 1 January 2023 to 31 December 2023, each of the Non-Executive Directors James Crombie, Weifeng Huang, Mark Lochtenberg, Dasa Sutantio, Muliady Sutio, Binghe Xiang, Haijun Wang and Yuanyuan Xu received a fee of A\$8,333 per month, equating to A\$100,000 per annum. Mr Lochtenberg's remuneration included superannuation. During the year a one off reduction of \$7,500 to the fees paid to Non-Executive Directors James Crombie, Weifeng Huang, Mark Lochtenberg, Robert Neale, Dasa Sutantio and Yuanyuan Xu was made due to the Company inadvertently exceeding the fee pool threshold in place in 2022 of \$750,000 per annum. This threshold was increased following shareholder approval to \$1,050,000 per annum.

During the period from 1 January 2023 to 31 December 2023, Non-Executive Chairman Robert Neale received a fee of A\$16,667 per month including superannuation, equating to A\$200,000 per annum including superannuation.

Each Non-Executive Director receives a fee of A\$10,000 per annum for each Board committee on which they serve. i.e. Mark Lochtenberg and Robert Neale three committees, James Crombie two committees and Weifeng Huang one committee.

No Directors or senior executives received performance related remuneration during the year ended 31 December 2023, other than the bonuses outlined for Mr Shepherd and Mr Werner above. Remuneration consultants were engaged by the Group during the year ended 31 December 2023 and this work was not yet finalised. During 2023 they were paid A\$129,500.

***Consequences of performance on shareholder wealth***

In considering the Group's performance and benefits for shareholder wealth, the Board has regard to the following information in respect of the current year ended 31 December 2023 and the previous five financial periods.

USD	2023 \$	2022 \$	2021 \$	2020 \$	6 Months to 31 December 2019 \$	2019 \$
Net profit attributable to owners of the Company	121,597,563	158,978,977	137,938,917	110,610,841	56,504,374	65,525,988
Dividends paid	85,569,052	72,724,697	75,088,707	15,441,648	-	-

The Board also considers non-financial indices in assessing the Group's performance and the shareholders wealth. This includes obtaining the permits and approvals to further develop the mining operations, identifying and opportunities for potential strategic business partnerships and ventures and the success of fund raising activities.

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**DIRECTORS' REPORT**

**Remuneration Report - (Audited)**

**Details of Remuneration for the Year Ended 31 December 2023 - (Audited)**

Details of Director remuneration and the nature and amount of each major element of the remuneration of each Director of the Company are set out below. All balances included are denominated in Australian dollars.

Remuneration for year ended 31 December 2023:

Key management personnel	Short term	Post-employment	Share based payments	Other Benefit <sup>(7)</sup> A\$	Total A\$	Proportion of remuneration performance related %	Value of options as a proportion of remuneration %
	Salary and fees A\$	Superannuation A\$	Shares A\$				
<b>Executive Directors</b>							
Norman Seckold	400,000	-	-	-	400,000	-	-
Justin Werner	855,037	-	-	51,484	906,521	6.0	-
Christopher Shepherd <sup>(7)</sup>	538,641	61,359	-	38,385	638,385	4.1	-
<b>Non-Executive Directors</b>							
Robert Neale <sup>(1)</sup>	200,992	21,508	-	-	222,500	-	-
James Crombie	112,500	-	-	-	112,500	-	-
Weifeng Huang <sup>(2)</sup>	84,167	-	-	-	84,167	-	-
Mark Lochtenberg <sup>(3)</sup>	92,929	10,754	-	-	103,683	-	-
Dasa Sutantio	92,500	-	-	-	92,500	-	-
Muliady Sutio <sup>(4)</sup>	27,778	-	-	-	27,778	-	-
Haijun Wang <sup>(5)</sup>	16,667	-	-	-	16,667	-	-
Binghe Xiang <sup>(6)</sup>	58,333	-	-	-	58,333	-	-
Yuanyuan Xu	92,500	-	-	-	92,500	-	-
<b>Total</b>	<b>2,572,044</b>	<b>93,621</b>	<b>-</b>	<b>89,869</b>	<b>2,755,534</b>		

<sup>(1)</sup> Resigned as a Director on 31 December 2023.

<sup>(2)</sup> Resigned as a Director on 1 November 2023.

<sup>(3)</sup> Resigned as a Director on 8 November 2023.

<sup>(4)</sup> Appointed as a Director on 21 September 2023.

<sup>(5)</sup> Appointed as a Director on 1 November 2023.

<sup>(6)</sup> Appointed as a Director on 9 May 2023.

<sup>(7)</sup> Other benefit includes bonuses paid and increase in annual leave balance accrued carried forward.

Remuneration for year ended 31 December 2022:

Key management personnel	Short term	Post-employment	Share based payments	Other Benefit <sup>(1)</sup> A\$	Total A\$	Proportion of remuneration performance related %	Value of options as a proportion of remuneration %
	Salary and fees A\$	Superannuation A\$	Shares A\$				
<b>Executive Directors</b>							
Norman Seckold	400,000	-	-	-	400,000	-	-
Justin Werner	826,500	-	-	-	826,500	-	-
Christopher Shepherd <sup>(1)</sup>	545,455	55,909	-	41,958	643,322	-	-
<b>Non-Executive Directors</b>							
Robert Neale	209,092	21,432	-	-	230,524	-	-
James Crombie	120,000	-	-	-	120,000	-	-
Weifeng Huang	110,000	-	-	-	110,000	-	-
Mark Lochtenberg	118,182	12,114	-	-	130,296	-	-
Dasa Sutantio	100,000	-	-	-	100,000	-	-
Yuanyuan Xu	100,000	-	-	-	100,000	-	-
<b>Total</b>	<b>A\$2,529,229</b>	<b>A\$89,455</b>	<b>-</b>	<b>A\$41,958</b>	<b>A\$2,660,642</b>	<b>-</b>	<b>-</b>

<sup>(1)</sup> Other benefit amount is annual leave balance accrued carried forward.

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**DIRECTORS' REPORT**

**Remuneration Report - (Audited)**

**Details of Remuneration for the Year Ended 31 December 2023 - (Audited)**

The total remuneration expense for the year ended 31 December 2023 of A\$2,755,534 (December 2022: A\$2,660,642) has been recognised in the Statement of Profit or Loss at the US\$ equivalent of \$1,828,572 (December 2022: \$1,840,929).

**Movement in shares - (Audited)**

The movement during the reporting year in the number of ordinary shares in the Company held directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	1 January 2023	Purchased	Sold	31 December 2023
Robert Neale <sup>(6)</sup>	10,700,000	-	-	10,700,000
Norman Seckold	113,715,661	-	-	113,715,661
Justin Werner	29,765,228	2,846,000	-	32,611,228
James Crombie	6,580,000	-	-	6,580,000
Christopher Shepherd	57,723	-	-	57,723
Weifeng Huang	3,510,000	350,000	-	3,860,000 <sup>(4)</sup>
Mark Lochtenberg <sup>(5)</sup>	37,538,584	2,000,000	-	39,538,584 <sup>(5)</sup>
Dasa Sutantio	-	-	-	-
Muliady Sutio <sup>(2)</sup>	-(2)	-	-	-
Haijun Wang <sup>(3)</sup>	-(3)	-	-	-
Binghe Xiang <sup>(1)</sup>	-(1)	-	-	-
Yuanyuan Xu	97,258,258	21,816,979	-	119,075,237

<sup>(1)</sup> Appointed as a Director on 9 May 2023.

<sup>(2)</sup> Appointed as a Director on 21 September 2023.

<sup>(3)</sup> Appointed as a Director on 1 November 2023.

<sup>(4)</sup> Resigned as a Director on 1 November 2023.

<sup>(5)</sup> Resigned as a Director on 8 November 2023.

<sup>(6)</sup> Resigned as a Director on 31 December 2023.

	1 January 2022	Purchased	Sold	31 December 2022
Robert Neale	700,000	10,000,000	-	10,700,000
Norman Seckold	123,715,661	-	(10,000,000)	113,715,661
Justin Werner	29,765,228	-	-	29,765,228
Christopher Shepherd	57,723	-	-	57,723
James Crombie	6,580,000	-	-	6,580,000
Weifeng Huang	2,820,000	690,000	-	3,510,000
Mark Lochtenberg	37,538,584	-	-	37,538,584
Dasa Sutantio	-	-	-	-
Yuanyuan Xu	97,258,258	-	-	97,258,258

**NICKEL INDUSTRIES LIMITED**  
**and its controlled entities**

**DIRECTORS' REPORT**

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**Transactions with Key Management Personnel - (Audited)**

Director Norman Seckold holds a beneficial interest in an entity, MIS Corporate Pty Limited, 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. Fees charged by MIS during the year amounted to A\$456,000 (31 December 2022: A\$459,000). As at 31 December 2023 \$nil (31 December 2022: A\$38,000) remained outstanding.

Director Xu Yuanyuan holds an interest in an entity, Shanghai Wanlu, which during the year and following shareholder approval subscribed for 21,186,979 shares in the Company at \$1.02 per share. The shares were issued to Shanghai Wanlu nominee Valence Asia Holding Limited.

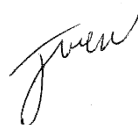
**Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001**

The lead auditor's independence declaration is set out on page 43 and forms part of the Directors' Report for the year ended 31 December 2023.

Signed at Sydney this 29<sup>th</sup> day of February 2024 in accordance with a resolution of the Board of Directors:



**Norman Seckold**  
**Chairman**



**Justin Werner**  
**Managing Director**



## Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Nickel Industries Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Nickel Industries Limited for the financial year ended 31 December 2023 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.

A handwritten signature in blue ink that reads 'KPMG'.

KPMG

A handwritten signature in blue ink, appearing to be 'Adam Twemlow'.

Adam Twemlow

*Partner*

Brisbane

29<sup>th</sup> February 2024

**NICKEL INDUSTRIES LIMITED**  
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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2023**

US\$	Notes	31 December 2023 \$	31 December 2022 \$
Sales revenue	24	1,880,104,794	1,217,041,820
Cost of sales		(1,430,421,113)	(856,617,781)
Depreciation and amortisation expense	12, 17	(111,656,383)	(66,598,202)
Gross profit		338,027,298	293,825,837
Directors' fees and consultants' expenses		(12,443,641)	(9,289,162)
Exploration and evaluation expenditure		(3,483,240)	(3,348,413)
(Loss)/Gain of equity accounted investees	17	(2,560,590)	404,812
Other expenses	4	(38,871,813)	(22,710,611)
<b>Results from operating activities</b>		280,668,014	258,882,463
Financial income	5	13,520,610	1,007,513
Financial expense	5	(90,897,416)	(42,844,043)
<b>Net financial expense</b>		(77,376,806)	(41,836,530)
<b>Profit before income tax</b>		203,291,208	217,045,933
Income tax expense	11	(27,087,832)	(7,678,323)
<b>Profit for the year</b>		176,203,376	209,367,610
<b>Other comprehensive income</b>			
Items that may be classified subsequently to profit or loss		(98,781)	7,088
<b>Total comprehensive profit for the year</b>		176,104,595	209,374,698
<b>Profit attributable to:</b>			
Owners of the Company		121,597,563	158,978,977
Non-controlling interest	18	54,605,813	50,388,633
<b>Profit for the year</b>		176,203,376	209,367,610
<b>Total comprehensive profit attributable to:</b>			
Owners of the Company		121,518,538	158,984,647
Non-controlling interest	18	54,586,057	50,390,051
<b>Total comprehensive profit for the year</b>		176,104,595	209,374,698
<b>Earnings per share</b>			
Basic and diluted profit per share (cents) for the year	10	3.57	5.93

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

**NICKEL INDUSTRIES LIMITED**  
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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2023**

	Notes	31 December 2023 \$	31 December 2022 \$
<b>US\$</b>			
<b>Current assets</b>			
Cash and cash equivalents	20	284,053,495	144,242,357
Term deposits and cash reserve	6	494,753,107	-
Trade and other receivables	7	328,505,849	235,617,714
Inventory	9	199,448,465	204,845,299
Other current assets	8	37,911,368	47,793,529
<b>Total current assets</b>		<b>1,344,672,284</b>	<b>632,498,899</b>
<b>Non-current assets</b>			
Other non-current assets	8	41,242,609	15,162,987
Trade and other receivables	7	101,374,795	-
Inventory	9	12,667,046	-
Property, plant and equipment	12	1,836,771,098	1,922,109,404
Exploration and evaluation assets	13	24,884,921	-
Investment in equity accounted investees	17	527,239,410	-
Intangible Assets	17	79,745,215	-
Goodwill	18	102,748,404	102,748,404
<b>Total non-current assets</b>		<b>2,726,673,498</b>	<b>2,040,020,795</b>
<b>Total assets</b>		<b>4,071,345,782</b>	<b>2,672,519,694</b>
<b>Current liabilities</b>			
Trade and other payables	14	192,758,925	177,185,164
Current tax payable	11	26,092,246	21,244,636
Provision		1,761,767	1,174,237
Borrowings	15	257,269,448	7,772,688
<b>Total current liabilities</b>		<b>477,882,386</b>	<b>207,376,725</b>
<b>Non-current liabilities</b>			
Provision – rehabilitation		1,845,273	2,034,921
Deferred income tax liability	11	96,099,816	96,099,816
Other non-current liability		1,122,739	948,363
Borrowings	15	587,753,980	551,515,430
<b>Total non-current liabilities</b>		<b>686,821,808</b>	<b>650,598,530</b>
<b>Total liabilities</b>		<b>1,164,704,194</b>	<b>857,975,255</b>
<b>Net assets</b>		<b>2,906,641,588</b>	<b>1,814,544,439</b>
<b>Equity</b>			
Share capital	16	2,032,927,026	942,442,827
Reserves	16	19,065,940	19,144,965
Retained profits		373,060,100	337,031,589
<b>Total equity attributable to equity holders of the Company</b>		<b>2,425,053,066</b>	<b>1,298,619,381</b>
Non-controlling interest	18	481,588,522	515,925,058
<b>Total equity</b>		<b>2,906,641,588</b>	<b>1,814,544,439</b>

The above consolidated statement of financial position should be read in conjunction with accompanying notes.

**NICKEL INDUSTRIES LIMITED**  
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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

US\$	Notes	Share capital \$	Retained profits \$	Reserves \$	Total \$	NCI \$	Total equity \$
<b>Balance at 1 January 2022</b>		732,929,135	250,777,309	19,139,295	1,002,845,739	295,066,300	1,297,912,039
<b>Total comprehensive income for the year</b>							
Profit for the year		-	158,978,977	-	158,978,977	50,388,633	209,367,610
Remeasurement of defined benefit obligation		-	-	5,670	5,670	1,418	7,088
Total comprehensive income for the year		-	158,978,977	5,670	158,984,647	50,390,051	209,374,698
<b>Transactions with owners, recorded directly in equity</b>							
Issue of shares	16	212,000,000	-	-	212,000,000	-	212,000,000
Costs of issue	16	(2,486,308)	-	-	(2,486,308)	-	(2,486,308)
Dividends	16	-	(72,724,697)	-	(72,724,697)	-	(72,724,697)
Non-controlling interest arising on acquisition	18	-	-	-	-	159,000,000	159,000,000
Transaction with non-controlling interest without a change of control	18	-	-	-	-	39,600,000	39,600,000
Distributions to non-controlling interest		-	-	-	-	(28,131,293)	(28,131,293)
<b>Balance at 31 December 2022</b>		942,442,827	337,031,589	19,144,965	1,298,619,381	515,925,058	1,814,544,439
<b>Balance at 1 January 2023</b>		942,442,827	337,031,589	19,144,965	1,298,619,381	515,925,058	1,814,544,439
<b>Total comprehensive income for the year</b>							
Profit for the year		-	121,597,563	-	121,597,563	54,605,813	176,203,376
Remeasurement of defined benefit obligation		-	-	(79,025)	(79,025)	(19,756)	(98,781)
Total comprehensive income for the year		-	121,597,563	(79,025)	121,518,538	54,586,057	176,104,595
<b>Transactions with owners, recorded directly in equity</b>							
Issue of shares	16	1,098,929,850	-	-	1,098,929,850	-	1,098,929,850
Costs of issue	16	(8,445,651)	-	-	(8,445,651)	-	(8,445,651)
Dividends	16	-	(85,569,052)	-	(85,569,052)	-	(85,569,052)
Transaction with non-controlling interest without a change of control	18	-	-	-	-	(50,071,431)	(50,071,431)
Distributions to non-controlling interest		-	-	-	-	(38,851,162)	(38,851,162)
<b>Balance at 31 December 2023</b>		2,032,927,026	373,060,100	19,065,940	2,425,053,066	481,588,522	2,906,641,588

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.



**NICKEL INDUSTRIES LIMITED**  
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**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

US\$	Notes	31 December 2023 \$	31 December 2022 \$
<b>Cash flows from operating activities</b>			
Cash receipts from customers		1,763,110,738	1,203,312,931
Cash payments to employees and suppliers		(1,485,241,508)	(1,079,763,371)
Interest received		11,729,421	1,007,513
Taxes and fees paid		(56,359,558)	(58,165,488)
Payments for exploration and evaluation		(3,483,240)	(3,348,413)
<b>Net cash from operating activities</b>	20	229,755,853	63,043,172
<b>Cash flows from investing activities</b>			
Payments for term deposit and cash reserve	6	(490,913,669)	-
Payments for exploration and evaluation assets		(24,884,921)	-
Payments for property, plant and equipment		(19,109,620)	(9,393,090)
Payments for construction in progress		(179,880,251)	(110,378,195)
Payments for investments	17	(341,300,000)	-
Payments for other non-current assets	8	(15,000,000)	-
Payments for additional interest/acquisition of controlled entity	18	(75,000,000)	(235,000,000)
Advance payments for Oracle construction	18	-	(81,200,000)
Cash on acquisition of controlled entity	18	-	7,959,574
Advancement of loan monies	8	(7,000,000)	(2,000,000)
<b>Net cash used in investing activities</b>		(1,153,088,461)	(430,011,711)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	16	828,929,850	106,000,000
Costs of issue	16	(8,445,651)	(2,486,308)
Dividend distributions	16	(85,569,052)	(72,724,697)
Payments for cash reserve amount	6	(3,839,438)	-
Proceeds from borrowings, net of borrowing costs		580,530,280	230,296,561
Repayment of borrowings	20(c)	(315,482,000)	(5,600,000)
Payment of interest charges	20(c)	(51,008,068)	(26,750,000)
Payment of financing expenses	5	(18,476,640)	-
Distributions to non-controlling interest		(38,851,162)	(28,131,293)
Contributions by non-controlling interest		173,380,988	172,550,000
<b>Net cash from financing activities</b>		1,061,169,107	373,154,263
<b>Net increase in cash and cash equivalents</b>		137,836,499	6,185,724
Effect of exchange rate adjustments on cash held		1,974,639	194,675
<b>Cash and cash equivalents at the beginning of the year</b>		144,242,357	137,861,958
<b>Cash and cash equivalents at the end of the year</b>		284,053,495	144,242,357

**NICKEL INDUSTRIES LIMITED**  
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**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

Non-cash financing and investing activities:

The acquisition of an investment disclosed in Note 17 included a non-cash transaction of \$270,000,000 which was funded through the issue of \$270,000,000 in shares.

**Non-cash investing activities**

Payment for acquisition of interest in equity accounted investee		(270,000,000)	-
Payment for acquisition of controlled entity	17	-	(106,000,000)
<b>Total non-cash investing activities</b>		<u>270,000,000</u>	<u>(106,000,000)</u>

**Non-cash financing activities**

Proceeds from issue of shares	16	<u>270,000,000</u>	<u>106,000,000</u>
<b>Total non-cash investing activities</b>		<u>270,000,000</u>	<u>106,000,000</u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

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**NOTE 1 - REPORTING ENTITY**

Nickel Industries Limited (the 'Company') is a company domiciled in Australia. The consolidated financial report for the year ended 31 December 2023 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, nickel pig iron and nickel matte production operations and now the production of mixed hydroxide precipitate for use in the electric vehicle supply chain.

**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 29 February 2024.

**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 11 – Income tax expense and the recoverability of deferred tax assets: The Group only recognised deferred tax assets where it's expected that the availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilised.
- Note 12 – Depreciation of property, plant and equipment. The Group allocates depreciation expenses to its property, plant, and equipment based on their assessed useful lifespans, which involves estimating the appropriate duration.
- Note 13 – Exploration and evaluation assets: The Group capitalises expenditures relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the Directors are of the belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded.
- Note 17 – Investments in equity accounted investees: The Group exerts judgements related to the determination of the level of influence exercisable over the investees.
- Note 17 - Intangible assets: The Group determined the fair value of the intangible asset acquired in relation to HNC by reference to a discounted cash flow model related to the expected contractual cashflows to be received associated with the right to offtake. This intangible asset is amortised over a period which management has assessed with reference to the expected life of the underlying plant and equipment of the project.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

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**NOTE 2 - BASIS OF PREPARATION (Con't)**

- Note 18 – Impairment of carrying values of cash generating units (CGUs) including goodwill: The Group assesses impairment at the end of each reporting period for each CGU by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using the higher of fair value less costs of disposal or value-in-use calculations which incorporate various key assumptions. The preparation of annual impairment models involves the use of key estimates.
- Note 18 – Controlled entities and business combinations: The Group estimates the fair value of the consideration transferred, and fair value of the assets acquired and liabilities assumed, measured on a provisional basis.

In forming views on these significant areas of estimation uncertainty, management have also had regard to the broader macroeconomic environment. In particular, the current year saw nickel prices fall considerably as the supply of nickel from Indonesia continued to increase and the market forecast further increasing supply, as well as a slower than expected growth in the EV sales. Management have had regard to these factors when assessing the short-term to medium-term outlook for nickel pricing, and the impacts this may have on financial performance of the Group as a result.

**NOTE 3 - MATERIAL ACCOUNTING POLICIES**

**Basis of consolidation**

***Business combinations***

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

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**NOTE 3 - MATERIAL ACCOUNTING POLICIES (Cont.)**

***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 and nickel matte sales revenue***

Saprolite and limonite nickel ore, low grade matte 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, based on the seller's loading position.

Invoices for saprolite nickel ore sales are generated on a per barge basis and are usually payable within 10 working days. Limonite ore sales were on the same basis but following the completion of the haul road from September 2023 invoicing for limonite ore is now done on a monthly basis.

Invoices for sales of nickel pig iron within the Indonesia Morowali Industrial Park (IMIP) in Indonesia (Hengjaya Nickel, Ranger Nickel and Oracle Nickel) are generated at the end of each month of production, based on a pricing formula referencing the average nickel pig iron price on the Shanghai Metal Exchange of the delivery month. Payment is due within one month from the last delivery in the month.

Invoices for sales of low grade nickel matte within the IMIP (Hengjaya Nickel) are generated at the end of each month of production, based on a pricing formula referencing the average nickel price on the London Metal Exchange of the delivery month. A down payment of 85% is made against the original contract amount, with the final settlement amount paid with reference to the invoice raised at the end of the delivery month.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

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**NOTE 3 - MATERIAL ACCOUNTING POLICIES (Cont.)**

**Nickel ore and nickel pig iron and nickel matte sales revenue (Cont.)**

Invoices for sales of nickel pig iron exported from the Indonesia Weda Bay Industrial Park in Indonesia (Angel Nickel) 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. The price is based on average nickel pig iron price on the Shanghai Metal Exchange of the month prior to delivery. A 20% upfront payment is made prior to shipment based on a provisional contract with the price based on the ten day average of the Shanghai Metal Exchange prior to delivery, with the balance usually payable within 60 days.

Invoices for high grade nickel matte sales were generated once a month, originally on a provisional basis based on until final assay results undertaken at the port of discharge have been received. When the final pricing is received, which happens approximately three months after the original invoice any adjustment is taken up in the month in which the amended final pricing is received.

**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 2023, 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.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

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**NOTE 3 - MATERIAL ACCOUNTING POLICIES (Cont.)**

**Property, plant and equipment**

***Owned assets***

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

***Construction in progress***

The Group recognises plant construction in progress costs at cost in a construction in progress account. Once construction has been completed and the plant is in service, costs recognised as construction in progress will be transferred to the appropriate assets category within property, plant and equipment and depreciation charges will commence.

***Depreciation and amortisation***

Mining properties' amortisation rate is applied on a straight-line basis over the remaining term of the mining licence, inclusive of the option periods to extend. 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 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.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 3 - MATERIAL ACCOUNTING POLICIES (Cont.)**

***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 assets and liabilities in that CGU.

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 consolidated profit or loss and other comprehensive income, 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. Impairment charges against the carrying value of goodwill cannot be reversed.

***Intangible assets***

Intangible assets, including customer relationships and discounted offtake arrangements, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

***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.



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

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**NOTE 3 - MATERIAL ACCOUNTING POLICIES (Cont.)**

**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.

**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.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

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**NOTE 3 - MATERIAL ACCOUNTING POLICIES (Cont.)**

**Income tax (Cont.)**

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.

**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.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

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**NOTE 3 - MATERIAL ACCOUNTING POLICIES (Cont.)**

**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. It has been assessed that no such obligations exist presently in relation to the Company's RKEF operations which are undertaken within the confines of the IMIP and IWIP.

**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. Site restoration and rehabilitation at the Company's Hengjaya Mine is conducted on a continual basis and as mining operations move from one area of operation to the next. Additionally, under the Company's forestry licence obligations pursuant to the Company being granted access to new areas, the Company is then obliged to plant equivalent acreage of new forest in an area designated by the local Indonesian authorities (DAS/Watershed management).

**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 referencing 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.

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**NOTE 3 - MATERIAL ACCOUNTING POLICIES (Cont.)**

**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.

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**NOTE 3 - MATERIAL ACCOUNTING POLICIES (Cont.)**

**Financial instruments (Cont.)**

*Subsequent measurement and gains and losses*

<b>Financial assets at amortised cost</b>	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.
<b>Equity instruments at FVOCI</b>	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.
<b>Financial assets at FVTPL</b>	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 material accounting policies**

All new standards and interpretations effective for periods commencing 1 January 2023 have been adopted by the Group in the preparation of these financial statements. The policy for recognising and measuring income taxes has been impacted by the below:

The OECD released Global Anti-Base Erosion Model Rules for a global minimum tax that is expected to be used by individual jurisdictions which seeks to apply a 15% global minimum tax effective for income years commencing on or after 1 January 2024. Legislation to effect these changes is at varying stages of consultation and enactment in Australia, Singapore and Indonesia where the Group primarily operates.

The Group has adopted AASB 2023-2 Amendments to Australian Accounting Standards – International Tax Reform – Pillar Two Model Rules which provides a temporary mandatory exception from deferred tax accounting effective immediately. When implemented the Company may be within scope of the proposed rules, given its operations and arrangements in Singapore and Indonesia. It is noted that the Company's subsidiaries have been granted material tax concessions in Indonesia. Refer to Note 11 which outlines this further.

The Company is in the process of evaluating the potential implications of the Pillar Two global minimum tax rules under IAS12. Recognition of any impact will only occur once legislation has been substantively enacted.

The Group also adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements. Management reviewed the accounting policies and made updates to the information disclosed in Note 3 Material accounting policies (2022: Significant accounting policies) in certain instances in line with the amendments.

**New standards and interpretations**

A number of new standards, amendments to standards and interpretations are able to be early adopted for annual periods beginning after 1 January 2023 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.

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	31 December 2023	31 December 2022
	\$	\$
<b>NOTE 4 - OTHER EXPENSES</b>		
Audit fees – KPMG audit of financial reports	656,463	405,711
Travel	590,050	411,884
Legal fees	1,726,813	684,774
Withholding tax expense	32,819,436	18,228,093
Other	3,079,051	2,980,149
	<u>38,871,813</u>	<u>22,710,611</u>

**NOTE 5 - FINANCIAL INCOME AND FINANCE EXPENSE**

Interest income	13,520,610	1,007,513
Interest expense*	(69,101,465)	(33,767,809)
Net change in fair value of investment in associate	-	(404,812)
Foreign exchange gain/(loss)	(3,319,311)	(8,671,422)
Financing expenses^	(18,476,640)	-
	<u>(77,376,806)</u>	<u>(41,836,530)</u>

\* Includes bond and debt issue costs of \$12,641,373 which are being expensed under the effective interest rate method. Refer to Note 15 for further details.

^ As detailed in Note 15, during the period the Company completed a \$400M issuance of senior unsecured notes, and at the same time purchased and cancelled the Company's \$225M senior secured notes and completed a tender offer for \$80.082M of the \$325M senior unsecured notes maturing in April 2024, with the costs associated with the repurchasing shown above.

**NOTE 6 – TERM DEPOSITS AND CASH RESERVE**

Term deposits*	490,913,669	-
Cash reserve amount^	3,839,438	-
	<u>494,753,107</u>	<u>-</u>

\* The Company holds \$490,913,669 in term deposits with an Australian bank. As the term of the deposits are greater than 90 days the amounts have been reclassified from cash and cash equivalents. Interest accrued on the term deposits at 31 December 2023 was \$952,887.

^ Under the terms of the Company's bank facility with PT Bank Negara Indonesia (Persero) Tbk (BNI), the Company is required to hold a Debt Service Reserve Amount (DSRA), equivalent to an estimated three months of interest, with BNI.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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	31 December 2023 \$	31 December 2022 \$
<b>NOTE 7 – TRADE AND OTHER RECEIVABLES</b>		
<i>Current</i>		
Sales taxes receivable*	41,175,913	65,281,833
Trade receivables^	287,329,936	170,335,881
	<u>328,505,849</u>	<u>235,617,714</u>
<i>Non-current</i>		
Sales taxes receivable*	101,374,795	-
	<u>101,374,795</u>	<u>-</u>

\* The four RKEF entities have the following sales tax receivable (VAT) amounts outstanding at 31 December 2023: PT Hengjaya Nickel Industry \$8.0M, PT Ranger Nickel Industry \$3.0M, PT Angel Nickel Industry \$73.5M and PT Oracle Nickel Industry \$57.9M. PT Hengjaya Nickel Industry and PT Ranger Nickel Industry are receiving VAT refunds regularly in the normal course of operations. The VAT claims for PT Angel Nickel Industry for the years 2021 (\$12.1M) and 2022 (\$39.3M) have been submitted to the Indonesian taxation authorities on an annual basis. The non-current portion has been determined with reference to expected timing to receive based on the Group's current understanding of Government processing times.

^ Trade receivables are in the ordinary course of business and at 31 December 2023 are comprised as follows: PT Hengjaya Mineralindo \$17.3M (excludes saprolite ore receivables which are eliminated on consolidation), PT Hengjaya Nickel Industry \$54.3M, PT Ranger Nickel Industry \$39.1M, PT Angel Nickel Industry \$66.4M and PT Oracle Nickel Industry \$110.2M.

**NOTE 8 - OTHER ASSETS**

<i>Current</i>		
Prepayments	35,807,947	47,440,071^
Interest receivable*	2,103,421	353,458
	<u>37,911,368</u>	<u>47,793,529</u>
<i>Non-current</i>		
Prepayments	12,431,157	8,466,970
Loans*	12,500,000	5,500,000
Other	1,311,452	1,196,017
Advance payment^	15,000,000	-
	<u>41,242,609</u>	<u>15,162,987</u>

\* Commencing in August 2021 the Company executed a series of facility agreements with PT Sinar Inti Pembangunan ('PT SIP') and the Company's Indonesian partner at the Hengjaya Mine Adi Wijoyo, under which the Company has advanced funds to PT SIP to assist in funding the development and eventual acquisition of the Sampala project (formerly the ANN and SNA projects). In August 2021 the Company advanced \$3.5M to PT SIP. Interest is calculated at a rate of 8.5% p.a. The loan is secured and management assessed that no provision for impairment is required. In July 2022 the Company advanced to PT SIP an additional \$2.0M to further advance the development of the Sampala project. Interest is calculated at a rate of 10.0% p.a. In April 2023 the Company advanced an additional \$2.0M and in August 2023 advanced an additional \$5.0M, bringing the total funds advanced to develop the project to \$12.5M. Interest is calculated at a rate of 10.0% p.a.

^ Option to invest in and construct a low-grade to high-grade nickel matte converter at Oracle Nickel

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	31 December 2023 \$	31 December 2022 \$
<b>NOTE 9 - INVENTORY</b>		
<i>Current</i>		
Inventory – Hengjaya mine nickel ore stockpiles	23,589,678	12,455,365
Inventory – nickel pig iron production raw materials	119,985,773	113,665,821
Inventory – nickel matte production raw materials	27,420,805	38,677,924
Inventory – nickel pig iron	20,461,078	30,803,925
Inventory – nickel matte	7,991,131	9,242,264
	<u>199,448,465</u>	<u>204,845,299</u>
<i>Non-current</i>		
Inventory – Hengjaya mine nickel ore stockpiles*	12,667,046	-
	<u>12,667,046</u>	<u>-</u>

\* The carrying value of limonite ore not forecast to be delivered in the next 12 months has been classified as non-current.

During the year ended 31 December 2023, the Company's 80% subsidiary PT Hengjaya Mineralindo supplied nickel saprolite ore to the Company's subsidiaries PT Hengjaya Nickel Industry, PT Oracle Nickel Industry and PT Ranger Nickel Industry under monthly contracts to supply a minimum of between 80,000 to 100,000 wmt per month to each entity for the year ended 31 December 2023. During 2023 PT Hengjaya Mineralindo also supplied limonite ore to the HNC and QMB HPAL projects operating within the IMIP.

Nickel pig iron production raw materials includes nickel ore acquired by PT Hengjaya Nickel Industry, PT Oracle 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 10 - 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	121,597,563	158,978,977
	<b>N° of shares</b>	<b>N° of Shares</b>
<b>Weighted average number of ordinary shares (basic and diluted)</b>		
Issued ordinary shares at the beginning of the year	2,731,273,497	2,515,029,051
- Effect of shares issued on 15 February 2022	-	94,792,086
- Effect of shares issued on 4 May 2022	-	71,686,515
- Effect of shares issued on 24 January 2023	242,776,562	-
- Effect of shares issued on 3 March 2023	28,217,975	-
- Effect of shares issued on 28 July 2023	9,113,303	-
- Effect of shares issued on 3 August 2023	158,597,835	-
- Effect of shares issued on 22 September 2023	237,142,466	-
Weighted average number of shares at the end of the year	<u>3,407,121,639</u>	<u>2,681,507,652</u>



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	31 December 2023 \$	31 December 2022 \$
<b>NOTE 11 - INCOME TAX EXPENSE</b>		
Profit before tax – continuing operations	203,291,208	217,045,933
Prima facie income tax expense/(benefit) at the Australian tax rate of 30% (31 December 2022: 30%)	60,987,362	65,113,780
Increase in income tax expense/(benefit) due to:		
- Effect of tax rates in foreign jurisdictions*	(54,814,353)	(60,700,136)
- Effect of change in tax rates in foreign jurisdictions	-	(6,648,588)
- Non-deductible/non-assessable income	22,298,662	11,679,113
- Effect of deferred tax assets for tax losses not brought to account	(7,880)	(258,481)
- Effect of net deferred tax assets not brought to account	(857,644)	(1,314,511)
- Effect of foreign currency conversion	(518,315)	(192,854)
Income tax expense – current and deferred	<u>27,087,832</u>	<u>7,678,323</u>

\* The current Indonesian company tax rate is 22% but each of the Company's four RKEF projects currently operate under a holiday from Indonesian Company income tax.

**Deferred tax liabilities have been recognised in respect of the following items:**

Opening balance	96,099,816	77,982,164
Net deductible temporary differences – property, plant and equipment*	-	24,766,240
Net deductible temporary differences – change as a result of change in effective Indonesian income tax rate	-	(6,648,588)
	<u>96,099,816</u>	<u>96,099,816</u>

\* See Note 16 for further details.

**Deferred tax assets have not been recognised in respect of the following items:**

Net deductible temporary differences	1,588,031	2,483,529
Tax losses	11,239,486	3,956,401
	<u>12,827,517</u>	<u>6,439,930</u>

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.

**Current tax payable:**

Income taxes payable	21,264,936	15,345,721
<i>Indirect taxes payable</i>		
Value added taxes payable	1,792,249	2,627,201
Withholding taxes payable	1,725,042	2,057,747
Other taxes payable	1,310,019	1,213,967
	<u>26,092,246</u>	<u>21,244,636</u>

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	31 December 2023	31 December 2022
	\$	\$
<b>NOTE 12 - PROPERTY, PLANT AND EQUIPMENT</b>		
<b>Furniture and fittings</b>		
Furniture and fittings – cost	627,671	598,794
Accumulated depreciation	(450,878)	(322,372)
Net book value	176,793	276,422
<b>Mine infrastructure assets</b>		
Mine infrastructure assets – cost	33,926,262	7,554,900
Accumulated depreciation	(2,765,748)	(1,900,478)
Net book value	31,160,514	5,654,422
<b>Buildings and land</b>		
Buildings – cost	360,046,559	209,661,399
Accumulated depreciation	(32,958,469)	(16,750,444)
Net book value	327,088,090	192,910,955
<b>Mining properties</b>		
Mining properties – cost	34,490,356	32,027,200
Accumulated amortisation	(9,397,582)	(7,790,425)
Net book value	25,092,774	24,236,775
<b>Office equipment</b>		
Office equipment – cost	2,377,321	1,922,007
Accumulated depreciation	(1,511,019)	(1,131,359)
Net book value	866,302	790,648
<b>Plant and machinery</b>		
Plant and machinery – cost	1,680,189,315	1,123,005,501
Accumulated depreciation	(228,432,408)	(137,915,287)
Net book value	1,451,756,907	985,090,214
<b>Motor vehicles</b>		
Motor vehicles – cost	1,125,289	1,018,406
Accumulated depreciation	(713,330)	(625,403)
Net book value	411,959	393,003
<b>Construction in progress</b>		
Construction in progress	217,759	712,756,965
Accumulated depreciation	-	-
Net book value	217,759	712,756,965
Total property, plant and equipment	1,836,771,098	1,922,109,404

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 12 - PROPERTY, PLANT AND EQUIPMENT (Cont.)**

**Impairment**

The Directors have completed impairment assessments over the carrying value of the Group's property, plant and equipment assets at 31 December 2023, and concluded that no impairment charged is warranted. Further details on the impairment testing of the cash generating units which contain goodwill is outlined in Note 18.

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below.

	31 December 2023 \$	31 December 2022 \$
<b>Furniture and fittings</b>		
Carrying amount at beginning of year	276,422	148,559
Additions	28,877	282,539
Depreciation	(128,506)	(154,676)
Net book value	<u>176,793</u>	<u>276,422</u>
<b>Mine infrastructure assets</b>		
Carrying amount at beginning of year	5,654,422	8,425,176
Additions	26,371,362	2,166,327
Transfer	-	(4,645,131)
Depreciation	(865,270)	(291,950)
Net book value	<u>31,160,514</u>	<u>5,654,422</u>
<b>Buildings and land</b>		
Carrying amount at beginning of year	192,910,955	57,449,633
Additions	150,385,160	143,413,512
Depreciation	(16,208,025)	(7,952,190)
Net book value	<u>327,088,090</u>	<u>192,910,955</u>
<b>Mining properties</b>		
Carrying amount at beginning of year	24,236,775	25,416,384
Additions	2,463,154	703,266
Disposal	-	(18,916)
Amortisation	(1,607,155)	(1,863,959)
Net book value	<u>25,092,774</u>	<u>24,236,775</u>
<b>Office equipment</b>		
Carrying amount at beginning of year	790,648	680,495
Additions	455,314	466,520
Depreciation	(379,660)	(356,367)
Net book value	<u>866,302</u>	<u>790,648</u>
<b>Plant and machinery</b>		
Carrying amount at beginning of year	985,090,214	478,568,971
Additions	557,183,813	562,786,616
Depreciation	(90,517,120)	(56,265,373)
Net book value	<u>1,451,756,907</u>	<u>985,090,214</u>

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**NOTE 12 - PROPERTY, PLANT AND EQUIPMENT (Cont.)**

	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>\$</b>	<b>\$</b>
<b>Motor vehicles</b>		
Carrying amount at beginning of year	393,003	335,027
Additions	214,818	249,711
Depreciation	(195,862)	(191,735)
Net book value	<u>411,959</u>	<u>393,003</u>
<b>Construction in progress</b>		
Carrying amount at beginning of year	712,756,965	693,257,566
Additions	39,882,355	83,871,205
Additions arising from business combination*	-	515,164,044
Transfers^	(752,421,561)	(579,535,850)
Net book value	<u>217,759</u>	<u>712,756,965</u>
Total property, plant and equipment	<u>1,836,771,098</u>	<u>1,922,109,404</u>

\* Additions arising from business combinations in 2022 relate to the acquisition of Oracle Development Private Limited on 27 September 2022.

^ Balances in construction in progress are transferred into other categories, as additions, on commissioning of projects, or when available for use in a manner in which management intended.

**NOTE 13 – EXPLORATION AND EVALUATION ASSETS**

Sampala project	3,246,611	-
Siduarsi project	21,638,310	-
	<u>24,884,921</u>	<u>-</u>

The Company is advancing the exploration, development and acquisition of both the Sampala and Siduarsi nickel ore projects in, Indonesia. The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

**NOTE 14 - TRADE AND OTHER PAYABLES**

<i>Current</i>		
Creditors	175,627,034	170,068,973
Accruals	12,257,929	6,052,742
Other	4,873,962	1,063,449
	<u>192,758,925</u>	<u>177,185,164</u>

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**NOTE 15 - BORROWINGS**

*Current*

Senior Unsecured Notes – April 2024	244,345,619	-
Interest on Senior Unsecured Notes – October 2028	8,750,000	-
Interest on Senior Unsecured Notes – April 2024	3,979,918	5,281,250
Interest on Senior Secured Notes	-	2,491,438
Bank facility interest	193,911	-
	257,269,448	7,772,688

*Non-current*

Senior Unsecured Notes – October 2028	393,406,866	-
Senior Unsecured Notes – April 2024	-	321,283,009
Senior Secured Notes – August 2025	-	216,456,370
Working Capital Loan – September 2025	7,800,000	13,400,000
Interest on Working Capital Loan – September 2025	203,320	376,051
Bank Facility – October 2028	186,343,794	-
	587,753,980	551,515,430

***Senior Unsecured Notes October 2028***

In April 2023, as part of a refinancing to extend the Company's debt maturity profile, the Company made an issue of \$400,000,000 senior unsecured notes ('Senior Unsecured Notes October 2028'). At the same time the Company made a tender offer ('Concurrent Tender Offer') for its existing Senior Unsecured Notes (maturing April 2024) and purchased the outstanding \$225,000,000 of Senior Secured Notes. Key terms of the Senior Unsecured Notes October 2028 are as follows:

- Issue size of \$400,000,000.
- Coupon interest rate of 11.25% per annum.
- Interest is payable on a semi-annual basis in arrears.
- 11% amortisation in April and October each year commencing on 21 October 2025.
- Final Maturity Date of 21 October 2028.

***Senior Unsecured Notes April 2024***

In March 2021, as part of the financing package to facilitate the Company's acquisition of an 80% interest Angel Nickel project the Company made an inaugural issue of \$175,000,000 senior unsecured notes ('Senior Unsecured Notes'). This was followed in September 2021 of a \$150,000,000 'tap' of the notes, forming a \$325,000,000 single series of notes. Key terms of the Senior Unsecured Notes are as follows:

- Issue size of \$325,000,000.
- Coupon interest rate of 6.5% per annum.
- Interest is payable on a semi-annual basis in arrears.
- Principal to be repaid at Final Maturity Date of 1 April 2024.
- Total transaction costs for both the inaugural issue and the 'tap' issue totalled \$8,155,857.

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**NOTE 15 - BORROWINGS (Cont.)**

Under the Concurrent Tender Offer the Company accepted valid tenders for an aggregate principal amount of \$80,082,000 of the Senior Unsecured Notes April 2024 at a purchase price equal to 102% of the principal amount of the Notes, reducing the principal balance of the notes to \$244,918,000.

***Senior Secured Notes***

In August 2022, to facilitate the Company's acquisition of a 70% interest Oracle Nickel project the Company completed the issuance of \$225,000,000 senior secured notes ('Senior Secured Notes'). Key terms of the Senior Secured Notes are as follows:

- Issue size of \$225,000,000.
- Coupon interest rate of 10.0% per annum.
- Interest is payable on a quarterly basis in arrears.
- Principal to be repaid at Final Maturity Date of 23 August 2025.
- Total transaction costs totalled \$9,703,439.

As part of the refinancing via the issuance of the Senior Unsecured Notes October 2028 the Company purchased the \$225,000,000 of Senior Secured Notes. The notes were purchased at a tender premium to the principal amount of the Notes and then were cancelled and ceased to be outstanding.

***Bank Facility***

In October 2023 the Company executed financing facilities totalling \$400,000,000 with Indonesian bank PT Bank Negara Indonesia (Persero) Tbk (BNI) to support the Company's funding obligations in relation to the ENC Project.

The facilities comprise a 5-year senior term loan facility ('the Facility') of \$350,000,000, split across two tranches:

- tranche A: \$200,000,000 (secured against the Company's Angel Nickel Project and the Shareholder Loans); and
- tranche B: \$150,000,000 (unsecured).

In addition, the Company has secured a \$50M revolving credit facility ('RCF'), for general working capital purposes.

The interest rate applicable on the Facility is a margin above the Secured Overnight Financing Rate ('SOFR') (currently ~5.3%), according to the following schedule: (i) initial 12-month period: 2.00% (ii) months 12 -18: 3.00% and (iii) 18 months onwards: 3.50%.

The margin applicable to the RCF is 3.00%. Repayments of both tranche A and tranche B are to commence 18 months after the signing of the Facility Agreement (i.e. in April 2025), with 6.3% to be paid every three months until the final maturity date of the Facility in October 2028.

On 27 December 2023 the Company drew down \$189,800,000 against tranche A of the Facility. Transaction costs totalled \$3,474,857.

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**NOTE 15 - BORROWINGS (Cont.)**

***Angel Nickel working capital loans***

Commencing in December 2021 the indirect shareholders of Angel Nickel, Nickel Industries and Decent Resource Limited ('Decent Resource') an associate of Shanghai Decent, provided working capital loans to Angel Nickel totalling \$80 million (\$20 million prior to 31 December 2021) to fund operations through the ramp-up commissioning phase of operations. These loans are proportionate to the shareholders interest in Angel Nickel; i.e. Nickel Industries provided 80% of the total amount, \$64 million and Decent Resource provided 20%, \$16 million. Interest was charged at a rate of 2.5% per annum. In December 2022 Angel Nickel commenced repayment of the working capital loans, with \$22.4 million paid to the Company and \$5.6 million to Decent Resource. During the year ended 31 December 2023 the remaining balance of the working capital loans was repaid by Angel Nickel, with \$41.6 million paid to the Company and \$10.4 million paid to Decent Resource. Additionally, \$1,707,684 of interest on the working capital loans was paid to the Company and \$430,669 of interest was paid to Decent Resource.

***Oracle Nickel working capital loans***

Commencing in October 2022, the indirect shareholders of Oracle Nickel, Nickel Industries and Decent Resource, have provided working capital loans to Oracle Nickel totalling \$26 million to fund operations through the ramp-up commissioning phase of operations (\$10 million prior to 31 December 2022). These loans are proportionate to the shareholders interest in Oracle Nickel at the time the loans were provided; i.e. Nickel Industries provided 70% of the total amount, \$18.2 million (\$7 million in 2022) and Decent Resource provided 30%, \$7.8 million (\$3 million in 2022). Interest is charged at a rate of 2.5% per annum. Total interest payable by Oracle Nickel on the working capital loans is \$708,990, with \$495,710 payable to the Company eliminating on consolidation and \$213,280 payable to Decent Resource. The term of the loan is 3 years.

The terms and conditions of the outstanding borrowings are as follows:

	Currency	Nominal interest rate	Year of maturity	Carrying Value 31 December 2023 \$	Face Value 31 December 2023 \$	Carrying Value 31 December 2022 \$	Face Value 31 December 2022 \$
Senior Unsecured Notes	US\$	6.5%	2024	248,325,536	244,918,000	326,564,259	325,000,000
Senior Secured Notes	US\$	10.0%	2025	-	-	218,947,808	225,000,000
Senior Unsecured Notes	US\$	11.25%	2028	402,156,866	400,000,000	-	-
Bank Facility	US\$	7.36%	2028	186,537,706	189,800,000*	-	-
Angel working capital loan	US\$	2.5%	2024	-	-	10,756,688	10,400,000
Oracle working capital loan	US\$	2.5%	2025	8,003,320	7,800,000	3,019,363	3,000,000
Total interest bearing liabilities				845,023,428	842,518,000	559,288,118	563,400,000

\* Total facility amount \$400,000,000. \$210,200,000 undrawn.

A number of financial and non-financial covenants exist for both the Notes and the Bank Facility. The Group has assessed that they are in compliance with these covenants at year end.

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**NOTE 16 - ISSUED CAPITAL AND RESERVES**

	Number of shares	\$
Ordinary shares on issue at 31 December 2022 - fully paid	2,731,273,497	942,442,827
Issue of shares	1,554,536,383	1,098,929,850
Costs of issue	-	(8,445,651)
Ordinary shares on issue at 31 December 2023 - fully paid	<u>4,285,809,880</u>	<u>2,032,927,026</u>

**Year ended 31 December 2023**

In January 2023, through a placement to institutional investors the Company issued 259,103,641 shares at A\$1.02 per share for cash totalling A\$264,285,714 (equivalent to \$185,740,000). There were no amounts unpaid on the shares issued and the share issue costs amounts to \$4,737,993.

In March 2023, through a Share Purchase Plan the Company issued 33,880,135 shares for cash totalling A\$34,557,738 (equivalent to \$23,390,208). There were no amounts unpaid on the shares issued and the share issue costs amounts to \$206,228.

In August 2023, following shareholder approval at an EGM held in July 2023, the Company issued 381,365,628 at A\$1.02 per share to Decent International for a 10% interest in the HNC project. Consideration was equivalent to \$270,000,000. Additionally, also following shareholder approval the Company issued 2,000,000 shares to Director Mark Lochtenberg and 21,186,979 shares to Shanghai Wanlu, an entity in which director Yuanyuan Xu has a beneficial interest. The issuances were at A\$1.02, equivalent to \$15,717,482. There were no amounts unpaid on the shares issued and the share issue costs amounts to \$179,935.

In September 2023, through a placement to PT Danusa Tambang Nusantara, the Company issued 857,000,000 shares at A\$1.10 per share for cash totalling A\$942,700,000 (equivalent to \$604,082,160). There were no amounts unpaid on the shares issued and the share issue costs amounts to \$3,321,495.

**Year ended 31 December 2022**

In February 2022, through a placement to institutional investors the Company issued 108,122,223 shares for cash totalling A\$148,127,446 (equivalent to \$106,000,000). There were no amounts unpaid on the shares issued and the share issue costs amounts to \$2,418,820.

In May 2022, following shareholder approval, the Company issued 108,122,223 shares to the nominee of Shanghai Decent, Decent Resource, as a share-based payment for a further 20% interest in the Oracle Nickel project. This payment was the equivalent of cash with a fair value of A\$148,127,446 (equivalent to \$106,000,000). There were no amounts unpaid on the shares issued and the share issue costs amounts to \$67,488.

**Options**

There were no options granted, exercised or lapsed unexercised during the years ended 31 December 2023 or 31 December 2022.



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**NOTE 16 - ISSUED CAPITAL AND RESERVES (Cont.)**

**Dividends**

The company paid an interim unfranked dividend of A\$0.02 per share during the year and a final unfranked dividend for 2022 of A\$0.02 during the year ended 31 December 2023 amounting to \$85,569,052. Total dividends of A\$0.04 was paid or declared during the year ended 31 December 2023.

**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.

**Reserves**

	31 December 2023 \$	31 December 2022 \$
Opening balance	19,144,965	19,139,295
Remeasurement of defined benefit obligation	(79,025)	5,670
	<u>19,065,940</u>	<u>19,144,965</u>

**NOTE 17 - INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES AND ASSOCIATED INTANGIBLE ASSETS**

	31 December 2023 \$	31 December 2022 \$
<b>Investment in Equity Accounted Investee</b>		
Opening balance	-	-
<i>HNC</i>		
Acquisition of a 10% interest in PT HNC	188,500,000	-
Share of loss of associate	(2,560,590)	-
Carrying value of investment in HNC	<u>185,939,410</u>	-
<i>Excelsior Nickel</i>		
Acquired Option to develop Excelsior Nickel	25,000,000	-
Acquisition of a 5.5% interest in Excelsior Nickel	126,500,000	-
Acquisition of an additional 8.75% interest in Excelsior Nickel	189,800,000	-
Carrying value of investment in Excelsior Nickel	<u>341,300,000</u>	-
	<u>527,239,410</u>	-
<b>Intangible Asset</b>		
<i>HNC</i>		
Opening balance	-	-
Acquisition of right to offtake from PT HNC	81,500,000	-
Amortisation	(1,754,785)	-
	<u>79,745,215</u>	-

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**NOTE 17 - INVESTMENTS IN EQUITY ACCOUNTED INVESTEES (Cont.)**

**Excelsior Nickel**

During the year the Company executed an acquisition agreement (Acquisition Agreement) to acquire a 55% equity interest in the Excelsior Nickel Cobalt HPAL project (ENC) from Decent Resource through the acquisition of shares in a Singaporean incorporated holding company, Excelsior International Investment Pte. Ltd (EII), and shareholder loans (Shareholder Loans) due or owing by EII (and/or its subsidiaries) (ENC Acquisition). EII directly and indirectly owns 100% of the issued share capital of PT Fajar Metal Industry, a private Indonesian company limited by shares which will develop and own the ENC Project, being constructed at the IMIP in Indonesia. See Note 27 for details on the Company's obligations to acquire a 55% interest in the Project.

During the year, the Company initially paid the \$25M option payment for the ENC projects and then as per the terms of the Acquisition Agreement the Company paid US\$126.5M to Shanghai Decent and its associates for an initial 5.5% equity interest in the ENC project and in December 2023 the Company paid the \$189.8M to move to a 13.75% equity interest in the ENC project.

Whilst the Group owns less than 20 percent of the equity and present voting rights, the Group has determined that it has significant influence because it has meaningful representation on the Board, and other rights under the Agreement.

The following table summarises the information relating to Excelsior Investment International Pte Ltd and its controlled entities of which the Group has a 13.75% ownership interest as at 31 December 2023 under the equity method:

	<b>Excelsior Investment International Pte Ltd and its controlled entities</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>\$</b>	<b>\$</b>
Current assets	994,417	-
Non-current assets	2,481,436,940	-
Current liabilities	(249,539)	-
Non-current liabilities	-	-
Net assets (100%)	<u>2,482,181,818</u>	<u>-</u>
Group's share of net assets (13.75%)	<u>341,300,000</u>	<u>-</u>
Carrying amount of interest in associate	<u>341,300,000</u>	<u>-</u>

There has been no material profit and loss of the investee given the proximity of the Company's acquisition to year end and as the project is currently under construction.

**Huayue Nickel Cobalt (HNC)**

In August 2023, following shareholder approval at an EGM held in July 2023 the Company completed the acquisition of an indirect 10% interest in the Huayue Nickel Cobalt HPAL project (HNC), located in the IMIP in Indonesia, through the issuance to Shanghai Decent affiliate company Decent Investment International Private Limited 381,365,628 ordinary shares in Company at an issue price of A\$1.02, amounting to \$270M. Under the acquisition agreement the Company acquired 100% of the issued capital of Tsing Creation International Holding Limited (Tsing Creation) from Newstride Development Limited, an affiliate of Shanghai Decent. Tsing Creation is the holder of a direct 10% interest in PT Huayue Nickel Cobalt, the owner and operator of the HNC project.

Whilst the Group owns less than 20 percent of the equity and present voting rights, the Group has determined that it has significant influence because it has meaningful representation on the Board, and other rights under the Agreement.

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**NOTE 17 - INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES (Cont.)**

Through the acquisition the Group has also obtained a right to a fixed proportionate share of the MHP offtake of PT HNC, as per its equity interest, at a discount to the market price which has separately been recognised as an intangible asset. The consideration transferred under the agreement has been allocated as follows:

	<b>Consideration transferred \$</b>
Investment in associate – equity method	188,500,000
Other intangible – offtake agreement	81,500,000
	<u>270,000,000</u>

The following table summarises the information relating to PT HNC of which the Group has a 10% ownership interest as at 31 December 2023 under the equity method:

	<b>PT Huayue Nickel Cobalt</b>	
	<b>31 December 2023 \$</b>	<b>31 December 2022 \$</b>
Current assets	474,005,188	-
Non-current assets	2,397,893,104	-
Current liabilities	(149,478,590)	-
Non-current liabilities	(863,025,605)	-
Net assets (100%)	<u>1,859,394,097</u>	-
Group's share of net assets (10%)	<u>185,939,410</u>	-
Carrying amount of interest in associate	<u>185,939,410</u>	-
Revenue	346,298,318	-
Loss from continuing operations (100%)	(25,605,901)	-
Other comprehensive income (100%)	-	-
Total comprehensive loss (100%)	<u>(25,605,901)</u>	-
Total comprehensive loss (10%)	<u>(2,560,590)</u>	-
Group's share of total comprehensive loss	<u>(2,560,590)</u>	-

Movement in the intangible asset acquired since date of acquisition is as follows:

	<b>31 December 2023 \$</b>	<b>31 December 2022 \$</b>
Carrying amount at beginning of the year	-	-
Additions	81,500,000	-
Amortisation	(1,754,785)	-
	<u>79,745,215</u>	-

Amortisation on the intangible asset has been recorded under Cost of Sales in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

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**NOTE 18 - CONTROLLED ENTITIES**

**Acquisition of controlled entities**

**Oracle Nickel**

In December 2021 the Company signed a Definitive Agreement to acquire a 70% interest in the issued share capital of Oracle Development Private Limited ('Oracle Development'), a Singaporean holding company which holds 100% of the shares (directly and indirectly) of PT Oracle Nickel Industry ('Oracle Nickel'), which is an Indonesian PMA company which owns and operates the now completed Oracle Nickel RKEF project. The consideration to acquire the 70% interest was \$371 million (\$530 million x 70%). At the same time the Company committed to provide 70% of the \$220 million funding required for Oracle Nickel to build a 380MW power plant.

Following the acquisition of an initial 10% interest of the Oracle Development project in February 2022 for \$53 million (inclusive of a \$30 million deposit having been paid prior to 31 December 2021) and the acquisition of a further 20% in May 2022 following the issuance of 108,122,223 shares in the Company at A\$1.37 to Decent Resource Limited, an associate of Shanghai Decent. The Company acquired for \$212 million a further 40% interest in Oracle Development on 27 September 2022, this took the Company's interest in Oracle Development to 70%.

On moving to a 70% interest nominees of Nickel Industries constituted the majority of the Board of Oracle Development and it was then deemed that Nickel Industries controlled Oracle Development and equity accounting of the investment in Oracle Development was ceased at 27 September 2022.

The acquisition and control of Oracle Development had the following effect on the Group's assets and liabilities on acquisition date, determined on a provisional basis. During the year the Company reviewed the business combination accounting for the Oracle Nickel project and determined that no material changes occurred or were identified in the provisional period and no adjustment to the accounting for the business combination was required.

<b>Fair value of net assets of entity acquired:</b>	<b>Pre-acquisition carrying amounts</b>	<b>Fair value adjustments</b>	<b>Advancement payment*</b>	<b>Recognised values on acquisition</b>
Cash and cash equivalents	7,959,574	-	-	7,959,574
Other current assets	15,163,020	-	-	15,163,020
Property, plant and equipment*	216,487,755	250,164,043	48,512,245	515,164,044
Trade and other payables	(8,286,638)	-	-	(8,286,638)
Goodwill	-	24,766,240	-	24,766,240
Deferred income tax liability	-	(24,766,240)	-	(24,766,240)
Net assets and liabilities	231,323,712	250,164,043	48,512,245	530,000,000
Consideration transferred:				
Fair value of equity accounted investment	371,000,000			
Non-controlling interest	159,000,000			
	<u>530,000,000</u>			
Consideration paid	(371,000,000)^			
Cash acquired	7,959,574			
Net cash outflow	<u>(363,040,426)</u>			

^ \$106 million was paid in shares as a share based payment through the issuance in May 2022 of 108,122,223 shares in the Company at A\$1.37 per share to a nominee of Shanghai Decent.

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**NOTE 18 - CONTROLLED ENTITIES (Cont.)**

\* Property, plant and equipment consists of construction in progress costs. The total estimated cost of construction of the Oracle RKEF lines is \$265.0 million, of which \$48.5 million are advanced payments of construction costs. The Company has no additional acquisition costs for the Oracle Nickel project, with all RKEF construction costs to be funded by Shanghai Decent.

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 \$530 million, being the underlying valuation when determining the cost of any additional increase in the Company's interest in Oracle Development. The \$530 million relates to the valuation of the RKEF plants and ancillary facilities. The cost to construct the Oracle Nickel power plant was estimated to be \$220M and was jointly funded by the Oracle Nickel shareholders in proportion to their indirect equity interest at the time. i.e. 70% the Company and 30% Shanghai Decent.

**Acquisition of 10% of non-controlling interest**

In January 2023 the Company executed an agreement with Shanghai Decent to acquire a further 10% of the issued and paid-up share capital of Oracle Development Private Limited, being the Singaporean domiciled holding company that wholly owns PT Oracle Nickel Industry, the Indonesian PMA companies that in turn own 100% of the Oracle Nickel Project. The acquisition was completed in August 2023, with the Company paying Shanghai Decent and its nominees US\$75M for the additional 10% interest in the Project, with a settlement of \$1,471,431 for the 10% of the undistributed retained earnings attributable to Shanghai Decent remaining in both PT Oracle Nickel Industry to the middle of August 2023. \$22M of the \$220M contributed by the shareholders of Oracle Development Private Limited for the construction of the Oracle Nickel power plant was assigned from Shanghai Decent to Nickel Industries.

Particulars in relation to controlled entities:

	<b>Company incorporation and tax jurisdiction</b>	<b>Ordinary shares – Group interest 31 December 2023 %</b>	<b>Ordinary shares – Group interest 31 December 2022 %</b>
<i>Parent entity</i>			
Nickel Industries Limited	Australia		
<i>Controlled entities</i>			
PT Hengjaya Mineralindo	Indonesia	80	80
Hengjaya Holdings Private Limited	Singapore	80	80
Hengjaya Nickel Private Limited	Singapore	80	80
PT Hengjaya Nickel Industry	Indonesia	80	80
Ranger Investment Private Limited	Singapore	80	80
Ranger Nickel Private Limited	Singapore	80	80
PT Ranger Nickel Industry	Indonesia	80	80
Angel Capital Private Limited	Singapore	80	80
Angel Nickel Private Limited	Singapore	80	80
PT Angel Nickel Industry	Indonesia	80	80
Oracle Development Private Limited	Singapore	80	70
Oracle Nickel Private Limited	Singapore	80	70
PT Oracle Nickel Industry	Indonesia	80	70
Tablasufa Pty Ltd	Australia	100	100
Tsing Creation International Holding Limited	Hong Kong	100	-

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**NOTE 18 - CONTROLLED ENTITIES (Cont.)**

**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.

	<b>Hengjaya Holdings Private Limited and its controlled entities</b>		<b>PT Hengjaya Mineralindo</b>		<b>Ranger Investment Private Limited and its controlled entities</b>	
	<b>December 2023</b>	<b>December 2022</b>	<b>December 2023</b>	<b>December 2022</b>	<b>December 2023</b>	<b>December 2022</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Non-controlling interest percentage	20%	20%	20%	20%	20%	20%
Current assets	136,098,544	146,495,006	101,084,760	44,913,011	121,102,309	136,166,600
Non-current assets	271,983,220	289,447,634	67,274,229	43,514,128	256,929,893	274,143,688
Current liabilities	(15,384,468)	(15,503,705)	(45,587,663)	(22,681,044)	(15,281,375)	(16,458,729)
Non-current liabilities	(25,740,818)	(25,790,776)	(3,104,819)	(5,853,806)	(23,071,514)	(23,107,762)
<b>Net assets</b>	<b>366,956,478</b>	<b>394,648,159</b>	<b>119,666,507</b>	<b>59,892,289</b>	<b>339,679,313</b>	<b>370,743,797</b>
Carrying amount of non-controlling interest <sup>(2)</sup>	73,810,988	78,123,854	22,754,837	11,379,795	65,650,864	71,834,809
Revenue <sup>(1)</sup>	320,229,496	358,966,074	204,452,613	133,776,804	271,914,811	357,564,103
Profit	27,159,065	69,996,848	57,427,273	37,664,956	5,214,687	58,640,772
Other comprehensive income	-	-	(98,781)	7,088	-	-
<b>Total comprehensive income</b>	<b>27,159,065</b>	<b>69,996,848</b>	<b>57,328,492</b>	<b>37,672,044</b>	<b>5,214,687</b>	<b>58,640,772</b>
Profit allocated to non-controlling interest <sup>(2)</sup>	5,431,813	14,097,223	11,394,799	7,334,521	2,625,787	11,828,036
Other comprehensive profit/(loss) allocated to non-controlling interest	-	-	(19,756)	1,418	-	-

<sup>(1)</sup> Includes saprolite nickel ore sales from the Company's controlled entity PT Hengjaya Mineralindo to the Company's controlled entities PT Hengjaya Nickel Industry, PT Oracle Nickel Industry and PT Ranger Nickel Industry.

<sup>(2)</sup> After intra-group eliminations.

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**NOTE 18 - CONTROLLED ENTITIES (Cont.)**

	Angel Capital Private Limited and its controlled entities		Oracle Development Limited and its controlled entities		Total	
	December 2023 \$	December 2022 \$	December 2023 \$	December 2022 \$	December 2023 \$	December 2022 \$
Non-controlling interest percentage	20%	20%	20%	30%		
Current assets	250,253,744	206,188,169	241,189,948	88,068,271	849,729,305	621,831,057
Non-current assets	645,136,914	685,680,815	710,583,740	740,912,839	1,951,907,996	2,033,699,104
Current liabilities	(86,880,192)	(99,483,745)	(121,074,908)	(143,274,298)	(284,208,606)	(297,401,521)
Non-current liabilities	(22,577,269)	(22,577,269)	(24,766,240)	(24,766,240)	(99,260,660)	(102,095,853)
<b>Net assets</b>	<b>785,933,197</b>	<b>769,807,970</b>	<b>805,932,540</b>	<b>660,940,572</b>	<b>2,418,168,035</b>	<b>2,256,032,787</b>
Carrying amount of non- controlling interest <sup>(2)</sup>	159,345,976	155,503,403	160,025,857	199,083,197	481,588,522	515,925,058
Revenue <sup>(1)</sup>	728,895,111	505,778,817	539,089,585	-	2,064,581,616	1,356,085,798
Profit	120,743,394	83,228,274	47,666,525	1,641,839	258,210,944	251,172,689
Other comprehensive income	-	-	-	-	(98,781)	7,088
<b>Total comprehensive income</b>	<b>120,743,394</b>	<b>83,228,274</b>	<b>47,666,525</b>	<b>1,641,839</b>	<b>258,112,163</b>	<b>251,179,777</b>
Profit allocated to non-controlling interest <sup>(2)</sup>	24,148,679	16,636,301	11,004,735	492,552	54,605,813	50,388,633
Other comprehensive profit/(loss) allocated to non-controlling interest	-	-	-	-	(19,756)	1,418

<sup>(1)</sup> Includes saprolite nickel ore sales from the Company's controlled entity PT Hengjaya Mineralindo to the Company's controlled entities PT Hengjaya Nickel Industry, PT Oracle Nickel Industry and PT Ranger Nickel Industry.

<sup>(2)</sup> After intra-group eliminations.

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**NOTE 18 - CONTROLLED ENTITIES (Cont.)**

	31 December 2023	31 December 2022
<b>Goodwill</b>	<b>\$</b>	<b>\$</b>
Opening balance	102,748,404	77,982,164
Goodwill arising on acquisition of Oracle Development Private Limited	-	24,766,240
	<u>102,748,404</u>	<u>102,748,404</u>

The goodwill balance amounting to \$102,748,404 pertains to the Hengjaya Nickel, Ranger Nickel, Angel Nickel and Oracle Nickel RKEF Projects, which are considered to be individual cash generating units (CGUs). 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 the respective CGUs.

The key assumptions used in the underlying cash flows of each CGU (RKEF plant) are set out below. Nickel price and cash cost estimates used in the cash flows are based on a 'steady state' of operations:

CGU (RKEF Project)	Carrying amount of CGU	Carrying amount of goodwill	Nickel production (tpa)	5-yr average NPI price (p/t)*	5-yr average cash costs (\$/t)*	Discount rate - real post tax (%)	Remaining useful life (years)
Hengjaya Nickel	\$333,624,424	\$29,219,349	20,488	\$13,045	\$11,021	10	16
Ranger Nickel	\$321,069,815	\$26,185,545	19,990	\$13,045	\$11,021	10	16
Angel Nickel	\$736,251,884	\$22,577,269	48,600	\$13,045	\$9,437	10	19
Oracle Nickel	\$811,029,068	\$24,766,240	48,600	\$13,045	\$9,437	10	20

The cash flow projections include specific estimates for the first five years and a constant margin thereafter for the remaining useful life of the RKEF project. NPI prices have been forecast based on an average of external market analyst forecast NPI prices. The forecast cash costs incorporate expected savings generated from reduced electricity and coal costs over the next five years. Forecasts prices and costs are in real terms.

**Hengjaya Nickel and Ranger Nickel CGUs**

The estimated recoverable amount of the Hengjaya Nickel and Ranger Nickel CGUs were approximately equal to their carrying value. Therefore, an adverse change in certain material key assumptions would lead to impairment. The following table shows the impairment which would arise assuming a reasonable possible change in these assumptions:

	<b>Impairment (assuming no change in any other assumption)</b>	
<b>Reasonable possible change</b>	<b>Hengjaya Nickel \$</b>	<b>Ranger Nickel \$</b>
Increase in the discount rate (real) by 1%	\$16,830,159	\$7,123,241
Reduction in year 1-5 realised NPI prices (\$/t) by 10%, followed by a 5% reduction in years 6-10	\$118,167,703	\$106,394,236
Increase in year 1-5 cash costs (\$/t) by 10%, followed by a 5% increase in years 6-10	\$99,465,114	\$87,972,711



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**NOTE 18 - CONTROLLED ENTITIES (Cont.)**

**Angel Nickel and Oracle Nickel CGUs**

The Angel Nickel and Oracle Nickel CGUs benefit from lower operating costs as a result of their inbuilt power plants. These CGUs have demonstrated comparatively higher margins than Ranger Nickel and Hengjaya Nickel over their operating life to date, which has been factored into the forecast for these CGUs.

**NOTE 19 - RELATED PARTIES**

Key management personnel of the Group during the year ended 31 December 2023 are the following:

Robert Neale	Chairman (Non-Executive)	Norman Seckold	Deputy Chairman
Justin Werner	Managing Director	James Crombie	Director (Non-Executive)
Chris Shepherd	Director and Chief Financial Officer	Weifeng Huang	Director (Non-Executive)
Mark Lochtenberg	Director (Non-Executive)	Dasa Sutantio	Director (Non-Executive)
Muliady Sutio	Director (Non-Executive)	Binghe Xiang	Director (Non-Executive)
Yuanyuan Xu	Director (Non-Executive)	Haijun Wang	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 2023. The total remuneration paid to key management personnel of the Group during the year is as follows:

**Key Management Personnel compensation**

	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>\$</b>	<b>\$</b>
Short term employee benefits	1,768,935	1,811,922
Other benefits	59,637	29,007
	<u>1,828,572</u>	<u>1,840,929</u>

**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:

*Transaction with Director related entity*

Director Norman Seckold holds 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. Fees during 2023 were charged at an agreed rate of A\$38,000 per month. Fees charged by MIS during the year amounted to A\$456,000 (31 December 2022: A\$459,000). As at 31 December 2023 \$nil (31 December 2022: A\$38,000) remained outstanding.

Director Xu Yuanyuan holds an interest in an entity, Shanghai Wanlu, which during the year and following shareholder approval subscribed for 21,186,979 shares in the Company at \$1.02 per share. The shares were issued to Shanghai Wanlu nominee Valence Asia Holding Limited.

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**NOTE 19 - RELATED PARTIES (Cont.)**

*Transaction with equity accounted associate*

At 15 August 2023 the Company acquired a 10% interest in the HNC HPAL project, operating within the IMIP. From 15 August 2023 to 31 December 2023 the Group sold limonite ore totalling \$12,913,064 to the HNC HPAL project, operating within the IMIP. At 31 December 2023 trade receivables of \$8,511,079 remained outstanding and was included in the creditor's balance.

As part of the acquisition agreement for the HNC HPAL project on 15 August 2023, the Company acquired a 100% interest in Tsing Creation. From 15 August 2023 to 31 December 2023 HNC sold mixed hydroxide precipitate (MHP) to Tsing Creation totalling \$24,611,331. At 31 December 2023 there were no trade payables outstanding from Tsing Creation to HNC.

*Transaction with other related entities*

During the year ended 31 December 2023 the Group sold NPI and nickel matte totalling \$1,760,925,421 to Shanghai Decent-related entities and \$358,900,532 of raw materials and services and fixed assets were purchased from Shanghai Decent-related entities. At 31 December 2023 trade receivables of \$269,985,290 from Shanghai Decent-related entities remained outstanding and was included in the receivables balance, and trade payables of \$33,535,530 payable to Shanghai Decent-related entities remained outstanding and was included in the creditor's balance.

Decent Resource, an associate of Shanghai Decent has provided working capital loans to Oracle Nickel totalling \$7,800,000 (\$4,800,000 in 2023 and \$3,000,000 in 2022). Interest is charged at a rate of 2.5% per annum. Total interest incurred by Oracle Nickel on the working capital loan from Decent Resource in 2023 totalled \$193,917. At 31 December 2023, a working capital loan amount of \$7,800,000 and interest totalling \$213,280 remained outstanding and is included in the borrowings balance.

Additionally Decent Resource had in prior years provided working capital loans to the Angel Nickel project totalling \$16,000,000 (\$4,000,000 in 2021 and \$12,000,000 in 2022). Interest was charged at a rate of 2.5% per annum. At 31 December 2022 the balance of the working capital loan from Decent Resource to Angel Nickel, including interest was \$10,756,688. During the period Angel Nickel fully repaid the working capital loan, \$10,400,000 of principal and \$427,615 of interest.

On 18 January 2023, the Company signed an Electric Vehicle Battery Supply Chain Strategic Framework Agreement with Shanghai Decent and entered into binding agreements with Shanghai Decent to acquire an additional 10% interest in the Oracle Nickel project and a 10% interest in HNC. Additionally, the Company acquired options to collaborate with Shanghai Decent on future battery nickel opportunities for \$40M (Acquired Options). The Acquired Options comprise: (i) a \$25M option for the construction of a nickel sulphate and electrolytic nickel plant using the HPAL process (to be known as the Excelsior Nickel Cobalt (ENC) Project); and a \$15M option to invest in and construct a low-grade to high-grade nickel matte converter at Oracle Nickel. Following shareholder approval of a \$270.0M Conditional Placement to Shanghai Decent, in August 2023 the Company completed the acquisition of 10% of HNC and an additional 10% of Oracle Nickel for consideration of \$75M, as well as paid \$40M for the Acquired Options. During the year the Company paid US\$126.5M to Shanghai Decent and its associates for an initial 5.5% equity interest in the ENC project and in December 2023 the Company paid the \$189.8M to move to a 13.75% equity interest in the ENC project.

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**NOTE 19 - RELATED PARTIES (Cont.)**

During the year ended 31 December 2023 the Company and Shanghai Decent contributed further funding to the construction of the Oracle Nickel power plant, in proportion to their respective interests in Oracle Nickel. The Company contributed \$61,600,000 and Shanghai Decent \$26,400,000. Additionally, during the period Shanghai Decent and its associates provided \$96,000,000 towards the construction of Oracle Nickel's RKEF plants and ancillary facilities, in line with its obligations to fund construction of Oracle Nickel's RKEF plants. This construction funding is paid to Oracle Development Pte Ltd (ODPL), the Singaporean entity in which the Company has acquired a 70% direct interest. ODPL then flows the funds to PT Oracle Nickel Industry, which is constructing the Oracle Nickel project. The Company has no further obligations towards funding of the Oracle Nickel power plant.

In August 2023 the Company completed the acquisition of a further 10% interest in ODPL from Shanghai Decent. The Company paid Shanghai Decent and its nominees US\$75M for the additional 10% interest in the Project, with a settlement of \$1,471,431 for the 10% of the undistributed retained earnings attributable to Shanghai Decent remaining in PT Oracle Nickel Industry to the middle of August 2023. \$22M of the \$220M contributed by the shareholders of ODPL for the construction of the Oracle Nickel power plant was assigned from Shanghai Decent to Nickel Industries.

During the year ended 31 December 2023 dividend and interest distributions from the Company's 80% owned subsidiaries Hengjaya Holdings Private Limited, Ranger Investment Private Limited and Angel Capital Private Limited to Shanghai Decent's associates Decent Investment International Private Limited and Decent Resource Limited, totalled \$38,851,162.

Shanghai Decent and its associates hold 20% equity interests in the Angel Nickel, Hengjaya Nickel, Oracle Nickel and Ranger Nickel RKEF project, which reflects the non-controlling interest in the Group amounting to \$436,833,684 as at 31 December 2023.

Shanghai Decent and its associates are the Company's collaboration partner at each of the Hengjaya Nickel, Ranger Nickel, Angel Nickel and Oracle Nickel projects. Shanghai Decent and its associates also have responsibility for the design and construction of the ENC project. Under the terms of the acquisition agreement for the ENC project the Company has committed to acquiring a 55% interest in the ENC project for a total acquisition cost of \$1,265M, plus the \$25M option fee paid. At 31 December 2023 the Company has acquired a 13.75% interest for \$316.3M.

As a result of the above arrangements, the Group is economically dependent on Shanghai Decent and its associates.

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.

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	31 December 2023 \$	31 December 2022 \$
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**NOTE 20 - 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:

Bank balances	284,053,495	144,242,357
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**(b) Reconciliation of net loss from ordinary activities after tax to net cash used in operating activities**

Profit from ordinary activities after tax	176,203,376	209,367,610
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**Adjustments for:**

Depreciation and amortisation	111,656,383	66,598,202
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Foreign exchange loss/(gain)	3,319,311	8,671,422
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Borrowing costs	87,578,105	29,241,438
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Net change in fair value of investment in associate	-	404,812
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**Changes in assets and liabilities**

Trade receivables and other assets	(182,119,720)	(142,482,144)
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Inventory	(7,270,212)	(97,848,145)
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Provisions	(1,073,548)	94,397
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Trade and other payables	41,462,158	(11,004,420)
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<b>Net cash from operating activities</b>	<b>229,755,853</b>	<b>63,043,172</b>
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**(c) Reconciliation of movements of liabilities to cash flows arising from financing activities**

	<b>Liabilities</b>	<b>Equity</b>	
	<b>Loans and borrowings</b>	<b>Share capital</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Opening balance at 1 January 2023</b>	559,288,118	942,442,827	1,501,730,945
<i>Changes from financing activities</i>			
Proceeds from issue of shares*	-	1,098,929,850	1,098,929,850
Costs of issue	-	(8,445,651)	(8,445,651)
Proceeds from issue of senior secured notes	400,000,000	-	400,000,000
Proceeds from borrowings	194,600,000	-	194,600,000
Costs of issue	(11,476,087)	-	(11,476,087)
Repayment of borrowings	(315,482,000)	-	(315,482,000)
Repayment of interest	(51,008,068)	-	(51,008,068)
<b>Total changes from financing cash flows</b>	<b>216,633,845</b>	<b>1,090,484,199</b>	<b>1,307,118,044</b>
<i>Other changes</i>			
Finance expenses	56,460,092	-	56,460,092
Costs of issue expensed – non cash	12,641,373	-	12,641,373
<i>Total other changes</i>	<b>69,101,465</b>	<b>-</b>	<b>69,101,465</b>
<b>Closing balance at 31 December 2023</b>	<b>845,023,428</b>	<b>2,032,927,026</b>	<b>2,877,950,454</b>

\*\$270,000,000 was a non-cash investment in an equity accounted investee as disclosed in Note 15.

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**NOTE 21 - 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 2023	31 December 2022
	Note	\$	\$
Cash and cash equivalents	20	284,053,495	144,242,357
Term deposits and cash reserve	6	494,753,107	-
Trade and other receivables	7	429,880,644	235,617,714
Loan and interest receivable	8	14,603,421	5,853,458
		1,223,290,667	385,713,529

**Cash and cash equivalents**

The Group mitigates credit risk on cash and cash equivalents and term deposits and cash reserve by dealing with regulated banks in Australia, China, Hong Kong, Indonesia and Singapore.

**Trade and other receivables**

Credit risk of trade and other receivables is low as it consists predominantly of saprolite and limonite nickel ore and nickel pig iron and nickel matte sales. Saprolite ore sales are currently all to the Company's 80% owned subsidiaries PT Hengjaya Nickel Industry PT Oracle Nickel Industry or PT Ranger Nickel Industry. NPI trade receivables in 2023 were all from sales to three customers, Shanghai Decent, PT Indonesia Tsingshan Stainless Steel or PT Qing Feng Ferrochrome, stainless steel producers operating at the IMIP and related parties of the Group, through Shanghai Decent. Low grade nickel matte trade receivables are from sales to one customer, PT Indonesia Guang Ching Nickel and Stainless Steel Industry, a stainless steel producer operating at the IMIP and a related party of the Group, through Shanghai Decent. Mixed hydroxide precipitate trade receivable are from one customer, Golden Harbour based in Singapore. Limonite ore sales are to Huayue Nickel Cobalt project and the QMB HPAL project, located within the IMIP. HG nickel matte and MHP sales are to Golden Harbour International Pte. Ltd., located in Singapore. Additional amounts are recoverable from Australian and Indonesian Taxation Authorities. At 31 December 2023 \$287,329,936 was outstanding.

**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.

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**NOTE 21 - FINANCIAL INSTRUMENTS DISCLOSURE (Cont.)**

**Liquidity risk (Cont.)**

The following are the contractual maturities of financial liabilities, including estimated interest payments:

	Carrying amount \$	Contractual cash flows \$	Less than one year \$	Between one and five years \$	More than five years \$
<b>Consolidated</b>					
<b>31 December 2023</b>					
Trade and other payables (including tax)	218,851,171	218,851,171	218,851,171	-	-
Borrowings	845,023,428	1,105,986,353	312,292,393	793,693,960	-
	<u>1,063,874,599</u>	<u>1,324,837,524</u>	<u>531,143,564</u>	<u>793,693,960</u>	<u>-</u>
<b>31 December 2022</b>					
Trade and other payables (including tax)	198,429,800	198,429,800	198,429,800	-	-
Borrowings	559,288,118	658,090,304	43,625,000	614,465,304	-
	<u>757,717,918</u>	<u>856,520,104</u>	<u>242,054,800</u>	<u>614,465,304</u>	<u>-</u>

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 2023 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 sales of its subsidiaries PT Hengjaya Mineralindo, PT Hengjaya Nickel Industry, PT Oracle Nickel Industry and PT 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 2023		31 December 2022	
	Foreign currency	USD	Foreign currency	USD
<b>IDR</b>				
Cash at bank	IDR974,040,604,882	\$63,183,759	IDR646,527,777,428	\$41,098,962
Accounts receivable	IDR3,463,863,892,549	\$224,692,780	IDR880,464,457,205	\$55,970,025
Other current assets	IDR2,896,861,383,941	\$187,912,648	IDR2,338,019,497,637	\$148,624,976
Provisions and accrual	IDR221,138,742,138	\$14,344,755	IDR159,516,969,271	\$10,140,294
Taxes payable	IDR303,658,280,925	\$19,697,605	IDR244,760,923,332	\$15,559,146
Trade and other payables	IDR1,978,211,043,256	\$128,321,941	IDR1,272,144,392,570	\$80,868,628
<b>AUD</b>				
Cash at bank	A\$83,480,302	\$56,850,086	A\$343,150	\$233,822
Receivables	A\$107,953	\$73,516	A\$55,844	\$38,052
Prepayment	-	-	A\$776,960	\$529,421
Trade and other payables	A\$166,113	\$113,123	A\$226,846	\$154,573
<b>SGD</b>				
Cash at bank	SGD\$190,358	\$144,320	SGD\$634,100	\$473,102

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**NOTE 21 - FINANCIAL INSTRUMENTS DISCLOSURE (Cont.)**

**Currency risk (Cont.)**

The following significant exchange rates applied during the year:

USD	Average rate		Reporting date spot rate	
	12 months to 31 December 2023	12 months to 31 December 2022	31 December 2023	31 December 2022
IDR	15,255	14,906	15,416	15,731
AUD	1.507	1.445	1.468	1.468
SGD	1.3419	1.377	1.3191	1.340

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 2023 \$	Total equity (Higher)/Lower 31 December 2023 \$	Post tax loss (Higher)/Lower 31 December 2022 \$	Total equity (Higher)/Lower 31 December 2022 \$
+ 10% higher USD to IDR exchange rate	31,342,487	31,342,487	13,912,589	13,912,589
- 5% lower USD to IDR exchange rate	(15,671,244)	(15,671,244)	(6,956,295)	(6,956,295)
+ 10% higher USD to AUD exchange rate	5,667,144	5,667,144	64,672	64,672
- 5% lower USD to AUD exchange rate	(2,833,572)	(2,833,572)	(32,336)	(32,336)
+ 10% higher USD to SGD exchange rate	14,432	14,432	47,310	47,310
- 5% lower USD to SGD exchange rate	(7,216)	(7,216)	(23,655)	(23,655)

**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 2023 \$	31 December 2022 \$
<b>Financial assets</b>			
Cash and cash equivalents	20	284,053,495	144,242,357
<b>Financial liabilities</b>			
Borrowings	15	189,800,000	-

**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.

	31 December 2023 \$	30 December 2022 \$
Profit for the year	1,192,479	1,410,522

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**NOTE 21 - FINANCIAL INSTRUMENTS DISCLOSURE (Cont.)**

**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 if required will seek to raise additional funding through issues of shares or debt for the continuation of the Group's operation.

The Group is not subject to externally imposed capital requirements.

**NOTE 22 - PARENT ENTITY DISCLOSURES**

As at, and throughout the financial year ended 31 December 2023, the parent entity of the Group was Nickel Industries Limited.

	Parent Entity 31 December 2023 \$	Parent Entity 31 December 2022 \$
<b>Result of the parent entity</b>		
Net loss	(89,360,427)	(41,775,344)
Other comprehensive income	-	-
Total comprehensive loss	<u>(89,360,427)</u>	<u>(41,775,344)</u>
	<b>31 December 2023 \$</b>	<b>31 December 2022 \$</b>
<b>Financial position of the parent entity at year end</b>		
Current assets	644,463,864	36,077,591
Non-current assets	<u>1,859,271,379</u>	<u>1,258,870,240</u>
Total assets	<u>2,503,735,243</u>	<u>1,294,947,831</u>
Current liabilities	259,735,357	8,513,944
Non-current liabilities	<u>579,750,660</u>	<u>537,739,379</u>
Total liabilities	<u>839,486,017</u>	<u>546,253,323</u>
<b>Net Assets</b>	<u>1,664,249,226</u>	<u>748,694,508</u>
<b>Equity</b>		
Share capital	2,032,927,026	942,442,827
Retained profits*	<u>(368,677,800)</u>	<u>(193,748,319)</u>
<b>Total Equity</b>	<u>1,664,249,226</u>	<u>748,694,508</u>

\* During 2023 the Company made dividend payment totaling \$85,569,052 (2022: \$72,724,697) which is included within retained profits for the 2023 financial year.

At balance date, the Company has no capital commitments or contingencies (31 December 2022: \$nil), other than as outlined in Note 27.



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**NOTE 23 - 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 2023, the Group had three segments, being nickel ore mining in Indonesia, the RKEF projects in Indonesia and Singapore and the HPAL projects in Indonesia and Hong Kong.

	Nickel ore mining	RKEF Projects <sup>^</sup>	HPAL Projects	Unallocated	Total
	\$	\$	\$	\$	\$
<b>31 December 2023</b>					
External revenues	36,812,648*	1,810,713,299	32,578,847	-	1,880,104,794
Reportable segment profit/(loss) before tax	76,093,314	209,399,734	3,490,763	(85,692,603)	203,291,208
EBITDA <sup>#</sup>	87,947,760	337,170,206	5,239,447	(27,009,531)	403,347,882
Interest income	95,514	1,427,669	6,101	11,991,326	13,520,610
Interest expense	-	-	-	69,101,465	69,101,465
Depreciation and amortisation	4,166,957	105,734,642	1,754,784	-	111,656,383
Withholding tax expense	7,794,907	22,985,254	-	2,039,275	32,819,436
Reportable segment assets	182,458,095	2,628,345,372	614,790,862	645,751,453	4,071,345,782
Reportable segment liabilities	48,499,648	275,247,098	-	840,957,448	1,164,704,194
<b>31 December 2022</b>					
External revenues	14,666,929*	1,202,374,891	-	-	1,217,041,820
Reportable segment profit/(loss) before tax	48,117,774	201,972,377	-	(33,044,218)	217,045,933
EBITDA <sup>#</sup>	53,859,346	298,692,648	-	(13,368,583)	339,183,411
Interest income	165,804	320,384	-	521,325	1,007,513
Interest expense	-	-	-	33,767,809	33,767,809
Depreciation and amortisation	3,598,279	62,996,831	-	3,092	66,598,202
Withholding tax expense	1,016,895	1,026,056	-	16,185,142	18,228,093
Reportable segment assets	87,243,576	2,549,195,856	-	36,080,262	2,672,519,694
Reportable segment liabilities	25,522,097	286,199,835	-	546,253,323	857,975,255

**NICKEL INDUSTRIES LIMITED**  
and its controlled entities

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

**NOTE 23 - SEGMENT INFORMATION (Cont.)**

\* Revenue number for sales of limonite ore only. Sales of saprolite nickel ore are internal to the Group and so are eliminated on consolidation, whilst limonite ore sales are to a party external to the Group.

^ As disclosed in Note 18, the Group has four separate CGUs (RKEF plants) in the RKEF Projects segment. They are considered as an aggregate portfolio and therefore are included within the one segment here.

# EBITDA is defined as profit/(loss) for the period, plus depreciation and amortisation costs, plus interest income/(expenses), plus withholding tax expense.

	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>\$</b>	<b>\$</b>
<b>Reconciliations of reportable segment profit or loss</b>		
<b>Profit or loss</b>		
Total profit for reportable segments	288,983,811	250,090,151
Unallocated amounts:		
Net other corporate expenses	(85,692,603)	(33,044,218)
Consolidated profit before tax	<u>203,291,208</u>	<u>217,045,933</u>

**Reconciliations of reportable assets and liabilities**

**Assets**

Total assets for reportable segments	3,425,594,329	2,636,439,432
Unallocated corporate assets	645,751,453	36,080,262
Consolidated total assets	<u>4,071,345,782</u>	<u>2,672,519,694</u>

**Liabilities**

Total liabilities for reportable segments	(323,746,746)	(311,721,932)
Unallocated corporate liabilities	(840,957,448)	(546,253,323)
Consolidated total liabilities	<u>(1,164,704,194)</u>	<u>(857,975,255)</u>

**Geography of reportable segment assets**

	<b>Indonesia</b>	<b>Singapore</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>31 December 2023</b>			
Reportable segment assets	<u>3,414,582,900</u>	<u>11,011,429</u>	<u>3,425,594,329</u>
<b>31 December 2022</b>			
Reportable segment assets	<u>2,630,881,643</u>	<u>5,557,788</u>	<u>2,636,439,431</u>

**Revenue**

All sales during the year were to customers located in either China, Indonesia or Singapore. All NPI sales by Hengjaya Nickel, Oracle Nickel and Ranger Nickel were in Indonesia, by Angel Nickel were exported to China and all high grade nickel matte sales by Hengjaya Nickel were exported to Singapore and all low grade matte sales were in Indonesia. For the year ended 31 December 2023 the value of total NPI, to a customer based in China was \$688.0 million, to customers based in Indonesia was \$802.5 million, the total value of low grade nickel matte sales to two customers based in Singapore was \$198.6 million and the total value of high grade nickel matte sales to a customer based in Singapore was \$121.6 million. Limonite ore revenue totaling \$36.8 million was all to customers located in Indonesia.

**NICKEL INDUSTRIES LIMITED**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

**NOTE 24 - REVENUE**

**Major customers**

All sales of nickel pig iron during the year ended 31 December 2023 were either exported sales to Shanghai Decent in China, or were sales within to PT Indonesia Stainless Steel or PT Qing Feng Ferrochrome, stainless steel producers operating within the IMIP. All sales of HG nickel matte or mixed hydroxide precipitate were to Golden Harbour, based in Singapore and all sales of LG nickel matte were to PT Indonesia Stainless Steel or to PT Indonesia Guang Ching Nickel and Stainless Steel Industry, stainless steel producers operating within the IMIP.

All sales of saprolite nickel ore during the year ended 31 December 2023, were to the Company's subsidiaries PT Hengjaya Nickel Industry, PT Oracle Nickel Industry and PT Ranger Nickel Industry, under a series of offtake agreements to supply between 80,000 to 100,000 wmt per month to each entity. During the year limonite ore was delivered to two HPAL projects operating within the IMIP, the Huayue Nickel Cobalt project and the QMB HPAL nickel project.

**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 matte		Mixed Hydroxide Precipitate	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022
	\$	\$	\$	\$	\$	\$
Major products	1,490,483,803	1,111,831,675	320,229,496	90,543,216	32,578,847	-
<i>Timing of revenue recognition</i>						
Products transferred at a point in time	1,490,483,803	1,111,831,675	320,229,496	90,543,216	32,578,847	-
Revenue from contracts with customers	1,490,483,803	1,111,831,675	320,229,496	90,543,216	32,578,847	-

	Saprolite ore*		Limonite ore		Total	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022
	\$	\$	\$	\$	\$	\$
Major products	144,332,258	119,109,876	36,812,648	14,666,929	1,880,104,794	1,217,041,820
<i>Timing of revenue recognition</i>						
Products transferred at a point in time	144,332,258	119,109,876	36,812,648	14,666,929	1,880,104,794	1,217,041,820
Revenue from contracts with customers	144,332,258	119,109,876	36,812,648	14,666,929	1,880,104,794	1,217,041,820

\* Sales of saprolite 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.

**NICKEL INDUSTRIES LIMITED**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

**NOTE 25 - AUDITOR REMUNERATION**

During the year ended 31 December 2023 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 and prior period are set out below:

	31 December 2023	31 December 2022
	\$	\$
<i><b>Auditors of the Company</b></i>		
Audit and review of financial reports – KPMG Australia	388,483	300,249
Audit and review of financial reports – KPMG Indonesia	254,567	105,462
Other assurance services – KPMG Australia	250,515	47,360
Other assurance services – KPMG Indonesia	13,413	-
Advisory services – KPMG Australia	-	10,350
	<u>906,978</u>	<u>463,421</u>

**NOTE 26 – SUBSEQUENT EVENTS**

On 30 January 2024, the Company declared a final dividend for 2023 of A\$0.025 per share, being a distribution of A\$107.1M (\$69.9M). At the same time the Company announced a revised dividend policy and planned on market share buyback of up to \$100M to be conducted over a 12 month period, commencing no earlier than 1 March 2023 and subject to Pt Danusa Tambang Nusantara receiving approval from the Foreign Investment Review Board ('FIRB') approval to move to a great than 20% equity interest in the Company as a result of any share buyback.

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 27 – COMMITMENTS AND CONTINGENCIES**

There are no contingent liabilities existing at 31 December 2023 (31 December 2022: \$nil).

Under the terms of Excelsior Nickel Definitive Agreement, the Company has committed to acquire a 55% equity interest in the Excelsior Nickel Project for \$1,265.0M. At 31 December 2023 the Company had acquired a 13.75% interest for \$316.3M.

**NICKEL INDUSTRIES LIMITED  
and its controlled entities**

**DIRECTORS' DECLARATION**

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1. In the opinion of the Directors of Nickel Industries Limited ('the Company'):
- (a) the consolidated financial statements and notes set out on pages 44 to 90 and the Remuneration report on pages 38 to 42 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 2023 and of its performance for the year ended on that date; and
    - f
    - (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 2023.

Signed at Sydney this 29<sup>th</sup> day of February 2024  
in accordance with a resolution of the Board of Directors:



**Norman Seckold**  
**Chairman**



**Justin Werner**  
**Managing Director**



# Independent Auditor's Report

To the shareholders of Nickel Industries Limited

## Report on the audit of the Financial Report

### Opinion

We have audited the **Financial Report** of Nickel Industries 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 2023 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 2023;
- 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 material accounting policies; and
- 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 these requirements.

## Key Audit Matters

The **Key Audit Matters** we identified are:

- Consolidation of subsidiaries;
- Recoverable amount of cash generating units and impairment of goodwill; and
- Accounting for the investments in equity accounted associates.

**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 18 Controlled Entities to the Financial Report

The key audit matter	How the matter was addressed in our audit
<p>Nickel Industries Limited consolidates its investments in subsidiaries as outlined in Note 18 to the financial statements. The Group has operations in Indonesia, a corporate head office in Australia and other registered entities overseas. There are also non-controlling interests held in certain subsidiaries of the Group.</p> <p>Consolidation of subsidiaries is a key audit matter due to the complexity of the manual consolidation process, significant number of components in the Group, non-controlling interests held by the Group, diverse accounting systems used by the Group and the consolidation process susceptibility to error, the impacts of which are potentially significant.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• We assessed the appropriateness of the Group's consolidation accounting policies against the requirements of the accounting standards and our understanding of the business and industry practice;</li> <li>• We obtained an understanding of the components in the Group, and their ownership structure, to scope components into our audit, based on size and level of risk;</li> <li>• We held discussions with management, and used our knowledge of the Group's operations to assess the consolidation process;</li> <li>• We tested manual consolidation journals to underlying documentation given the facts and circumstances of inter-company transactions entered into by the Group;</li> <li>• Obtained the Group's manual consolidation spreadsheet and tested: <ul style="list-style-type: none"> <li>- the individual financial information for entities included in the consolidation for consistency with the reporting we received from component auditors;</li> <li>- elimination of intercompany balances and transactions;</li> <li>- sources for each journal and relevance for inclusion in the consolidation;</li> <li>- and recognition of non-controlling interests journals and compared against</li> </ul> </li> </ul>

	the percentage of non-controlling interests held by the Group.
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#### Recoverable amount of cash generating units and impairment of goodwill

Refer to Note 18 Controlled Entities to the Financial Report

The key audit matter	How the matter was addressed in our audit
<p>A key audit matter for us was the Group's testing of the carrying values for its four Cash Generating Units (CGU) containing indefinite life intangible assets for impairment, namely Hengjaya Nickel Project, Ranger Nickel Project, Angel Nickel Project and Oracle Nickel Project.</p> <p>This is a key audit matter due to the size of the CGUs, the complexity of the impairment models and the nature of the key estimates and assumptions contained within.</p> <p>We focused on the significant forward-looking assumptions the Group applied in its value-in-use impairment models, including:</p> <ul style="list-style-type: none"> <li>• forecast cash flows – the Group's profitability for each CGU has declined during the financial year as compared against prior year budgets and/or actual results. The Group's margins are derived from realised Nickel prices and cash costs. Volatility in forecast Nickel prices are subject to greater uncertainty in the current economic environment and the impact of declining margins increase the possibility of the carrying value of the CGUs being impaired, plus the risk of inaccurate forecasts or a significantly wider range of possible outcomes for us to consider.</li> <li>• forecast Nickel pricing and cash costs – in addition to the uncertainties described above, the Group's models are sensitive to reasonable possible changes in these assumptions, indicating increased risk of impairment. This drives additional audit effort specific to their feasibility and consistency of application to the Group's strategy.</li> <li>• discount rates – these are complicated in nature and vary according to the conditions</li> </ul>	<p>Working with our valuation specialists, our procedures included:</p> <ul style="list-style-type: none"> <li>• We considered the appropriateness of the value-in-use method applied by the Group to perform its impairment test of the carrying value of the CGUs against the requirements of the accounting standards.</li> <li>• We assessed the integrity of the value-in-use models used, including the accuracy of the underlying calculation formulas.</li> <li>• We compared the forecast cash flows for year one in the value-in-use models to Board approved forecasts and sought to understand any adjustments included in the impairment models.</li> <li>• We considered the sensitivity of the models by varying key assumptions, such as forecast realised Nickel pricing, cash costs and discount rates, within a reasonably possible range. We did this to identify those assumptions at higher risk of bias or inconsistency in application and to focus our further procedures.</li> <li>• We assessed the accuracy of previous Group forecasts to inform our evaluation of forecasts incorporated in the models.</li> <li>• For each of the four CGUs, we: <ul style="list-style-type: none"> <li>- challenged the Group's significant forecast cash flow assumptions related to realised Nickel prices and cash costs, in comparison to observed historical and expected future pricing and demand in its products.</li> <li>- assessed these key assumptions for consistency with the Group's strategy, our knowledge of the business, industry, recent actual cash flows and against publicly available economic data</li> </ul> </li> </ul>



<p>and environment the specific CGU is subject to from time to time, and the model's approach to incorporating risks into the cash flows or discount rates. The Group's modelling is sensitive to changes in discount rates.</p> <p>The Group uses complex models to perform their testing of the carrying values of the CGUs for impairment. The models are largely manually developed, use adjusted historical performance as well as a range of internal and external sources as inputs to the assumptions. Complex modelling, using forward-looking assumptions tend to be prone to greater risk for potential bias, error and inconsistent application. These conditions necessitate additional scrutiny by us, in particular to address the objectivity of sources used for assumptions, and their consistent application.</p> <p>We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.</p>	<p>representing current and expected future market conditions.</p> <ul style="list-style-type: none"> <li>- assessed cash flow forecasts based on our experience regarding the feasibility of these in the industry/economic environment in which they operate.</li> <li>- applied increased scepticism to forecasts in the areas where previous forecasts were not achieved.</li> </ul> <ul style="list-style-type: none"> <li>• We compared forecast realised Nickel prices to published studies of industry trends and expectations and considered differences for the Group's operations. We used our knowledge of the Group, its past and current performance, business and customers, and industry experience.</li> <li>• We analysed the Group's discount rates against publicly available data of a group of comparable entities adjusted for risk factors associated with each CGU.</li> <li>• We assessed the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.</li> </ul>
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#### Accounting for the investments in equity accounted associates (US\$527 million)

Refer to Note 17 Equity Accounted Investees to the Financial Report

The key audit matter	How the matter was addressed in our audit
<p>The Group's acquisition of PT Huayue Nickel Cobalt (HNC) and Excelsior International Investment Pte. Ltd. (ENC), represent significant transactions for the Group during the financial year.</p> <p>This was a key audit matter due to the following:</p> <ul style="list-style-type: none"> <li>• The size of the consideration paid: <ul style="list-style-type: none"> <li>- The Group paid consideration of US\$270 million for a 10% equity interest in HNC and an associated offtake agreement.</li> <li>- The Group paid consideration of US\$341.3 million for a 13.75% equity interest in ENC.</li> </ul> </li> <li>• The significant judgement required by the</li> </ul>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• Reading the acquisition agreements to understand the key terms and conditions and the obligations of each entity which is party to the contract;</li> <li>• Checking the completeness and the nature of the Group's obligations required by the acquisition agreements. 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 to the requirements of the accounting standards;</li> <li>• Working with our technical accounting specialists, assessing the appropriateness of</li> </ul>

<p>Group in assessing the substance of the acquisition transactions, and to determine the Group's significant influence over the acquired entities. We focused on challenging the Group's application of the accounting standard requirements to the Group's ownership in the entity which necessitated the involvement of our technical accounting specialists.</p> <ul style="list-style-type: none"> <li>• Complexity of the acquisitions involve multiple parties, and the terms and conditions of the acquisition agreements and their pervasive impacts on the financial report.</li> </ul> <p>These conditions required significant audit effort and greater involvement by senior team members and KPMG specialists.</p>	<p>the Group's accounting treatment of its interest in each entity against the criteria in the accounting standards. This included assessing the evidence of the Group's significant influence over the entities from the features of the acquisition agreements;</p> <ul style="list-style-type: none"> <li>• Checking the consideration paid for the acquisitions against the underlying documents of the Group and the amounts recorded in the general ledger;</li> <li>• Obtaining the accounting records of the equity accounted associates and assessing consistency of accounting policies with those of the Group, and recalculating the Group's share of the associates' profit or loss for the period;</li> <li>• 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 acquisition agreements.</li> </ul>
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## Other Information

Other Information is financial and non-financial information in Nickel Industries Limited's annual report 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:

[https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](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 Industries Limited for the year ended 31 December 2023, 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 38 to 42 of the Directors' report for the year ended 31 December 2023.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Adam Twemlow  
Partner

Brisbane  
29th February 2024

**NICKEL INDUSTRIES LIMITED**  
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**ADDITIONAL ASX INFORMATION**

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows.  
The information is current as at 31 January 2024.

**Distribution of Equity Securities**

ORDINARY SHARES		
Range	Number of Holders	Number of Shares
1 to 1,000	3,148	2,077,957
1,001 to 5,000	5,122	14,458,579
5,001 to 10,000	2,422	19,211,029
10,001 to 100,000	4,929	158,956,496
Above 100,001	719	4,091,105,819
	<b>16,340</b>	<b>4,285,809,880</b>

The number of shareholders holding less than a marketable parcel is 1,459.

**Twenty Largest Shareholders**

The names of the twenty largest holders of quoted shares are:

N°	SHAREHOLDER	Number of Shares	Total %
1	PT Danusa Tambang Nusantara	857,000,000	20.00
2	Decent Investment International Private Limited	672,647,474	15.69
3	HSBC Custody Nominees (Australia) Limited	551,984,119	12.88
4	Citicorp Nominees Pty Limited	428,352,941	9.99
5	J P Morgan Nominees Australia Pty Limited	201,394,618	4.70
6	PT Harum Energy TBK	178,485,571	4.16
7	Shanghai Decent Investment (Group) Co., Ltd	161,696,446	3.77
8	BNP Paribas Noms Pty Ltd	160,689,143	3.75
9	Decent Resource Limited	108,122,223	2.52
10	Shanghai Wanlu Investment Co Ltd	97,258,258	2.27
11	HSBC Custody Nominees (Australia) Limited – A/C 2	68,749,588	1.60
12	Altinova Nominees Pty Ltd	51,076,440	1.19
13	Permgold Pty Ltd <The Seckold Super Fund A/C>	49,139,221	1.15
14	BNP Paribas Nominees Pty Ltd <IB Au Noms Retailclient>	40,459,538	0.94
15	Rosignol Pty Ltd <Nightingale Family A/C>	22,163,557	0.52
16	Valence Asia Holding Limited	21,186,979	0.49
17	National Nominees Limited	20,774,260	0.48
18	BNP Paribas Nominees Pty Ltd <Agency Lending A/C >	14,408,554	0.34
19	QM Financial Services Pty Ltd <The QM Securities A/C>	12,943,891	0.30
20	Bell Potter Nominees Ltd <BB Nominees A/C>	12,797,558	0.30
<b>Total in Top 20</b>		<b>3,731,330,379</b>	<b>87.06</b>

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**ADDITIONAL ASX INFORMATION**

**Substantial Shareholders**

Substantial shareholders and the number of equity securities in which it has an interest, as shown in the Company's Register of Substantial Shareholders is:

Shareholder	N° of Shares Held	% of Issued Shares
Shanghai Decent Investment (Group) Co., Ltd	972,825,079	22.70%
PT Danusa Nusantara and associates	857,000,000	20.00%
PT. Karunia Bara Perkasa	366,134,822	8.54%
L1 Capital Pty Ltd	245,878,808	5.74%

**Class of Shares and Voting Rights**

The voting rights attached to ordinary shares, as set out in the Company's Constitution, are that every member in person or by proxy, attorney or representative, shall have one vote when a poll is called, otherwise each member present at a meeting has one vote on a show of hands.

**Tenement Schedule**

Project	Tenement number	Interest %
Hengjaya Project	540-3/SK.001/DESDM/VI/2011	80%

**NICKEL INDUSTRIES LIMITED  
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**CORPORATE DIRECTORY**

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**Directors:**

Norman Seckold  
Justin Werner  
Chris Shepherd  
James Crombie  
Dasa Sutantio  
Muliady Sutio  
Binghe Xiang  
Yuanyuan Xu  
Haijun Wang

**Company Secretary:**

Richard Edwards

**Principal Place of Business and Registered Office:**

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SYDNEY NSW 2000  
Phone : 61-2 9300 3311  
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