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The Manager Companies
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(5 pages by email)

COVID-19 RESPONSE AND PRODUCTION UPDATE

Amidst the current COVID-19 pandemic Nickel Mines Limited ('the Company') provides the following update on the Company's RKEF operations at the Indonesia Morowali Industrial Park ('IMIP') and the Hengjaya Mine, both located in Sulawesi, Indonesia.

RKEF Operations Update

Further to the Company's previous update (refer ASX release: 29 January 2020) the Company advises that the IMIP is continuing to enforce strict safety measures in response to COVID-19 including implementing rigid access restrictions and thorough screening procedures to ensure the health and wellbeing of all its workers.

These protocols have been in place since late January, when the virus was still in its infancy, with work rosters having been rescheduled to ensure the continuation of normal operations within the IMIP. Furthermore, with a workforce that is made up of more than 90% local employees from the surrounding community and with fi-fo/expat workers restricted from entering the IMIP, early and proactive measures in addressing the potential impacts of COVID-19 have been critical to the uninterrupted operations to date within the IMIP.

The Government of Central Sulawesi has also locked down its borders with the Governor issuing a decree on 23 March 2020 prohibiting the entry and exit of all foreign citizens, foreign workers and Indonesian migrant workers.

The Company is also pleased to report that, to assist the Indonesian Government in the management and control of the COVID-19 pandemic, the Tsingshan Charity Foundation has donated over A\$1.8M of Personal Protective Equipment ('PPE') to the Indonesian Government.

The first batch of PPE materials left Shanghai for Indonesia on 21 March 2020 on a C-130 Hercules aircraft sent by the Indonesian Government with a second batch departed for Indonesia on 26 March 2020.



Health and safety materials being transported to Pudong Airport Shanghai



***Left: Health and safety materials being loaded onto an Indonesian Government C-130 Hercules
Right: Further supplies loaded onto an Airbus 330 and a Boeing 777 departed for Indonesia on 26 March.***

Nickel Mines acknowledges and commends its partner and largest shareholder Tsingshan (through Shanghai Decent) for its commitment and dedication to supporting the health and wellbeing of not just its Indonesian employees but all people across the Indonesian archipelago.

The Company is pleased to report that the operating performance of both the Hengjaya Nickel and Ranger Nickel RKEF Projects for the first quarter of 2020 has been an undiminished continuation of the steady state production output and operating cost performance reported for the December 2019 quarter, the first full quarter of steady state operations for both RKEF Projects.

Whilst the Company's operations are currently largely unaffected by Covid-19, it is not possible to predict the future course and duration of the pandemic and the impact that may have on the Company's operations.

For the March 2020 quarter, combined production was 11,291.3 tonnes of nickel metal (100% basis) representing a record quarter of production and a 2.9% increase on the December 2019 quarter.

HENGJAYA NICKEL		January	February	March	Total	Dec Qtr
NPI Production	tonnes	13,864.2	12,660.8	13,551.8	40,076.8	40,910.7
Nickel Grade	%	13.8	14.4	14.3	14.2	13.6
Nickel Metal Production	tonnes	1,913.4	1,824.7	1,933.6	5,671.7	5,577.9

RANGER NICKEL		January	February	March	Total	Dec Qtr
NPI Production	tonnes	12,994.0	12,788.5	13,538.6	39,321.1	39,104.7
Nickel Grade	%	14.8	14.0	14.1	14.3	13.8
Nickel Metal Production	tonnes	1,924.8	1,787.6	1,907.2	5,619.6	5,390.4

COMBINED OPERATIONS		January	February	March	Total	Dec Qtr
NPI Production	tonnes	26,858.2	25,449.3	27,090.4	79,397.9	80,015.4
Nickel Grade	%	14.3	14.2	14.2	14.2	13.7
Nickel Metal Production	tonnes	3,838.2	3,612.3	3,840.8	11,291.3	10,968.3

Mine Operations Update

The Company advises that it has implemented strict access controls and restricted non-essential movements in and out of its 80% owned Hengjaya Mine. Temperature checks and symptom screenings are being carried out prior to every shift with the Hengjaya Mine also having commenced procurement of additional health and medical supplies.

Expansion of the Hengjaya Mine remains in progress with first ore from the new CZ21 pit expected in April. Construction of a dedicated haul road from HM to IMIP is also progressing well with over 6 km of the 14km of pilot road already pioneered.

Repatriation of Funds to Project Shareholders

With both RKEF Projects having now demonstrated a consistent level of operational performance, the Company and Shanghai Decent are pleased to advise they have implemented regular repatriations of retained earnings from each of the Hengjaya Nickel and Ranger Nickel RKEF Projects out of Indonesia back to each party in accordance with their respective shareholdings in each Project - Nickel Mines (60%) and Shanghai Decent (40%).

As outlined in the Company's December 2019 quarterly activities report, working capital loans provided by the Company and Shanghai Decent to each of Hengjaya Nickel and Ranger Nickel to help establish operations during their respective commissioning phases were fully repaid prior to 31 December 2019.

Summary

Commenting on the potential impacts of COVID-19 on Tsingshan's nickel pig iron ('NPI') and stainless steel operations, Mr Weifeng Huang, Chairman of Shanghai Decent Group and Nickel Mines Director, said:

“Due to the industry characteristics of continuous production throughout the year, Tsingshan did not stop the production either in China or out of China because of Chinese New Year, so the impact on Tsingshan's production in China from the movement controls implemented to fight the COVID-19 pandemic in China have been minimal. While an impact on the domestic stainless-steel end market is inevitable, with the full resumption of work and production and the expected quick recovery in economic activities, I believe the market will soon restore to pre-pandemic levels barring any sudden deterioration in the current situation. Even then if the stainless-steel markets ex-China is depressed due to the COVID-19 situation, the RKEF production in IMIP will keep up the good performance and can export its NPI products to China since Tsingshan's own NPI production in China can only meet about half of its stainless-steel plants' requirements”.

Commenting on the early and comprehensive response to COVID-19 at IMIP which has resulted in unaffected and sustained production output from the Company's RKEF Projects and the regular repatriation of funds now flowing from Indonesia back to Project shareholders, Managing Director Justin Werner said:

“While the onset of Coronavirus is currently having significant ramifications around world and the way people lead their daily lives, Nickel Mines would like to acknowledge the promptness of Shanghai Decent in identifying its potential impact and the professionalism and vigilance in which it has managed the situation within the IMIP. Testament to this is the uninterrupted high level of production output from the Company's 2 RKEF projects, which continue to perform well ahead of expectation and at the very bottom end of the NPI cost curve. The regular distribution of surplus funds from the RKEF projects represents an important step in the maturation of both projects. These repatriations underscore the robustness of operations and the confidence of the project partners in each project's ability to generate healthy levels of operational cash flow regardless of the nickel price environment”.

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About Nickel Mines Limited

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

Under the terms of two separate Collaboration Agreements with Shanghai Decent, a Tsingshan group company, Nickel Mines will own and operate 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 Mine located in Morowali Regency, Central Sulawesi, Indonesia just 12 kilometres from the IMIP.



Aerial photo of the MIP