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The Manager Companies
ASX Limited
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(4 pages by email)

MOU TO ACQUIRE 70% OF 4 NEW RKEF LINES AT WEDA BAY

Highlights:

- Memorandum of Understanding ('MoU') signed to build, own and operate 4 next-generation rotary kiln electric furnace ('RKEF') lines within the Indonesia Weda Bay Industrial Park ('IWIP').
- Nickel Mines' attributable nickel production profile to approximately double within 2 years.
- Staged acquisition approach allows for optimal funding mix from cash reserves, debt and equity.
- Establishes Nickel Mines with a presence in Indonesia's newest and most rapidly growing nickel production centre.
- Further consolidates Nickel Mines as an important strategic partner of the Tsingshan group.

The Directors of Nickel Mines Limited ('Nickel Mines' or 'the Company') are pleased to advise the Company has signed an MoU with Shanghai Decent Investment (Group) Co., Ltd ('SDI') to acquire a 70% interest in PT Angel Nickel Industry ('ANI'), a development project within the IWIP on Halmahera Island in Indonesia's North Maluku province.

The ANI project will be a joint collaboration with SDI, the Company's largest shareholder, comprising:

- four next-generation 54 KVA¹ rotary kiln electric furnace ('RKEF') lines with an annual nameplate production capacity of 36,000 tonnes of nickel metal (in nickel pig iron); and
- a 380MW coal-fired power plant.

Nickel Mines' 70% interest in ANI represents 25,200 tpa of attributable nameplate nickel metal production. By comparison, the Hengjaya Nickel ('HNI') and Ranger Nickel ('RNI') RKEF projects each have an annual nameplate production capacity of 15,000 tonnes of nickel metal (in nickel pig iron) and the Company's 80% interest in HNI and RNI combined represents 24,000 tpa of attributable nickel metal production. Since reaching steady-state operations, actual production from the HNI and RNI RKEF projects has consistently exceeded nameplate production capacity.

Ownership of the power plant provides the benefits of a secure, integrated power supply which will lower the nickel pig iron production operating cost for the ANI project.

¹ KVA (Kilo-volt amps) is a measure of 'apparent power'. The Company's existing HNI and RNI RKEF Projects comprise 42 KVA kilns.

Under the terms of the MoU, the Company will acquire a 70% interest in ANI for US\$490M in accordance with the following staged payments:

- Stage 1 - US\$210M by the end of Q1 2021 to secure an initial 30% interest.
- Stage 2 - US\$280M by the end of Q4 2021 to secure a further 40% interest.

On signing the MoU, the Company paid a US\$10M 'good faith deposit' to SDI and upon execution of a Definitive Agreement has committed to a further US\$20M 'down payment' to SDI with the combined US\$30M to be offset against the Stage 1 payment. This initial US\$30M is funded from existing cash reserves with the remaining US\$460M to be funded from a combination of cash reserves, debt and equity.

ANI will be structured under a similar corporate structure to the Company's existing RKEF assets and will see SDI take the lead role in the design, construction and operation of the ANI project. Furthermore, SDI will contractually commit that the total cost of ANI shall not exceed US\$700M.

ANI company registrations and formative project development activities have commenced with commissioning of the ANI RKEF project scheduled by Q3 2022.

The transaction is subject to the execution of a binding Definitive Agreement and shareholder approval.

About Weda Bay

In a similar manner to the Indonesia Morowali Industrial Park ('IMIP') where the Company's existing HNI and RNI RKEF projects are located, the Tsingshan group is rapidly developing the IWIP as a new nickel production frontier with growing nickel pig iron supply from Indonesia set to increasingly displace higher cost production from China. As with the IMIP, Tsingshan is collaborating with a number of different partners (who currently include Eramet, Zhejiang Huayou Cobalt and Zhenshi Holding Group) across a range of projects within the IWIP. Presently within the IWIP there are 4 commissioned RKEF lines and 8 RKEF lines nearing completion, with power, port capacity and other ancillary services continuing to be progressively established.



Aerial image of the Indonesia Weda Bay Industrial Park.



Location of the Indonesia Weda Bay Industrial Park.

Commenting on the signing of the ANI MoU, Nickel Mines' Managing Director Justin Werner said:

"We are extremely pleased for Nickel Mines to have been offered this opportunity for the next phase of growth for the Company to further strengthen its relationship with Tsingshan."

In addition to our existing RKEF assets within the IMIP, our commitment to the ANI project within the Weda Bay Industrial Park will provide the Company with production footprints within what will be the two largest nickel production centres globally over the next 20 years. The acquisition of 70% of ANI will more than double Nickel Mines' attributable annual nameplate nickel metal production capacity and further cement Nickel Mines as a globally significant, low cost nickel producer.

Once again, this transaction represents a compelling investment opportunity and comes at a valuation that we believe is unrivalled in the global nickel market. For little over 40% of our current market capitalisation we have the opportunity to double our nameplate production profile. With an exceptionally strong balance sheet and forecast strong operational cash flows from our existing RKEF projects, Nickel Mines is well positioned to optimally fund this transaction with a mix of cash reserves, debt and equity.

We will now work expediently to progress this MoU to a Definitive Agreement over the coming weeks and look forward to keeping the market informed on this exciting next step in our journey."

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About Nickel Mines Limited

Nickel Mines Limited (ASX: NIC) is an ASX listed company and significant player in the global nickel industry having established a financial, operational and strategic partnership with China's Tsingshan group ('Tsingshan'), the world largest stainless steel producer.

Nickel Mines owns an 80% interest in the Hengjaya Nickel and Ranger Nickel RKEF processing facilities within the Indonesia Morowali Industrial Park, the world's largest vertically integrated stainless steel facility with a current stainless steel production capacity of 3.0 million tonnes per annum.

Nickel Mines also holds an 80% interest in the long life, high grade Hengjaya nickel mine located in Morowali Regency, Central Sulawesi, Indonesia just 12 kilometres from the IMIP.



Aerial image of the Indonesia Morowali Industrial Park.

Completion of the acquisition of 70% of the Angel Nickel RKEF project will more than double Nickel Mines' attributable nickel metal production based on nameplate capacities of its RKEF projects.

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