NICKEL MINES LIMITED

PROSPECTUS

FOR AN OFFER OF 571,428,572 ORDINARY SHARES AT AN OFFER PRICE OF $0.35 PER SHARE TO RAISE $200.0 MILLION (OFFER)

IMPORTANT NOTICE

This Prospectus and each of the documents which are incorporated by reference are important documents and must be read in their entirety. If you do not understand their contents or are in doubt as to the course you should follow, you should consult your professional advisor.

NICKEL MINES LIMITED (ASX CODE: NIC)
ACN 127 510 589

LEAD MANAGER: BELL POTTER SECURITIES LIMITED
FINANCIAL ADVISOR: BLACKPEAK CAPITAL PTY LTD

IMPORTANT NOTICE

OFFER

The Offer contained in this Prospectus is an invitation to acquire ordinary Shares in Nickel Mines Limited (ACN 127 510 589) (**Company** or **Nickel Mines**).

LODGEMENT & LISTING

This Prospectus is dated 7 August 2018 and was lodged with ASIC on that date. It is a replacement prospectus which replaces the prospectus dated 5 July 2018 lodged with ASIC on that date (**Original Prospectus**). This Replacement Prospectus will be referred to as "this Replacement Prospectus" or "this Prospectus" for the purposes of this document. The key differences between this Prospectus and the Original Prospectus include amendments to the Wood Mackenzie report included in Section 3 (Nickel Market Outlook and Asset Review Report) to clarify the basis on which Wood Mackenzie reviewed the key operating assumptions underpinning the financial model prepared by the Company; amendments to the Geologist's Report in Section 10 to clarify the Company's declared Resource at the Hengjaya Mine, the cut-off grade used in the report and prior resource estimates; clarification in the letter from the Chairman of Nickel Mines and in sections 1.1, and 2.4 regarding expected production capacity of the RKEF Project; clarification in sections 1.1, 4.2 and 6.2 regarding the use of funds from the Offer, how the Company will deal with surplus funds should there be any and potential risks for investors should the Company retain a surplus cash balance; clarification in sections 7.2 and 7.6 of non-executive Director Ms Yuan Yuan Xu's shareholding in the Company; clarification of the basis on which the audit reports for years ended 30 June 2016 and 2017 were issued in section 8.2; amendments to the opening date of the Offer in the indicative Offer timetable and the amendment of the definition of the Prospectus Date to now refer to the date of lodgement of the Original Prospectus with ASIC.

The Company has applied to the ASX for admission of the Company to the official list of the ASX and for quotation of the Shares on the ASX .

Neither ASIC nor the ASX or their officers take any responsibility for the contents of this Prospectus or for the merits of the investment to which this Prospectus relates.

EXPIRY DATE

No Shares will be allotted or issued on the basis of this Prospectus later than 13 months after the date of the Original Prospectus.

NOTICE TO APPLICANTS

The information in this Prospectus is not financial product advice and does not take into account your investment objectives, financial situation or particular needs. This Prospectus should not be construed as financial, taxation, legal or other advice.

This Prospectus is important and should, along with each of the documents incorporated by reference, be read in their entirety prior to deciding whether to invest in the Shares. There are risks associated with an investment in the Shares. Some of the risks that should be considered are set out in Section 6. You should carefully consider these risks in light of your personal circumstances including financial and taxation issues. There may also be risks in addition to these that should be considered in light of your personal circumstances.

If you do not fully understand this Prospectus or are in doubt as to how to deal with it, you should seek professional guidance from your stockbroker, lawyer, accountant or other professional advisor before deciding whether to invest in the Shares.

No person named in this Prospectus guarantees the Company's performance or any return on investment made pursuant to this Prospectus.

NO OFFER WHERE OFFER WOULD BE ILLEGAL

This Offer does not constitute a public offer or invitation in any jurisdiction other than Australia. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of Shares, in any jurisdiction outside Australia.

The distribution of this Prospectus outside Australia may be restricted by law and therefore any person who resides outside Australia and who receives this Prospectus should seek advice on and observe any such restrictions. Any person who has a registered address in any other country who receives this Prospectus may only apply for Shares where that person is able to reasonably demonstrate to the satisfaction of the Company that they may participate in the Offer relying on a relevant exception from, or are not otherwise subject to, the lodgement, filing, registration or other requirements of any applicable securities laws in the jurisdiction in which they have a registered address.

The Company will not offer to sell, nor solicit an offer to purchase, any securities in any jurisdiction where such offer, sale or solicitation may not lawfully be made. Any failure to comply with these restrictions may constitute violation of applicable securities laws.

NOTICE TO UNITED STATES RESIDENTS

The securities being offered pursuant to this Prospectus have not been registered under the *United States Securities Act of 1933*, as amended (**US Securities Act**) and may not be offered or sold in the United States absent registration or an applicable exemption from registration under the US Securities Act and applicable United States securities laws. This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, nor shall there be any sale of these securities in any state or other jurisdiction in which such offer, solicitation or sale would be unlawful. In addition, any hedging transactions involving these securities may not be conducted unless in compliance with the US Securities Act.

SELLING RESTRICTIONS

Please see Section 12.14 for selling restrictions for non-Australian residents.

FINANCIAL INFORMATION & AMOUNTS

The historical financial information included in this Prospectus has been prepared and presented in accordance with the recognition and measurement principles of Australian Accounting Standards, which include Australian Equivalents to International Financial Reporting Standards (**AIFRS**) and is expressed in A$ except where otherwise stated.

DISCLAIMER

Australian investors should not rely on any information which is not contained in this Prospectus in making a decision as to whether to acquire the Shares under the Offer. No person is authorised by the Company to give any information or make any representation in connection with the Offer that is not contained in the Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by the Company, its Directors or any other person in connection with the Offer. The Company's business, financial condition, results of operations and prospects may have changed since the date of this Prospectus.

This Prospectus contains forward-looking statements concerning the Company's business, operations, financial performance and condition as well as the Company's plans, objectives and expectations for its business, operations and financial performance and condition. Any statements contained in this Prospectus that are not of historical facts may be deemed to be forward-looking statements. You can identify these statements by words such as "aim", "anticipate", "assume", "believe", "could", "due", "estimate", "expect", "goal", "intend", "may", "objective", "plan", "predict", "potential", "positioned", "should", "target", "will", "would" and other similar expressions that are predictions of or indicate future events and future trends.

These forward-looking statements are based on current expectations, estimates and projections about the Company's business and the industry in which the Company operates and management's beliefs and assumptions. These forward looking statements are not guarantees of future performance or development and involve known and unknown risks, uncertainties and other factors that are in some cases beyond the Company's control. As a result, any or all of the Company's forward-looking statements in this Prospectus may turn out to be inaccurate. Factors that may cause such differences include, but are not limited to, the risks described in Section 6 (Risks).

Potential investors are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on the forward-looking statements. These forward-looking statements are current only as at the date of this Prospectus. Unless required by law, the Company does not intend to publicly update or revise any forward-looking statements to reflect new information or future events or otherwise. You should, however, review the factors and risks the Company describes in the reports to be filed from time to time with the ASX after the date of this Prospectus.

This Prospectus contains market data and industry forecasts that were obtained from industry publications, third-party market research and publicly available information. These publications generally state that the information contained in them has been obtained from sources believed to be reliable, but the Company has not independently verified the accuracy and completeness of such information.

Some numerical figures included in this Prospectus have been subject to rounding adjustments. Accordingly, numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that preceded them.

This Prospectus also includes trademarks, trade names and service marks that are the property of other organisations.

EXPOSURE PERIOD

The Original Prospectus was subject to an exposure period of seven days from the date of lodgement of the Original Prospectus with ASIC. ASIC extended the exposure period for the Original Prospectus for a further period of seven days.

This Replacement Prospectus is not subject to an exposure period due to ASIC Corporations (Exposure Period) Instrument 2016/74.

ELECTRONIC PROSPECTUS

Whilst this Prospectus will also be made available in electronic form on the following website: **www.nickelmines.com.au**, the information on **www.nickelmines.com.au** does not form part of the Prospectus. The Offer constituted by this Prospectus in electronic form is available only to persons receiving this Prospectus in electronic form within Australia. Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus.

If you are unsure about the completeness of the Prospectus received electronically, or a print out of it, you should contact the Company. A paper copy of the Prospectus will be made available for Australian residents free of charge by contacting the Share Registry, on 1300 070 723 (from within Australia) or +61 3 9415 4125 (from outside Australia), Monday to Friday, between 8:30 am and 5:00 pm Australian Eastern standard Time (**AEST**).

Applications for Shares under this Prospectus may only be made on a printed copy of the Application Form attached to or accompanying this Prospectus. The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to a hard copy of the Prospectus or the complete and unaltered electronic version of the Prospectus. If this Prospectus is found to be deficient, any Applications may need to be dealt with in accordance with Section 724 of the Corporations Act.

PRIVACY

By filling out an Application Form to apply for Shares, you are providing personal information to the Company through the Company's service provider, the Share Registry, which is contracted by the Company to manage Applications. The Company, and the Share Registry on its behalf, collect, hold and use that personal information in order to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration.

If you do not provide the information requested in the Application Form, the Company and the Share Registry may not be able to process or accept your Application.

Your personal information may also be provided to the Company's agents and service providers on the basis that they deal with such information in accordance with the Company's privacy policy.

IMPORTANT NOTICE

The types of agents and service providers (who may be located outside of Australia) that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Share Registry for ongoing administration of the Shareholder register;
- printers and other companies for the purpose of preparing and distributing statements and for handling mail;
- market research companies for the purpose of product development, product planning and analysing the Company's Shareholder base; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

You may request access to your personal information held by (or on behalf of) the Company. You may be required to pay a reasonable charge to the Share Registry in order to access your personal information. You can request access to your personal information by contacting the Share Registry on 1300 070 723 (from within Australia) or +61 3 9415 4125 (from outside Australia), Monday to Friday, between 8:30 am and 5:00 pm AEST.

If any of your information is not correct or has changed, you may require it to be corrected.

WEBSITE

Any documents included on the website **www.nickelmines.com.au** (and any reference to them) are provided for convenience only and none of the documents or other information on the website are incorporated by reference into this Prospectus with the exception of the policies and procedures relating to corporate governance set out in Section 7.7.

DEFINITIONS & ABBREVIATIONS

Some words and expressions used in this Prospectus have the meanings defined in the Glossary or are defined in the context in which they appear. Unless otherwise stated or implied, references to times in this Prospectus is to Sydney, Australia time. Unless otherwise stated or implied, references to dates or years are calendar year references. All financial amounts contained in this Prospectus are expressed in AUD unless otherwise stated. Any discrepancies between totals and the sum of components in tables contained in this Prospectus are due to rounding.

PHOTOGRAPHS & DIAGRAMS

Photographs used in this Prospectus should not be interpreted to mean that any person shown endorses this Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in the Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available as at 7 August 2018.

COMPETENT PERSON'S STATEMENT

The information in this Prospectus that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Brett Gunter, who is a Member of the Australian Institute of Mining and Metallurgy and works full time for PT GMT Indonesia. Mr Gunter has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Gunter consents to the inclusion in this Prospectus of the matters based on the information in the form and context in which it appears.

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SUMMARY OF THE OFFER

KEY OFFER STATISTICS	
Offer Price per Share	$0.35
Total number of Shares to be issued under the Offer	571,428,572
Total proceeds of the Offer	$200.0 million
Total number of Shares to be held by Existing Shareholders following completion of the Offer	808,482,230
Total number of Shares on issue following completion of the Offer	1,387,995,624[1]
Total number of Shares subject to mandatory escrow	341,891,507
Market capitalisation of the Company following completion of the Offer (at the Offer Price)	$485.8 million

[1] Includes 8,084,822 additional Shares (outside of the Shares to be issued under the Offer) to be issued to CO_2 Capital Pte Ltd upon successful completion of the Offer. See Section 5.5.

KEY DATES	
Lodgement of Original Prospectus with ASIC	5 July 2018
Replacement Prospectus lodged with ASIC	7 August 2018
Opening Date for the Offer	8 August 2018
Closing Date for the Offer	9 August 2018
Allotment and issue of Shares under the Offer	14 August 2018
Expected date for despatch of holding statements	15 August 2018
Shares commence trading on ASX on a normal T+2 basis	20 August 2018

The timetable above is indicative only. All times are AEST. The Company reserves the right to vary the dates and times set out above subject to the Corporations Act and other applicable laws. In particular, the Company reserves the right to close the Offer early, extend the Closing Date, accept late Applications or cancel the Offer before settlement without notifying any recipients of this Prospectus or any Applicants. If the Offer is cancelled before the issue of Shares, then all Application Monies will be refunded in full (without interest) as soon as practicable in accordance with the requirements of the Corporations Act. Investors who wish to submit an Application are encouraged to do so as soon as practicable after the Offer opens.

LETTER FROM THE CHAIRMAN OF NICKEL MINES

Dear Investor,

On behalf of the Board of Directors it is with great pleasure that I invite you to participate in the Initial Public Offering (**IPO**) of Nickel Mines Limited (**Nickel Mines** or the **Company**).

The Company is seeking to raise a minimum subscription of $200.0 million (before costs) through the issue of approximately 571.4 million new Shares. The funds will primarily be used by the Company to move to a controlling 60% interest in the 2-line Rotary Kiln Electric Furnace (**RKEF**) plant which is being built in collaboration with our partner, Shanghai Decent Investment (Group) Co., Ltd (**Shanghai Decent**), a Tsingshan group (**Tsingshan**) company responsible for the development of the Indonesia Morowali Industrial Park (**IMIP**).

As the world's largest stainless steel producer Tsingshan's commitment to China's 'One Belt, One Road' strategy has been captured in its commitment to the rapid development of the industry recognised IMIP on the island of Sulawesi, Indonesia, which is located only 12 kilometres from the northern most boundary of Nickel Mines' Hengjaya nickel mine. As a consequence of the introduction of a ban on the direct shipping of certain unprocessed minerals, including nickel, by the Indonesian Government in January 2014, a relationship between Nickel Mines and Tsingshan was developed – Tsingshan needed nickel for their stainless steel operations at the IMIP and the Hengjaya Mine had a large high grade JORC compliant nickel laterite Resource.

While our working relationship with Tsingshan began by supplying nickel laterite to Tsingshan's IMIP operations, our mutual understanding and appreciation of each other's growth ambitions led us to broaden our relationship, culminating in the signing of a collaboration and subscription agreement (**CSA**) in September 2017 with Shanghai Decent. The CSA sets out the terms and conditions by which Nickel Mines and Shanghai Decent will work together to construct two new RKEF lines within the IMIP. Our collaboration will not only serve to contribute to Tsingshan expanding its stainless steel production at the IMIP to a targeted 3 million tonnes per annum but will also provide Nickel Mines with a platform to reap the significant economic benefits of becoming a downstream nickel producer.

In April this year, completion of the CSA was achieved, paving the way for Shanghai Decent and another cornerstone investor, Shanghai Wanlu Investment Co. Ltd (**Wanlu**) to complete their respective US$26 million and US$24 million subscriptions for Nickel Mines Shares. These funds have been used by Nickel Mines to acquire an initial 25% interest in the two new RKEF lines which are already under construction and which Shanghai Decent has contractually agreed under the CSA will produce no less than 14,000 tonnes of nickel metal per annum in the form of nickel pig iron, noting that the nameplate capacity of the RKEF Project is 15,000 tonnes per annum of nickel in NPI and similar RKEF plants in the IMIP are currently producing on average approximately 16,500 tonnes per annum of nickel in NPI.

In addition to increasing our ownership interest of these two new RKEF lines to 60%, which is the principal use of funds from the IPO, Nickel Mines has the right to increase our ownership to 100% for an additional US$120 million. Beyond that, Nickel Mines and Shanghai Decent have also executed a non-binding Memorandum of Understanding whereby Nickel Mines may acquire a further two new RKEF lines to be built in the IMIP by Shanghai Decent.

Your Board of Directors believes Nickel Mines represents a truly unique investment opportunity that will in time see Nickel Mines establish itself as a globally significant nickel producer and a tier-1 investment exposure among listed nickel companies.

Finally I would like to pay tribute to my predecessor and now Executive Deputy Chairman Norm Seckold. Norm is a founding Director of the Company and had been the Company's Chairman since its inception in 2007. On behalf of all existing and incoming Shareholders I thank him for his leadership and perseverance in guiding the Company through some difficult times to now be in a position to capitalise on the tremendous opportunity before us.

I encourage you to read the Prospectus carefully and in its entirety before making your investment decision and where necessary consult your professional adviser. In particular, you should consider the investment risks outlined in Section 6 (Risks) before deciding whether or not to participate in the Offer.

We look forward to a continuing prosperous relationship with Tsingshan and to you joining us in support of our IPO.

Sincerely,

Robert Neale
Chairman, Nickel Mines Limited

LETTER FROM THE CHAIRMAN OF SHANGHAI DECENT

Dear Investor,

On behalf of Shanghai Decent Investment (Group) Co., Ltd (**Shanghai Decent**), and in my capacity as a new Director on the Board of Nickel Mines Limited (**Nickel Mines**), I am pleased to commend to you to this outstanding investment opportunity.

The proposed listing of Nickel Mines on the ASX represents the culmination of a relationship between the two companies that stems back to 2015 when Nickel Mines first started supplying nickel laterite from its Hengjaya Mine to Tsingshan group companies operating within the Indonesia Morowali Industrial Park (**IMIP**). Since then, Tsingshan's relationship with Nickel Mines has progressed significantly. Having established a platform of trust and mutual respect, we are now excited to be embarking on a broader and more strategic path with Nickel Mines with the collaboration to construct the 2-line Rotary Kiln Electric Furnace (**RKEF**) plant within the IMIP under the terms of the Collaboration and Subscription Agreement (**CSA**) executed between our companies in September 2017.

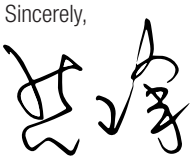
We are very pleased to have recently completed our initial subscription for US$26 million of Nickel Mines shares under the CSA. Beyond that, Nickel Mines and Shanghai Decent have also executed a non-binding Memorandum of Understanding whereby Nickel Mines may acquire a further two new RKEF lines to be built in the IMIP by Shanghai Decent. As a shareholder in Nickel Mines, Shanghai Decent now looks forward to supporting Nickel Mines in fulfilling its growth ambitions as a publicly-listed company.

As a Tsingshan group company, Shanghai Decent is extremely proud of what we have been able to achieve in developing the IMIP. Even before the ban on the exportation of unprocessed ores from Indonesia came into effect, Tsingshan was one of the first foreign investors to commit to building in-country processing capacity in satisfaction of Indonesia's new mining law. Since 2013, when the Indonesian and Chinese Governments formalised the establishment of the IMIP, Shanghai Decent and its partners have invested in excess of US$4 billion to build world-class industrial park focusing on nickel pig iron (**NPI**) and stainless steel operations supported by critical infrastructure, including power plants and port facilities.

While the IMIP has grown rapidly over the last 5 years, there is still significant expansion required to reach our targeted capacities for NPI, stainless steel and carbon steel. Additionally, there are other potential projects being considered within the IMIP. While our current agreement with Nickel Mines contemplates the construction of two RKEF lines, Shanghai Decent is confident that strong potential exists for further collaborations between our two companies.

With long-term mutually aligned interests we look forward to a long and prosperous working relationship with Nickel Mines.

Sincerely,



Weifeng Huang
Chairman, Shanghai Decent Investment (Group) Co., Ltd
President Director, PT. Indonesia Morowali Industrial Park
Non- Executive Director, Nickel Mines Limited

1 INVESTMENT OVERVIEW

1.1 GENERAL

The information set out in this Section 1 (Investment Overview) is intended to be a selective overview of the key information relating to the Offer only and is not intended to provide full information for investors intending to apply for Shares under the Offer. It should be read in conjunction with the more detailed information contained in this Prospectus. In deciding whether to apply for Shares, you should read this Prospectus carefully and in its entirety. If you are in doubt as to the course you should follow, please consult your professional advisors.

TOPIC	SUMMARY	FOR MORE INFORMATION
INTRODUCTION		
Who is Nickel Mines?	Nickel Mines is an Australian company that currently holds an 80% interest in the Hengjaya nickel mine located in Morowali Regency, Central Sulawesi, Indonesia (**Hengjaya Mine**), which mines nickel laterite ore. The northern-most boundary of the Hengjaya Mine is only 12 kilometres south of the Indonesia Morowali Industrial Park (**IMIP**), which is controlled by the Tsingshan group (**Tsingshan**). The Company intends to expand its operations from exclusively being a nickel miner at the Hengjaya Mine to having the capability to process and produce nickel pig iron (**NPI**). The Company entered into a Collaboration and Subscription Agreement dated 19 September 2017 (as amended by supplemental letter agreements dated 16 April 2018 and 2 July 2018) (**CSA**) with Shanghai Decent Investment (Group) Co., Ltd., (**Shanghai Decent**), a Tsingshan group company and another cornerstone investor, Shanghai Wanlu Investment Co., Ltd (Wanlu). The CSA sets out (among other things) the terms on which a 2-line Rotary Kiln Electric Furnace (**RKEF**) plant within the IMIP will be funded and constructed (**RKEF Project**). Nickel Mines currently owns 25% of the RKEF Project.	Refer to Section 2 (Company Overview)
Who is issuing this Prospectus?	Nickel Mines Limited (ACN 127 510 589) an unlisted public company incorporated in New South Wales, Australia on 12 September 2007 (**Nickel Mines** or the **Company**).	Refer to Section 5 (Material Contracts)
What is the Offer?	The Offer is to issue 571,428,572 Shares at an Offer Price of $0.35 per Share to raise $200.0 million (before costs of the Offer) (**Offer**).	Refer to Section 4.4
Why is the Offer being conducted?	The purpose of the Offer is to: a. enable the Company to expand production at the Hengjaya Mine; b. provide funding for the Company to acquire a further 35% interest in the RKEF Project to increase its interest to 60%; c. provide general working capital for the Group's operations, including operational and administration expenditure; d. provide a liquid market for Shares and an opportunity for new Shareholders to invest in the Company; and e. provide the Company with access to the equity capital markets. In conjunction with the Offer, the Company is seeking admission to the Official List of ASX and quotation of its Shares.	Refer to Section 4.2

1 INVESTMENT OVERVIEW

TOPIC	SUMMARY	FOR MORE INFORMATION
How does the Company intend to use funds raised from the Offer?	The Company proposes to use the funds from the Offer as set out below:	Refer to Section 4.2

USE OF FUNDS FROM THE OFFER	$ MILLION	% OF FUNDS RAISED FROM OFFER
Funds available		
Cash on hand	2.0	
Funds from the Offer	200.0	
Total funds available	**202.0**	
Expenses of the Offer	13.0	6.5
Exercise of option to move to a 60% interest in the RKEF Project[1]	93.3	46.7
Expansion of operations at the Hengjaya Mine	3.7	1.9
Working capital	5.2	2.6
Total expenditure	**115.2**	**57.6**
Interest received	1.8	
Total funds available – end of year 2	**88.6**	

[1] These costs will be incurred by the Company in US dollars. The Australian dollar amount displayed is based on an exchange rate of A$1.00 = US$0.75.

As noted in Sections 2.5 and 5.1:

- the Company has the right to increase its ownership of the RKEF Project to 100% for consideration of US$120 million, from a 60% ownership position, (payable to Shanghai Decent as cash, new Shares in the Company, or a combination of both, at the election of Shanghai Decent); and
- the Company has entered into a non-binding Memorandum of Understanding whereby the Company shall have the right, but not the obligation, to acquire an interest of no less than 51% and up to 100% in a new special purpose company which will be the owner of two new RKEF lines which Shanghai Decent may choose to construct within the IMIP. Upon signing a definitive agreement, the Company shall pay Shanghai Decent a non-refundable deposit of US$5.0 million for the right to acquire its initial interest in the new special purpose company and the right to increase its ownership to 100% at a valuation of US$300 million within 18 months from the commercial operation of the two new RKEF lines.

The Company's estimated net cash position from funds raised under the Offer as well as funds received from operations of the Hengjaya Mine will be used to partially fund these acquisition opportunities when, and if, the Company elects to make an acquisition.

The Company has elected to raise $200.0 million under the Offer and have surplus funds available from the Offer (shown above as 'Total funds available – end of year 2 - $88.6 million) because it expects to require and be able to apply these surplus funds as follows:

- to part fund the increase of its ownership of the RKEF Project to 100%. This will occur, at the Company's election, no later than 12 months from the date on which the first batch of NPI is produced from the RKEF Project. Based on the current construction timeframe of the RKEF Project, completion of the RKEF Project and subsequent NPI production is currently estimated to occur by around March 2019; or

TOPIC	SUMMARY	FOR MORE INFORMATION
	- to part fund the acquisition from Shanghai Decent of two new RKEF lines within the IMIP. A decision to apply the surplus funds for this purpose will be made promptly after the negotiation of a definitive agreement with respect to the matters in the non-binding Memorandum of Understanding described above. Under the Memorandum of Understanding, Shanghai Decent and the Company have agreed to negotiate in good faith with an aim to enter into such definitive agreement by September 2018. The Company will apply the surplus funds to whichever of these two opportunities will be more value accretive for Shareholders. The surplus funds will not impact the gearing of the Company in the short term because the Company currently has no external third party debt in place. As the Company is also likely to require further funding (in addition to the surplus funds raised under the Offer) to fully fund either of the options described above, the Company will make an assessment at the time of implementing the relevant option as to an optimal funding mix and whether a combination of debt and equity funding will be used. Further, the Company considers that raising $200.0 million and having surplus funds as part of the Offer is preferable because: 1. the terms of any future funding required to be raised to fund the abovementioned opportunities are uncertain and may not be favorable to existing Shareholders; and 2. the Company considers it unlikely that neither of these options will be selected by the Company to deploy the surplus funds. In the event, which the Company considers unlikely, that applying the surplus funds to either of these options is not likely to be value accretive to Shareholders, the Company intends to return the surplus cash to Shareholders, promptly after it has decided not to apply the surplus funds to either of these opportunities. Please refer also to Section 6.2 (Risks) for further information on potential risks if the Company does not apply the surplus funds to any of these options.	
HENGJAYA MINE		
What is the Hengjaya Mine?	The Company currently holds an 80% interest in PT Hengjaya Mineralindo, an Indonesian PMA Company (**PT Hengjaya**), which in December 2009 it entered into an agreement to acquire, completing the obligations to move to an 80% interest in March 2012. The remaining 20% interest in PT Hengjaya is currently held by an Indonesian partner, members of the Wijoyo Family. PT Hengjaya holds a 100% interest in the Hengjaya Mine. Since acquiring its interest in PT Hengjaya, the Company has advanced the Hengjaya Mine through the various permitting, feasibility study and development stages culminating in the commencement of production in October 2012 and a maiden shipment of laterite in February 2013. After an approximate 22 month period on care and maintenance, operations recommenced in October 2015 with the Hengjaya Mine supplying high grade nickel laterite (>1.8% nickel) to the IMIP at a rate of up to approximately 60,000 tonnes per month since that time. The Hengjaya Mine currently has a reported JORC 2012 compliant Resource of ~37 million dmt at a grade of 1.81% nickel.	Refer to Section 2.1 Refer to Section 10 (Geologist's Report)

1 INVESTMENT OVERVIEW

TOPIC	SUMMARY	FOR MORE INFORMATION
What are the material licences required for the Hengjaya Mine?	***Operation and Production Mining Business Licence*** An operation and production mining business licence (**IUP OP**) is required for PT Hengjaya to carry out construction, mining, processing and refining, and transportation and sales activities of minerals at the Hengjaya Mine. PT Hengjaya obtained an IUP OP on 16 June 2011 and the IUP OP is valid for 20 years until 26 May 2031. The IUP OP may be renewed twice, each for a period of 10 years. ***Forestry Licences*** In June 2013 PT Hengjaya obtained an *Ijin Pinjam Pakai* (**IPPKH**), a 'borrow and use licence', in respect of approximately 851 hectares of the Hengjaya Mine within an area included as a 'Limited Production Forest Area' by the Ministry of Forestry of Indonesia. The IPPKH permit is valid until June 2031 and permits PT Hengjaya to conduct mining activities within the Limited Production Forest Area. In August 2014, the Indonesian government approved the conversion of approximately 2,000 hectares of the Hengjaya Mine's concession area, previously classified as 'Protected Forest', to 'Production Forest', thereby significantly opening this expanded area to future mining. In February 2018, PT Hengjaya obtained an IPPKH in respect of approximately a further 994 hectares, enabling an expanded area to be mined in closer proximity to the coast, potentially reducing current mining and hauling costs at the Hengjaya Mine.	Refer to Section 2.7
Does Nickel Mines have a local partner for the Hengjaya Mine?	Yes, a 20% interest in PT Hengjaya is currently held by an Indonesian partner, members of the Wijoyo Family.	Refer to Section 2.1
Is foreign (non-Indonesian) ownership of PT Hengjaya permitted?	Yes, a *Penanaman Modal Asing* (**PMA**), 'foreign direct investment company', is a type of Indonesian company in which foreign share ownership of up to 100% is allowed. PT Hengjaya is a PMA Company. Nickel Mines is required, however, to divest part of its current 80% shareholding in PT Hengjaya due to Indonesian regulations regarding local ownership of companies which hold an IUP OP, such as PT Hengjaya. See Section 2.7 for further details.	Refer to Section 2.7
RKEF PROJECT		
What is the RKEF Project?	The RKEF Project is a 2-line Rotary Kiln Electric Furnace (**RKEF**) plant within the IMIP that Shanghai Decent has contractually agreed under the CSA will produce no less than 14,000 tonnes per annum of nickel contained in NPI (**RKEF Project**). However, the nameplate capacity of the RKEF Project (which represents the feasibility study projected design production capacity of the 2 RKEF lines and which was reviewed by Wood Mackenzie as part of the Nickel Market Outlook and Asset Review Report) is 15,000 tonnes per annum of nickel in NPI. Further, similar RKEF plants in the IMIP are currently producing an average of approximately 16,500 tonnes per annum of nickel in NPI. Further comment on the performance of the existing RKEF lines is made in the Technical Review section of the Wood Mackenzie report in Section 3 (Nickel Market Outlook and Asset Review Report). The RKEF Project will facilitate the Company's transition from being exclusively an upstream miner with the Hengjaya Mine to having the capability to produce NPI upon completion of the RKEF Project. As at the date of this Prospectus, construction of the RKEF Project is progressed with site excavation and earthworks completed, foundation works advanced and the RKEF plant being pre-fabricated in China ahead of being shipped to the IMIP for assembly.	Refer to Section 2.4 and Section 3 (Nickel Market Outlook and Asset Review Report).

TOPIC	SUMMARY	FOR MORE INFORMATION
Does the Company have a partner for the RKEF Project?	Yes, under the CSA, the Company has secured a key partnership with Shanghai Decent (a Tsingshan group company), which sets out (among other things), Shanghai Decent's role in the funding, construction and operation of the RKEF Project. The Company currently owns 25% of the issued share capital of Hengjaya Holdings Private Limited (**Hengjaya Holdings**), a Singaporean holding company which holds 100% of the shares (directly and indirectly) of PT Hengjaya Nickel Industry (**Hengjaya Nickel**), which is an Indonesian PMA Company which will own and operate the RKEF Project once completed (subject to relevant regulatory approvals). The remaining 75% of the issued share capital of Hengjaya Holdings is currently held by Shanghai Decent.	Refer to Sections 2.1 to 2.4 and Section 5.1
What is the expected cost of the RKEF Project and how is it being funded?	Under the CSA: - Shanghai Decent is responsible for the construction of the RKEF Project and shall take a lead role in the design, construction and operationalisation of the RKEF Project which is to be undertaken through Hengjaya Nickel; - the guaranteed capital cost of the RKEF Project is not more than US$200 million; and - if the actual capital cost of the RKEF Project exceeds US$200 million, Shanghai Decent has agreed to reimburse Hengjaya Nickel for any amounts in excess of US$200 million. The RKEF Project is being funded by a combination of: - capital contributions received by the Company from Shanghai Decent and Wanlu in April 2018 for US$26 million and US$24 million, respectively, which have been provided to Hengjaya Holdings by way of a shareholder loan from the Company in April 2018; and - shareholder loans to be provided by Shanghai Decent into Hengjaya Holdings for the balance of the construction costs. Nickel Mines has fulfilled its obligations under the CSA to fund the construction of the RKEF Project through the provision of a US$50 million shareholder loan to Hengjaya Holdings. The balance of construction costs will be funded by shareholder loans by Shanghai Decent, irrespective of the level of Nickel Mines interest in the RKEF Project.	Refer to Section 2.4 and 5.1
How is the Company's interest in the RKEF Project structured?	The Company's interest in the RKEF Project is comprised of a combination of equity and shareholder loans. ***Equity*** The Company currently owns 25% of the issued share capital of Hengjaya Holdings, which holds 100% of the shares (directly and indirectly) of Hengjaya Nickel which is an Indonesian PMA Company which will own and operate the RKEF Project once completed (subject to relevant regulatory approvals).The remaining 75% of the issued share capital of Hengjaya Holdings is currently held by Shanghai Decent. ***Shareholder loans*** The Company has provided a US$50 million shareholder loan to Hengjaya Holdings as described above.	Refer to Section 2.4 and 5.1
Is the Company proposing to increase its current interest in the RKEF Project?	Yes. ***Initial increase to 60% in Hengjaya Holdings*** Under the CSA, the Company is required to acquire a further 26% to 35% of the share capital of Hengjaya Holdings from Shanghai Decent following completion of the Offer. The Company proposes to use US$70 million from the Offer to increase its shareholding in Hengjaya Holdings from 25% to 60%. In consideration for the payment of the US$70 million to Shanghai Decent, the Company will also be assigned part of the balance of the total amount of shareholder loans made by Shanghai Decent to complete the RKEF Project such that the Company will hold, in aggregate, at least 60% of the total shareholder loans made into Hengjaya Holdings by both the Company and Shanghai Decent, at completion of the RKEF Project. The Company has also obtained an in-principle waiver from the ASX to increase its shareholding in Hengjaya Holdings to 60% without the approval of Shareholders.	Refer to Section 2.4 and 5.1

1 INVESTMENT OVERVIEW

TOPIC	SUMMARY	FOR MORE INFORMATION
	Call Option to acquire 100% of Hengjaya Holdings Under the CSA, the Company has also been granted a call option to require Shanghai Decent to sell its remaining equity and shareholder loan interests in Hengjaya Holdings for consideration of US$120 million, from a 60% ownership position, (payable to Shanghai Decent as cash, new Shares in the Company, or a combination of both, at the election of Shanghai Decent), which if exercised will increase the Company's interest in Hengjaya Holdings to 100%. The Company must exercise the Call Option no later than 12 months from the date on which the first batch of NPI is produced from the RKEF Project (or such other date as may be agreed in writing with Shanghai Decent). The Company has not yet decided whether it will exercise this option to increase its interest in Hengjaya Holdings to 100% and the Company will make an assessment at the time this option becomes available whether it is in the best interests of the Company to exercise the option. The Company may require approval of Shareholders if it elects to increase its shareholding in Hengjaya Holdings to 100%.	
Are any approvals required to complete the RKEF Project?	Yes. ***Right to Build (Hak Guna Bangunan or HGB) title to IMIP Land*** The land within the IMIP on which the RKEF Project is being constructed (**IMIP Land**) is currently unregistered and uncertificated land for the purposes of Indonesian law and is currently controlled/possessed by PT Indonesia Morowali Industrial Park (**PT IMIP**), an Indonesian limited liability company which operates the Industrial Park located at Morowali Regency, Central Sulawesi Province, Indonesia and a Tsingshan group company.	Refer to Section 2.4
	Under Indonesian law, a company may be granted HGB title to uncertificated land for an initial period of not more than 30 years, which may be extended for a further period of 20 years and renewed for another 30 years (resulting in a maximum period of 80 years). Leasehold title over the land formalises the title and HGB title gives the registered owner the same rights to sell the land and to construct, develop and own buildings on the land. Hengjaya Nickel entered into a preliminary land sale agreement with PT IMIP on 7 June 2018 which sets out (among other things), the terms on which the IMIP Land is being sold to Hengjaya Nickel, the process by which the IMIP Land will be registered and certificated as HGB title land, registered in the name of PT IMIP, the transfer of HGB title of the IMIP Land from PT IMIP to Hengjaya Nickel and Hengjaya Nickel's rights to control, occupy and construct on the IMIP Land pending completion of the registration and certification and transfer of HGB title of the IMIP Land to Hengjaya Nickel (**Land Sale Agreement**). ***Construction and operating permits*** A general construction permit known as an *Izin Mendirikan Bangunan* (**IMB**) is required prior to the construction of the RKEF Project. Hengjaya Nickel has not yet received its IMB, however, it has applied for and is currently in the process of obtaining an IMB in respect of the construction of the RKEF Project at the relevant local government authority. Based on the applicable laws and regulations, the application to obtain IMB must fulfil various (i) administrative requirements, which includes the submission of the Applicant's data and land related documents and (ii) technical requirements, which includes the submission of general building data, as well as documents relating to the technical plans for the building, and environmental documents. Given that requirements for obtaining IMB are administrative and technical in nature, the Company is not aware of any reason which would impact the IMB permit being granted. Hengjaya Nickel will also require various permits and licences for the operation of the RKEF Project once completed.	

TOPIC	SUMMARY	FOR MORE INFORMATION
Is foreign (non-Indonesian) ownership of Hengjaya Nickel permitted?	Yes, Hengjaya Nickel, which will own and operate the RKEF Project once completed (subject to relevant regulatory approvals), is a PMA Company. Hengjaya Nickel does not hold an IUP OP and is not subject to any divestiture obligations.	Refer to Section 3 (Nickel Market Outlook and Asset Review Report).
FINANCIAL		
How does Nickel Mines generate revenue?	The Company currently generates revenue from the sale of nickel laterite from the Hengjaya Mine. Upon completion of the RKEF Project, Nickel Mines will also have the ability to generate revenue from the sale of NPI.	Refer to Section 2.1
How does Nickel Mines expect to fund its operations?	The Company will fund the acquisition of a further 35% interest in the RKEF Project to increase its interest to 60% and the expansion of the Hengjaya Mine from funds raised under this Offer, as well as funds received from operation of the Hengjaya Mine.	Refer to Sections 2.4 and 4.2
What is the key financial information for Nickel Mines?	The pro forma balance sheet information presented in this table is based on the subscription amount of $200.0 million and is intended as a summary only. This summary should be read in conjunction with the more detailed discussion of the Financial Information set out in Section 8 as well as the Risk Factors set out in Section 6. Total Assets: US$221.0 million Total Liabilities: US$4.0 million **Net Assets: US$217.0 million** **Total Equity: US$217.0 million**	Refer to Section 8.3
KEY RISKS		
Commodity prices risks	Commodity prices, including nickel and nickel pig iron, 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 as well as general global economic conditions. These factors may have an adverse effect on the Company's activities as well as the Company's ability to fund those activities.	Refer to Section 6.2
Reliance on the Tsingshan group	Under the CSA, the development of the RKEF Project and the continued operations of the RKEF Project are heavily reliant on the relationship between the Company and the Tsingshan group. Shanghai Decent (a Tsingshan group company) is responsible for the construction of the RKEF Project. Under the Land Sale Agreement, PT IMIP (a Tsingshan group company) is responsible for procuring that the IMIP Land (being the land on which the RKEF Project is being constructed) is registered as HGB title land and subsequently transferring the IMIP Land to Hengjaya Nickel. Under the Land Sale Agreement, PT IMIP will also provide Hengjaya Nickel with rights to occupy and construct on the IMIP Land pending formal registration and transfer of the IMIP Land. The Company will also be reliant on ancillary services within the IMIP to support the RKEF Project to be provided by entities which provide such services at the IMIP, in accordance with the 'principle of non-discrimination' as agreed to by Shanghai Decent under the CSA. The operations of the Company may be affected if these services are not supplied in accordance with the 'principle of non-discrimination' as agreed to by Shanghai Decent under the CSA.	Refer to Section 6.2

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Counterparty and enforceability risk	The CSA is a material contract which sets out the terms of the Company's key partnership with Shanghai Decent and the construction and operation of the RKEF Project, and is governed under the laws of Singapore. The Land Sale Agreement is a material contract which sets out the terms on which Hengjaya Nickel will acquire HGB title to the IMIP Land and its right to occupy the IMIP Land pending HGB title registration, and is governed under the laws of Indonesia. If PT IMIP breaches its obligations under the Land Sale Agreement, Hengjaya Nickel may not obtain registered HGB title over the IMIP Land on which the RKEF Project is being constructed. The Company's operations may be affected by its ability to enforce the counterparties' respective obligations under these material contracts should they not be complied with. Further details about potential enforcement options and remedies available to Nickel Mines are set out in Section 6 (Risks).	Refer to Section 6.2
Risks of operating in an emerging market	The Company's main operations are based in Indonesia and are subject to the laws and regulations of Indonesia. Generally, investing in emerging markets such as Indonesia involves greater risk than investing in more developed markets, including in some cases significant legal, economic and political risks. Financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in Indonesia and adversely affect the economy. The Company's licences for the Hengjaya Mine and the construction and operation of the RKEF Project have been issued or will be sought from relevant authorities in Indonesia. Exploration, construction, development and mining activities may be affected by political stability and changes to government regulations relating to the mining industry and foreign investment in Indonesia. Adverse changes in these regulations may negatively affect the Company's growth plans and strategy. Operations may also be affected by changes to mining laws, environmental laws, income and other taxes and exchange controls. The success of the Company is dependent on the stability of the political, economic and legal situation in Indonesia, which may be subject to rapid change. Any change in legislation could have an adverse effect on the Company.	Refer to Section 6.2
Regulatory and approval risks	The Company's operations require approvals, permits and licences from Indonesian regulatory authorities which may not be forthcoming, either at all or in a timely manner, or which may not be able to be obtained on terms acceptable to the Company. Key approvals include obtaining HGB title to the IMIP Land on which the RKEF Project is being constructed, and Hengjaya Nickel obtaining various permits required to construct and operate the RKEF Project. The Company cannot guarantee that any or all requisite approvals will be obtained and a failure to obtain any approval could mean that the Company may be restricted, either in part or absolutely from developing the RKEF Project. While the procedures for obtaining any requisite licences and permits may be ascertained from relevant legislation and rules in Indonesia, the final granting of any such permits to the Company or its subsidiaries may still be subject to discretion of local Indonesian authorities.	Refer to Section 6.2
General risks	A number of other general risks relevant to the Company, including mineral resources, development and production, environmental, future funding, loss of management, third party, insurance, operational and investment risks are set out in Section 6 (Risks).	Refer to Section 6 (Risks)

TOPIC	SUMMARY	FOR MORE INFORMATION

SIGNIFICANT INTERESTS OF KEY PEOPLE & RELATED PARTY AGREEMENTS

Who are the major Nickel Mines Shareholders prior to the Offer and what will be their shareholding in the Company following completion of the Offer?

On completion of the Offer, the issued capital of the Company will be as set out in the table below:

	PRIOR TO THE OFFER		POST COMPLETION OF THE OFFER	
SHAREHOLDER	**SHARES**	**%**	**SHARES**	**%**
Directors and management[1]	189,770,945	23.5%	189,770,945	13.7%
Shanghai Decent	161,696,446	20.0%	161,696,446	11.6%
Wanlu	149,258,258	18.5%	149,258,258	10.7%
Other Existing Shareholders[2]	307,756,581	38.1%	307,756,581	22.2%
New Shareholders	-	-	579,513,394[3]	41.8%
Total Shares	**808,482,230**	**100.0%**	**1,387,995,624**	**100.0%**

[1.] Directors' interests include entities associated with Robert Neale, Norman Seckold, Justin Werner, Peter Nightingale and Mark Lochtenberg, all of whom are Directors of the Company, but exclude relevant interest in Shares held by Non-Executive director Yuanyuan Xu, which is represented by the shareholding of Wanlu. Refer to Section 7.6 for information about the Directors' interests in the Company's Shares.

[2.] 71,978,688 of the 307,756,581 Shares held by other Existing Shareholders will be subject to mandatory escrow arrangements. Refer to Section 4.8 for further details.

[3.] Includes the 8,084,822 Shares (outside of the Shares to be issued under the Offer) to be issued to CO_2 Capital Pte Ltd, upon successful completion of the IPO, as detailed in Section 5.5.

Refer to Section 4.3

Who are the Directors and management of the Company?

The Board comprises of the following Directors:

- Robert Neale, Non-Executive Chairman;
- Norman Seckold, Deputy Chairman and Executive Director;
- Justin Werner, Managing Director;
- Peter Nightingale, Executive Director and Chief Financial Officer;
- James Crombie, Non-Executive Director;
- Weifeng Huang, Non-Executive Director;
- Mark Lochtenberg, Non-Executive Director; and
- Yuanyuan Xu, Non-Executive Director.

The Company Secretary is Richard Edwards.

The profile of each Director is detailed in Section 7.2. Details of their personal interest in the Company are in Section 7.6.

Refer to Section 7 (Key People, Interests and Benefits)

Are the Directors selling Shares into this Offer?

No, the Directors are not selling Shares into the Offer.

A number of Directors will also have their Shares subject to mandatory escrow for 24 months following completion of the Offer.

Refer to Section 4.8

What are the significant interests and remuneration of the Directors?

The Company has agreed to remunerate its Executive and Non-Executive Directors through a combination of an appropriate salary package and market based director fees respectively.

Refer to Section 7 (Key People, Interests and Benefits)

1 INVESTMENT OVERVIEW

TOPIC	SUMMARY	FOR MORE INFORMATION

The Company has agreed to remunerate its Directors as set out below.

NAME	AMOUNT PER ANNUM $
Robert Neale	150,000
Norman Seckold	100,000
Justin Werner	310,000
Peter Nightingale	200,000
James Crombie	50,000
Weifeng Huang	50,000
Mark Lochtenberg	50,000
Yuanyuan Xu	50,000

The table below sets out the interests of the Directors at completion of the Offer.

	RELEVANT INTEREST IN SHARES AT COMPLETION OF THE OFFER	
NAME	NUMBER OF SHARES	%
Robert Neale	500,000	0.04%
Norman Seckold	123,715,661	8.91%
Justin Werner	25,016,297	1.80%
Peter Nightingale	22,265,654	1.60%
James Crombie	6,580,000	0.47%
Weifeng Huang	-	-
Mark Lochtenberg	11,693,333	0.84%
Yuanyuan Xu	149,258,258	10.75%

Has the Company entered into any agreements with a related party?

Appointment Agreements — Refer to Section 7.5

The Company has entered into Appointment Agreements with each Non-Executive Director of the Company. The Appointment Agreements set out details of each Director's appointment, term, duties, responsibilities and remuneration. The Appointment Agreements are on the same material terms, save for provisions relating each Director's duties and remuneration.

Consultancy Agreements — Refer to Section 7.4

The Company has entered into consultancy agreements with companies associated with Norman Seckold (Deputy Chairman and Executive Director), Justin Werner (Managing Director) and Peter Nightingale (Executive Director and Chief Financial Officer), relating to their respective roles with the Company.

MIS Corporate Pty Limited Services Agreement — Refer to Section 5.6

The Company has entered into a services agreement with MIS Corporate Pty Limited (**MIS**), a company associated with Norman Seckold and Peter Nightingale, to provide full administrative services, including administrative and accounting staff, rental accommodation, services and supplies, on normal commercial terms to the Company.

Other than the agreements outlined above, there are no other related party agreements in respect of the Company or its business.

TOPIC	SUMMARY	FOR MORE INFORMATION
KEY TERMS AND CONDITIONS OF THE OFFER		
Will the Shares issued under the Offer be listed?	Yes. The Company has applied to the ASX for admission to the official list of the ASX and quotation of its Shares on the ASX under the code 'NIC'. Completion of the Offer is conditional on the ASX approving this application. If approval is not given within three months after such an application is made, all Application Monies received will be dealt with in accordance with the requirements of the Corporations Act.	Refer to Section 4.4
Is the Offer underwritten?	No, the Offer is not underwritten.	Refer to Section 4.4
Is there a minimum subscription?	Yes, the minimum subscription amount for the Offer is $200.0 million.	Refer to Section 4.4
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty will be payable by Applicants on the acquisition of Shares under the Offer. The Company will, however, pay brokerage to stockbrokers or licenced investment advisors.	Refer to Sections 3.4 and 4.11
Am I eligible to participate in the Offer?	The Offer is open to all investors who are resident in Australia, however any person who has a registered address in any other country who receives this Prospectus may only apply for Shares where that investor is able to reasonably demonstrate to the satisfaction of the Company that they may participate in the Offer.	Refer to Section 4.5
How can I apply?	Instructions on how to complete the Application Form accompanying this Prospectus are set out in Section 4.5 and on the Application Form. Applications for Shares under the Offer should be made on the Application Form.	Refer to Section 4.5
What is the minimum application amount under the Offer?	You may apply for a minimum parcel of 6,000 Shares, for a minimum of $2,100, and thereafter in multiples of 1,000 Shares.	Refer to Section 4.4
What is the allocation policy?	The Directors have the right to allocate shares at their discretion. The Directors, in consultation with the Lead Manager, may reject any Application or allocate to any Applicant fewer Shares than applied for. The Directors, in consultation with the Lead Manager, will generally allocate Shares at their discretion based on satisfying completion of the Offer and in the manner which they consider to be fair and reasonable, having regard to the requirements of the ASX Listing Rules that the Company must have a prescribed minimum number of Shareholders that hold a marketable parcel of those Shares. If any Application is not accepted, or is accepted in part only, the relevant part of the Application Money will be returned to the relevant Applicant without any accrued interest.	Refer to Section 4.4
When will I receive confirmation that my Application has been successful?	Confirmation of successful Applications in the form of holding statements are expected to be despatched by post on or around 15 August 2018.	Refer to Section 4.4
What are the taxation implications of investing in the Shares?	The taxation implications of investing in the Shares will depend on each investor's individual circumstances. You should seek your own tax advice prior to applying for Shares under the Offer.	Refer to Section 4.10
How can I obtain further information?	If you have queries about investing under the Offer, you should contact your stockbroker, financial advisor, accountant or other professional advisor. If you have queries about how to apply under the Offer or would like additional copies of this Prospectus, please call Richard Edwards, the Company Secretary on +61 2 9300 3311 or the Share Registry on 1300 070 723 (from within Australia) or +61 3 9415 4125 (from outside Australia), Monday to Friday, between 8:30 am and 5:00 pm AEST.	

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TOPIC	SUMMARY	FOR MORE INFORMATION
MISCELLANEOUS		
Will any Shares be subject to escrow?	Yes, a total of 341,891,507 Shares held by certain Existing Shareholders are expected to be subject to mandatory ASX imposed escrow for a period of between 12 to 24 months. Certain Shares held by Directors and promoters will be subject to ASX imposed escrow for a period of up to 24 months from completion of the Offer. Certain Shares issued to seed capital investors within 12 months of the date of this Prospectus will be subject to mandatory escrow for a period of up to 12 months from the date of their issue. Shares issued to Applicants under the Offer will not be subject to any escrow restrictions.	Refer to Section 4.8
What is the Company's dividend policy?	Dividends will be paid subject to the financial performance of the Company and in accordance with the Company's dividend policy. The Company has no present intention to pay any dividends in the near term. No assurances can be given by the Company to the payment of future dividends as this will depend on, amongst other things, the general business environment, the Company's level of profitability, the Company's funding requirements and the Company's financial and taxation position at the time.	Refer to Section 8.6
What are the Group's material contracts?	The Company has entered into the following material contracts: - Collaboration and Subscription Agreement (**CSA**); - Land Sale Agreement between PT IMIP and Hengjaya Nickel; - CO_2 Agreement; - Ore Supply Agreement with PT. Indonesia Tsingshan Stainless Steel; and - each of the Related Party Agreements described in Sections 7.4 and 7.5.	Refer to Section 5 (Material Contracts) and Sections 7.4 and 7.5
Documents incorporated by reference	If you would like to obtain a copy of any of the documents incorporated by reference into this Prospectus, copies may be obtained from the Company website.	

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2 COMPANY OVERVIEW

2.1 COMPANY HISTORY

Mining origins

Nickel Mines Limited (**Nickel Mines** or the **Company**) was incorporated on 12 September 2007 with the objective of acquiring, exploring and developing nickel projects. After an initial period focusing on other opportunities, in December 2009 the Company entered into an agreement to acquire an 80% interest in the share capital of PT Hengjaya Mineralindo (**PT Hengjaya**), the owner of 100% of the Hengjaya Mine, with the remaining 20% interest owned by the Company's Indonesian partner, members of the Wijoyo Family.

PT Hengjaya holds a 100% interest in the Hengjaya Mine located in the Morowali Regency on the east coast of Central Sulawesi, Indonesia. Sulawesi is the fourth largest and third most populated island in Indonesia and is home to numerous nickel laterite mines and development projects.

Since acquiring its interest in PT Hengjaya, the Company has overseen the delineation of a 2012 JORC compliant Resource of ~37M dmt of 1.81% nickel (at a cut-off grade of 1.5% nickel) and advanced the Hengjaya Mine through the various permitting, feasibility study and development stages, culminating in the commencement of production in October 2012 and a maiden shipment of nickel laterite in February 2013. A number of vessels containing high grade nickel laterite (at an average grade of 1.98% nickel) were sold into China and Japan in 2013. However, when the Indonesian Government formally enacted a ban on the direct shipping of unprocessed minerals in January 2014, including exports under a grade of 4% nickel, mining at the Hengjaya Mine ceased and operations were placed on care and maintenance.

Indonesian export ban on unprocessed minerals

The origins of the Indonesian export ban of direct shipping of unprocessed minerals (**DSO ban**) stem back to the 2009 Law on Mineral and Coal Mining (Law no.4, 2009). This law described certain minerals as national non-renewable resources, specifying that mining should be managed to encourage sustainable regional development, be for the benefit of national interests and pursuant to the welfare and prosperity of the Indonesian people.

While it was not until January 2014 that an Indonesian presidential DSO ban decree came into force, the intervening period had seen the Indonesian Government actively encouraging and promoting the investment into and construction of smelting facilities to establish an in-country down-stream nickel processing industry.

In response to the flagged legislative changes announced by the Indonesian Government in 2009, and well ahead of the DSO ban's formal introduction in 2014, in mid-2013 the Tsingshan group (**Tsingshan**), then one of China's largest stainless steel producers, committed to building a nickel processing facility in Indonesia to satisfy the indicated new framework for the treatment of Indonesia's natural resources.

PT Indonesia Morowali Industrial Park (**PT IMIP**) was established to develop the Indonesia Morowali Industrial Park (**IMIP**) in the Morowali County of the Central Sulawesi Province of Indonesia and, in October 2013, China's President Xi and then Indonesian President Yudhoyono witnessed the signing of the Cooperation and Financing Agreement for the development of the IMIP.

In January 2014 when the Indonesian Government enacted the DSO ban, Tsingshan was well advanced in its endeavours and had established a clear first mover advantage over its domestic and global peers in the stainless steel and nickel industry through its commitment to its investment as a majority owner of the IMIP.

Recommencement of mining operations and development of Tsingshan relationship

The introduction of the Indonesian DSO ban materially changed the course of Nickel Mines' future with the Company being required to meet the minimum required export grade of 4% for nickel products.

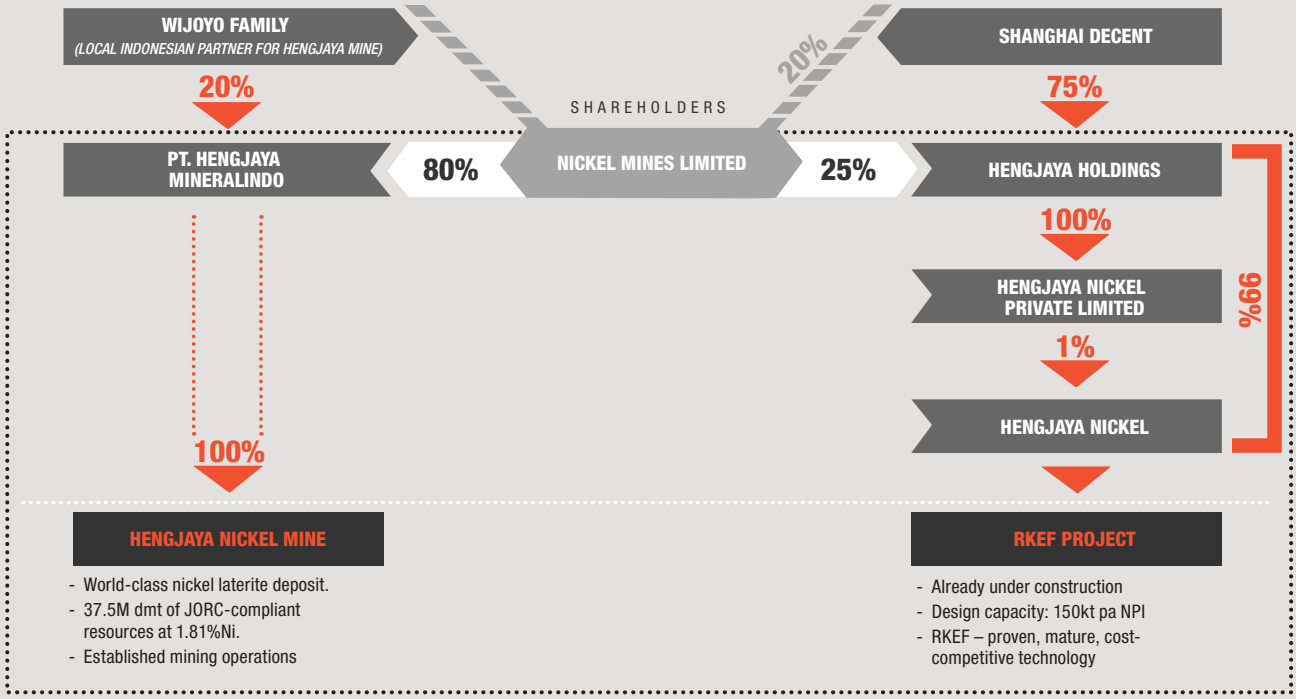
The development of the IMIP and a growing requirement of nickel laterite as feedstock for the IMIP's RKEF lines saw the Hengjaya Mine recommence operations in October 2015.

In September 2015 PT Hengjaya signed a supply agreement with PT Sulawesi Mining Investment, a Tsingshan group company, to supply 30,000 wmt per month of nickel laterite at a cut-off grade of 1.90% nickel for six months and the Hengjaya Mine's operations were recommenced. In December 2016 PT Hengjaya entered into an offtake agreement with a Tsingshan group company PT Indonesia Tsingshan Stainless Steel (ITSS) for the delivery of 50,000 wmt per month at an average grade of 1.90% nickel (minimum 1.80%). In October 2017 an updated offtake agreement was signed with ITSS guaranteeing to take supply of 50,000 wmt per month until 30 November 2018, with a cut-off grade of 1.60% nickel.

The development of this relationship and Tsingshan's requirement for more NPI production to fuel its stainless steel expansion plans culminated in Nickel Mines and Shanghai Decent discussing a strategic partnership that would contemplate the two parties building additional NPI processing capacity within the IMIP.

2.2 CORPORATE STRUCTURE OF THE NICKEL MINES GROUP

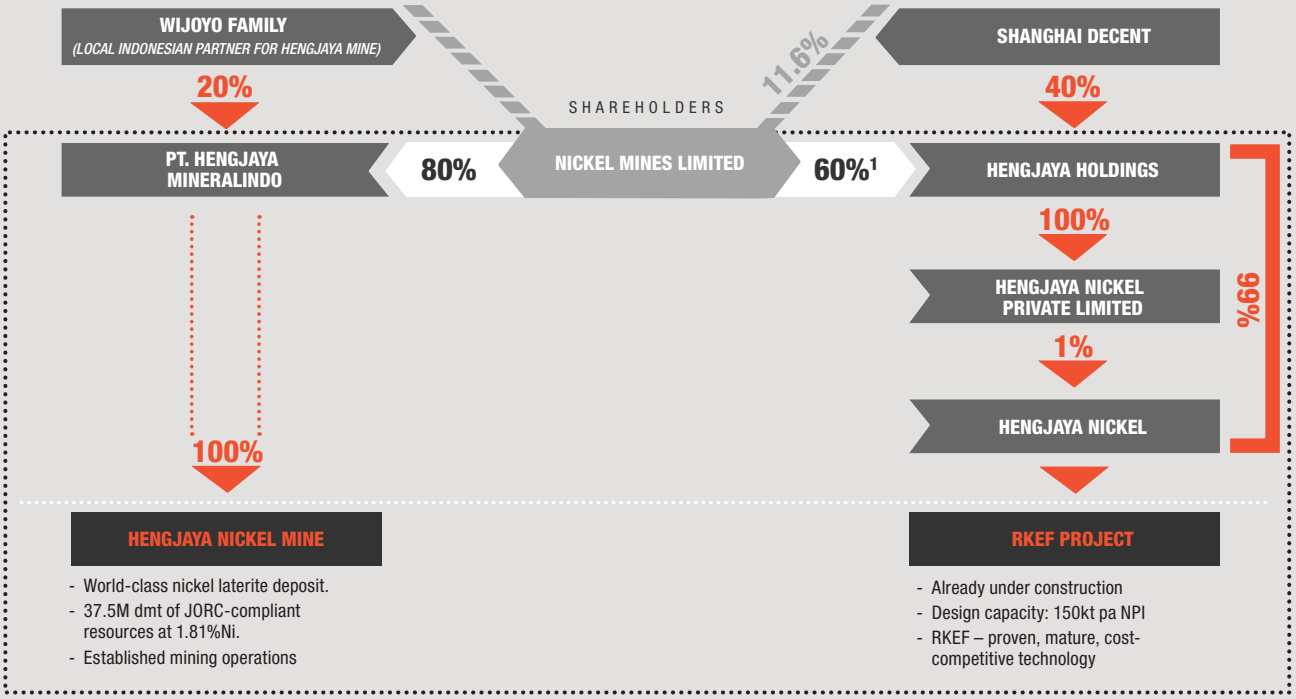
Current structure of the Nickel Mines Group as at the date of this Prospectus



- World-class nickel laterite deposit.
- 37.5M dmt of JORC-compliant resources at 1.81%Ni.
- Established mining operations

- Already under construction
- Design capacity: 150kt pa NPI
- RKEF – proven, mature, cost-competitive technology

Structure of the Nickel Mines Group following completion of the Offer and the Company's acquisition of 60% interest in the RKEF Project.



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- 37.5M dmt of JORC-compliant resources at 1.81%Ni.
- Established mining operations

- Already under construction
- Design capacity: 150kt pa NPI
- RKEF – proven, mature, cost-competitive technology

[1] Representing 60% of the equity and the aggregate of all shareholder loans made to Hengjaya Holdings from the Company and Shanghai Decent to fund the RKEF Project, following completion of the RKEF Project.

2 COMPANY OVERVIEW

Structure of the Boards of Directors of Hengjaya Holdings, Hengjaya Nickel Private Limited and Hengjaya Nickel

In accordance with the CSA, the Boards of Directors of Hengjaya Holdings, Hengjaya Nickel Private Limited and Hengjaya Nickel shall comprise no more than five directors.

Currently, one director has been nominated by the Company and three directors have been nominated by Shanghai Decent to the Boards of Directors of each of these companies.

Upon completion of the acquisition of a further 35% of the share capital of Hengjaya Holdings, to increase its shareholding in Hengjaya Holdings from 25% to 60%, the Company will be entitled to nominate three of the five directors to the Boards of Directors of each of these companies with one of these three directors being the Shanghai Decent nominee to the Company's Board of Directors.

Any appointment or removal of any director of each of these companies shall require the affirmative votes of no less than 80% of the shareholders of the relevant company.

Upon completion of the Call Option to acquire 100% of the capital of Hengjaya Holdings, the Company will be entitled to constitute the Boards of Directors of each of these companies in its sole and absolute discretion.

Structure of the Board of Directors of PT Hengjaya

In accordance with the CSA, the Board of Directors of PT Hengjaya shall comprise no more than five directors.

Currently, two directors have been nominated by the Company, one director has been nominated by Shanghai Decent and one director has been nominated by the Company's local Indonesian partner.

2.3 TSINGSHAN & THE INDONESIA MOROWALI INDUSTRIAL PARK

Tsingshan is now the world's largest stainless steel producer. In 2017 Tsingshan produced 7.48 million tonnes of stainless steel, generating revenues in excess of US$25 billion from a work force of more than 31,000 employees.

Tsingshan is committed to establishing the world's largest, fully integrated stainless steel production facility within the IMIP. Tsingshan is currently completing an expansion of a further 1.0 million tonnes per annum of stainless steel production capacity within the IMIP which it expects to be commissioning in the September 2018 quarter ahead of operating at a full capacity of 3.0 million tonnes per annum from 2019.

Tsingshan, who pioneered the Rotary Kiln Electric Furnace (**RKEF**) process to produce low-cost nickel pig iron (**NPI**), is now the dominant player in the Indonesian NPI industry and a global leader in NPI processing technology, including having implemented the Argon Oxygen Decarburisation process which incorporates the direct hot charging of NPI into the stainless steel production process for a low cost stainless steel cost position.

Integral to Tsingshan's stainless steel operations is NPI production which accounts for ~65% of the input to stainless steel.

Tsingshan's stainless steel growth ambitions and commitment to China's 'One Belt, One Road' strategy is being managed through a Tsingshan group company, Shanghai Decent Investment (Group) Co. Ltd. (**Shanghai Decent**).

Shanghai Decent has responsibility for promoting and developing Tsingshan's international operations and has been the key architect in establishing Tsingshan's integrated stainless steel industry supply chain incorporating mining and nickel pig iron smelting right through to stainless steel smelting, stainless steel slab production and stainless steel sheet, bar and wire processing. In addition, Shanghai Decent is responsible for Tsingshan's international project management, including project construction, equipment design and procurement, logistics and raw material importation/supply.

Shanghai Decent is the contractual party to the CSA with Nickel Mines (refer to Sections 2.4 and 5.1).

Indonesia Morowali Industrial Park

Having commenced construction in late 2013, Tsingshan has now established industry recognised infrastructure and operational facilities at the IMIP.

Across 20 existing RKEF lines, the IMIP has a current production capacity of 1.5 million tonnes per annum of NPI and 600,000 tonnes per annum of high carbon ferrochrome. However, in order to increase its stainless steel output to targeted levels of 3.0 million tonnes per annum, NPI production requirements are expected to increase

to approximately 1.95 million tonnes per annum, facilitating the requirement for additional RKEF lines within the IMIP.

The IMIP currently comprises:

- 2.0Mt pa stainless steel capacity (currently expanding to 3.0Mt pa);
- 0.5Mt pa carbon steel capacity (currently expanding to 3.5Mt pa);
- 0.6Mt pa high carbon ferrochrome;
- 1.5Mt pa NPI capacity (likely expanding to 1.95Mt pa);
- 1.26GW coal-fired power plant (currently expanding to 1.96GW);
- Lime plant, coke plant, acid plant;
- Port facilities;
- Executive guest quarters; and
- An executive visitors' hotel.

The development of the IMIP and its competitive operational cost structure is underpinned by several factors:

- The ability to source higher grade (>1.8% nickel grade) nickel ore which is now restricted from export from Indonesia as a result of the Indonesian Government's ban on the exportation of unprocessed nickel ore under a grade of 4% nickel.
- The generation of competitive electricity costs by the IMIP's purpose-built 1.26GW power plant which is powered by domestically sourced thermal coal.
- The vertically integrated nature of operations within the IMIP to produce a stainless steel end product, utilising the key raw material inputs, including nickel ore and power.

Since the beginning of 2017 export quotas for approximately 20 million tonnes of nickel ore have been granted as part a limited and conditional relaxation of the Indonesian Government's underlying ban on the exportation of unprocessed minerals. While relatively small volumes of lower grade ore (1.6% nickel grade and below) are now able to be exported the vast majority of the Indonesian archipelago's nickel mines are confined to selling their ore domestically. As a result of the DSO ban, the IMIP is able to source and purchase nickel ore from Indonesian nickel miners which previously exported unprocessed nickel ore. With the IMIP also having its own 1.26GW power station (expanding to 1.96GW) the ability to generate energy within the industrial park also provides significant cost advantages to IMIP's operations.

Fully intergrated stainless steel plant

1.2GW power station & coal plant

Significant port capacity

Guest quarters and executive hotel

2.4 OVERVIEW OF THE RKEF PROJECT

Summary

The Company engaged Wood Mackenzie to provide an independent assessment and outlook for the global nickel market, review and critique the RKEF Project and review the key operating assumptions underpinning the financial model prepared by the Company which incorporates its current mining operations, future RKEF operations and ongoing corporate expenses. The Wood Mackenzie report is included in Section 3 (Nickel Market Outlook and Asset Review Report) and investors are encouraged to read the report in full.

Collaboration and Subscription Agreement

On 19 September 2017, the Company entered into the CSA with Shanghai Decent and another investor, Shanghai Wanlu Investment Co. Ltd (**Wanlu**) (as amended by supplemental letter agreements dated 16 April 2018 and 2 July 2018), which sets out (among other things) the terms on which the RKEF Project within the IMIP will be funded and constructed and the future operations of the RKEF Project.

Refer to Section 5.1 for further details of the CSA.

Funding for construction of RKEF Project

In addition to the construction of the RKEF Project, a material objective of the CSA was that Shanghai Decent and Wanlu become shareholders in Nickel Mines. In April 2018, and pursuant to the CSA, Shanghai Decent and Wanlu subscribed for, and were issued respectively with, 161,696,446 Shares for consideration of US$26 million and 149,258,258 Shares for consideration of US$24 million.

As governed by the CSA, the Company has provided the aggregate of US$50 million received from Shanghai Decent and Wanlu by way of a shareholder loan to Hengjaya Holdings Private Limited (**Hengjaya Holdings**), a Singaporean incorporated intermediate holding company established to wholly own an Indonesian incorporated RKEF special purpose vehicle, PT Hengjaya Nickel Industry (**Hengjaya Nickel**), that will in turn construct, own and operate the RKEF Project. At the time of this Prospectus, the Company has a 25% equity interest in Hengjaya Holdings and Shanghai Decent retains the remaining 75% interest in Hengjaya Holdings.

2 COMPANY OVERVIEW

Shanghai Decent has agreed to indemnify Hengjaya Holdings or Hengjaya Nickel if the actual construction cost of the RKEF Project exceeds US$200 million. The cost of the RKEF Project will be funded as follows:

- US$50 million shall be funded from the initial subscriptions from Shanghai Decent and Wanlu, as described above; and
- The balance of construction costs shall be funded by Shanghai Decent by way of shareholder loans injected into Hengjaya Holdings.

In collaborating with Shanghai Decent, Nickel Mines will also benefit from industry low levels of capital intensity with regards to the construction of the RKEF Project. With a guaranteed capital construction cost under the terms of the CSA and anticipated 16,500 tonnes per annum of nickel metal output in NPI[1], Nickel Mines' capital cost per tonne of nickel metal production would be US$12,121/tonne, rising to US$14,545/tonne on a 100% ownership basis.

Nickel Mines' RKEF costs are also likely to fall in the first cost quartile of global NPI producers. The IMIP's cost profile is primarily attributable to the ability to source cheap nickel ore, generate cheap power and Tsingshan's technology capabilities.

Initial increase of Nickel Mine's interest to 60% of the RKEF Project

In accordance with the CSA, Nickel Mines has a 15 month period from the completion date of the CSA (which occurred in April 2018) in which to complete an Initial Public Offering (**IPO**) at which time it has the option to increase its holding in Hengjaya Holdings to between 51% to 60% for a consideration of US$52 million to US$70 million.

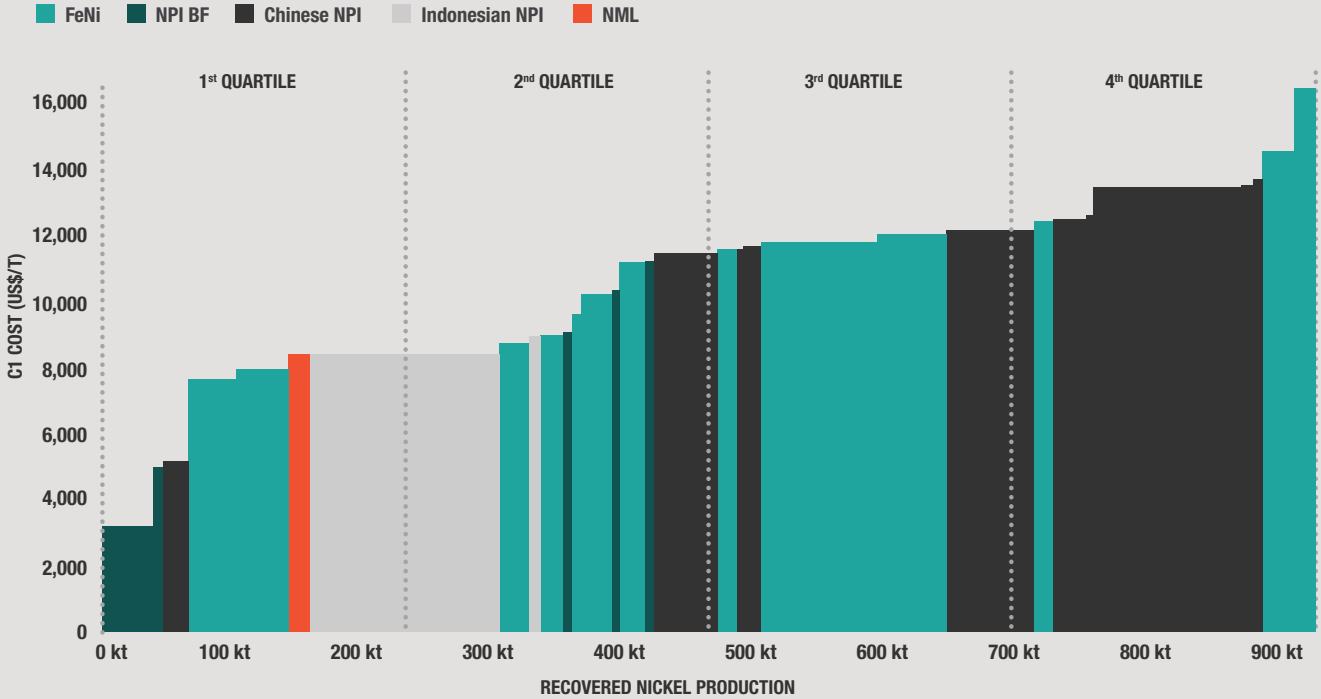
Following completion of the Offer, Nickel Mines' intends to acquire a further 35% of the share capital of Hengjaya Holdings, to increase its shareholding in Hengjaya Holdings (and as a result, the RKEF Project) from 25% to 60%. The consideration payable for this additional 35% interest is US$70 million, payable in cash to Shanghai Decent, and the Company proposes to use US$70 million ($93.3 million[2]) from the Offer proceeds to fund this further acquisition of Hengjaya Holdings.

The Company has obtained an in-principle waiver from the ASX to increase its shareholding in Hengjaya Holdings to 60% without the approval of Shareholders.

In addition to the acquisition of the additional 35% of the share capital of Hengjaya Holdings, the Company will also be assigned a corresponding proportion of the total outstanding shareholder loans owing from Hengjaya Holdings to Shanghai Decent such that the Company will also own 60% of the total shareholder loans outstanding following completion of the RKEF Project.

Please refer to Section 2.2 above for the structure of the Group prior to and post the proposed acquisition of the additional 35% interest in Hengjaya Holdings by the Company.

NICKEL MINES' RKEF COSTS LIKELY TO FALL IN THE FIRST COST QUARTILE OF GLOBAL NPI PRODUCERS



[1] Shanghai Decent has contractually agreed under the CSA that the RKEF Project will produce no less than 14,000 tonnes per annum of nickel contained in NPI. However, the nameplate capacity of the RKEF Project is 15,000 tonnes per annum of nickel in NPI and similar RKEF plants in the IMIP are currently producing on average approximately 16,500 tonnes per annum of nickel in NPI. Further comment on the performance of the existing RKEF lines is made in the Technical Review section of the Wood Mackenzie report in Section 3 (Nickel Market Outlook and Asset Review Report).

[2] Assuming an exchange rate of A$1.00 = US$0.75.

Call option to acquire up to 100% of Hengjaya Holdings

Under the CSA, the Company has been granted a call option (**Call Option**) to require Shanghai Decent to sell the Company all of the shares in Hengjaya Holdings held by Shanghai Decent (Option Shares) for consideration of US$120 million, from a 60% ownership position, which if exercised would increase the Company's shareholding in Hengjaya Holdings to up to 100%.

The Company must exercise the Call Option no later than 12 months from the date on which the first batch of NPI is produced from the RKEF Project (or such other date as may be agreed in writing with Shanghai Decent).

The Company has not yet decided whether it will exercise this option to increase its interest in Hengjaya Holdings to 100% and the Company will make an assessment at the time this option becomes available whether it is in the best interests of the Company to exercise the option.

Please refer to Section 5.1 for further details of the Call Option.

Key approvals required to complete the RKEF Project

Right to Build (Hak Guna Bangunan or HGB) title to IMIP Land

The land within the IMIP on which the RKEF Project is being constructed (**IMIP Land**) is currently unregistered and uncertificated land for the purposes of Indonesian law and is currently controlled/possessed by PT IMIP, an Indonesian limited liability company which operates the Industrial Park located at Morowali Regency, Central Sulawesi Province, Indonesia and a Tsingshan group company.

Under Indonesian law, a company may be granted HGB title to uncertificated land for an initial period of not more than 30 years, which initial period may be extended for a further period of 20 years and renewed for another 30 years (resulting in a maximum period of 80 years). Leasehold title over the land formalises the title and HGB title gives the registered owner the same rights to sell the land and to construct, develop and own buildings on the land.

Hengjaya Nickel entered into a preliminary land sale agreement with PT IMIP on 7 June 2018 which sets out (among other things), the terms on which the IMIP Land is being sold to Hengjaya Nickel, the process by which the IMIP Land will registered and certificated as HGB title land, registered in the name of PT IMIP, the transfer of HGB title of the IMIP Land from PT IMIP to Hengjaya Nickel and Hengjaya Nickel's rights to control, occupy and construct on the IMIP Land pending completion of the registration and certification and transfer HGB title of the IMIP Land to Hengjaya Nickel (**Land Sale Agreement**).

The stages in the land title registration/certification process are (i) measurement of the subject land, (ii) provision of evidence of title to the subject land, (iii) registration of relevant land title and (iv) issuance of relevant land title certificate.

As the part of the land measurement process, the relevant Indonesian land office carries out a site visit of the land to carry out land measurement. Upon completion of the land measurement, the relevant Indonesian land office will publicly announce the proposed HGB title registration and certification application to provide a 60 day period for objections to be lodged in respect of the proposed HGB title registration and certification. The time period for completion of an HGB title registration and certification varies and there is no specific timeframe provided by the relevant Indonesian land office as to when the HGB title registration and certification will be finalized and/or the HGB title certificate will be issued.

In practice, the timeframe for completion of land title registration and certification is typically 6-12 months but, in certain cases, may be more than 1 year. However:

- the Indonesian land office at the regional level has carried out its measurement of the IMIP Land as part of the registration process; and
- the Company has been informed by PT IMIP that the registration and certification process for previous HGB title applications made by PT IMIP for land within IMIP's Morowali Industrial Estate took approximately 9 months.

After the completion of the land measurement, the remaining steps for the HGB title registration and certification over the IMIP Land should be largely administrative in nature, so long as no third party objection is lodged during the 60 day objection period, and no interruption or not unexpected development occurs during the remainder of the process of registering and certificating IMIP Land as HGB title land.

Construction and operating permits

A general construction permit known as an *Izin Mendirikan Bangunan* (**IMB**) is required prior to the construction of the RKEF Project. Hengjaya Nickel has not yet received its IMB, however, it has applied for and is currently in the process of obtaining an IMB in respect of the construction of the RKEF Project at the relevant local government authority.

Based on the applicable laws and regulations, the application to obtain IMB must fulfil various (i) administrative requirements, which includes the submission of the Applicant's data and land related documents and (ii) technical requirements, which includes the submission of general building data, as well as documents relating to the technical plans for the building, and environmental documents.

Given that requirements for obtaining IMB are administrative and technical in nature, the Company is not aware of any reason which would impact the IMB permit being granted.

Current status of the RKEF Project

At the time of this Prospectus development of Nickel Mines' RKEF Project is well progressed. Site excavation and necessary earthworks have been completed and plant foundations are well advanced. Material plant items are being pre-fabricated in China ahead of being shipped to the IMIP.

Once construction has been completed the commissioning phase for the RKEF Project is expected to last between 3-5 months after which time production is expected to be at full capacity.

Picture taken at the RKEF Project site in May 2018.

2 COMPANY OVERVIEW

2.5 MEMORANDUM OF UNDERSTANDING TO ACQUIRE AN INTEREST IN TWO ADDITIONAL RKEF LINES

On 1 June 2018, the Company entered into a non-binding Memorandum of Understanding with Shanghai Decent whereby the Company shall have the right, but not the obligation, to acquire an interest of no less than 51% and up to 100% in a new special purpose company which will be the owner of two new RKEF lines which Shanghai Decent may choose to construct within the IMIP.

Nickel Mines and Shanghai Decent have agreed to negotiate in good faith to enter into a definitive agreement within 3 months of the signing of the Memorandum of Understanding. Upon signing a definitive agreement, the Company shall pay Shanghai Decent a non-refundable deposit of US$5.0 million for the right to acquire its initial interest in the new special purpose company and the right to increase its ownership up to 100% at a valuation of US$300 million within 18 months from the commercial operation of the two new RKEF lines.

2.6 NPI & RKEF PROCESSING

NPI is a low grade ferronickel which initially gained popularity in China as a cheaper alternative to pure nickel and is now recognised as a widely used feedstock for the production of stainless steel.

NPI is generated through pyrometallurgical technology. Since the mid-2000s, pyrometallurgical processing using either blast furnaces and, more particularly RKEF processing technology, has been employed on an increasing scale in both China and Indonesia to produce nickel pig iron from low grade saprolite and limonite nickel ore.

RKEF processing generally requires a higher grade ore feed than blast furnace processing so the Indonesian export ban has greatly assisted the large scale adoption of RKEF processing in Indonesia with an abundance of high grade ore (>1.8% nickel grade) no longer able to be exported.

With 20 operating RKEF lines within the IMIP, Tsingshan has established itself as a leader in RKEF processing technology including the direct hot transfer of molten NPI directly into its stainless steel operations. A basic flowsheet of Tsingshan's RKEF and stainless steel process is set out in the diagram below.

Nickel Mines will be a direct beneficiary of Shanghai Decent's construction and operational experience. With the IMIP's 20 RKEF lines already in operation, Shanghai Decent has established a track record of on time project delivery. While the RKEF Project has an annual nameplate capacity of 150kt of NPI to produce 15ktpa nickel metal, current operational performance suggests a higher level of output is probable with Nickel Mines' 2 RKEF lines expected to produce ~16.5ktpa of nickel metal equivalent.

Further comment on the performance of the existing RKEF lines is made in the Wood Mackenzie report in Section 3 (Nickel Market Outlook and Asset Review Report).

2.7 THE HENGJAYA MINE

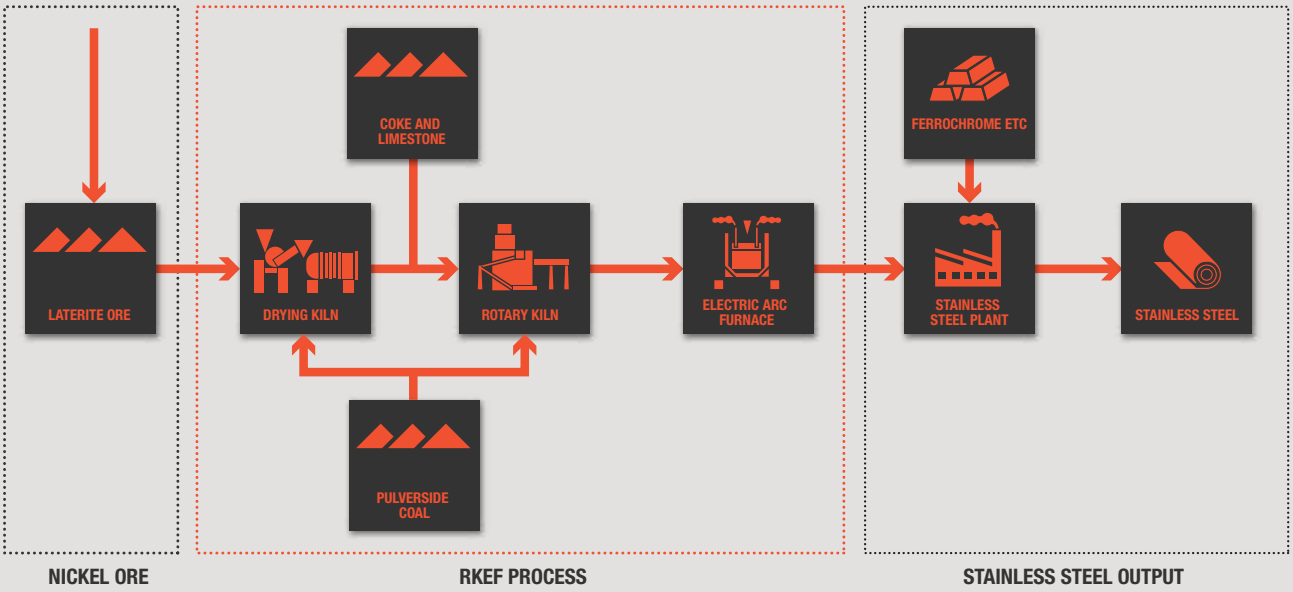
Overview

The Hengjaya Mine concession area covers 6,249 hectares and is held under an *Izin Usaha Pertambangan* (IUP Operasi/Produksi) or 'Mining Business Licence, Operation/Production' (**IUP OP**) with drilling completed to date totalling 1,402 holes for 30,296 metres. The Resource is not fully defined with only approximately half of the mapped ultramafic nickel bearing area having been tested by drilling.

Hengjaya Mine concession area

Mining operations at the Hengjaya Mine resumed in October 2015 with mining currently from the Bete Bete deposit, which is approximately 12 kilometres from the Company's jetty from where nickel laterite is transported by barge to the IMIP. The current mining rate is ~600ktpa of nickel laterite (wmt basis). To produce 16.5ktpa of nickel metal in the form of NPI the 2 RKEF lines, when completed and are at full production, require approximately 1.5M wmt pa of nickel laterite material (assuming a grade and moisture content of 1.8% and 35% respectively). There is no contractual obligation for Nickel Mines to supply this amount of nickel laterite material from its Hengjaya Mine to the IMIP.

RKEF & STAINLESS STEEL PROCESS



Construction of a private haul road to access the new Central Zone mining area is underway and will enable the use of larger 20 to 30 tonne haul trucks. The proximity to the coast, increased haulage capacity and higher mining rates are expected to result in reduced operating costs as discussed in the Wood Mackenzie report in Section 3 (Nickel Market Outlook and Asset Review Report).

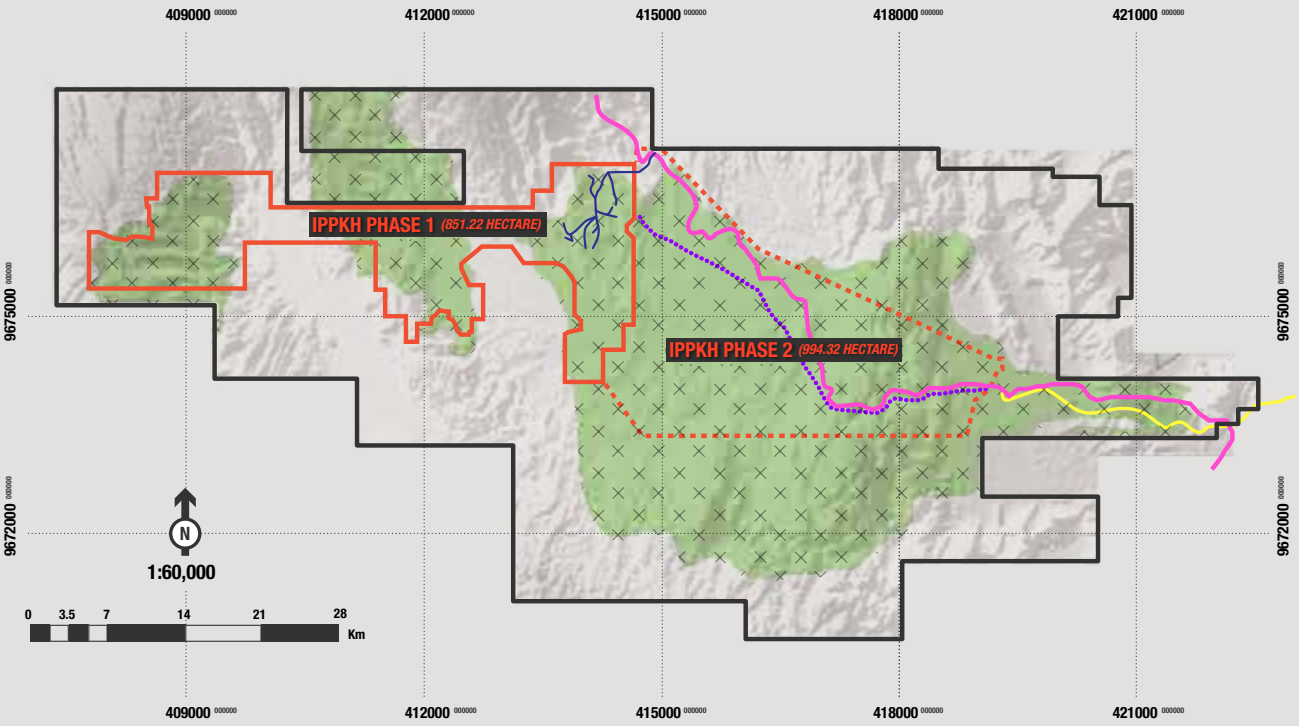
Hengjaya Mine Resource

The Hengjaya Mine has a JORC 2012 compliant Resource of 37.5M dmt of 1.81% nickel applying a 1.5% cut-off grade (~678kt contained nickel metal) with significant expansion potential. While more than 1,400 holes have been drilled for over 30,000 metres, only approximately half of the mapped ultramafic nickel bearing area has been tested by drilling.

PT Hengjaya has not upgraded any of the Hengjaya Mine Resources to Reserves however the mine's several years of operations to date have recorded excellent reconciliations to block modelling in terms of tonnes and grade. To date, PT Hengjaya has consistently supplied high grade nickel laterite of greater than 1.8% nickel grade. Prior to the 2014 DSO ban on unprocessed minerals ~424,000 wmt was shipped at an average grade of 1.98% nickel. Since October 2015 when mining operations recommenced ~896,000 wmt has been sold to IMIP at an average grade of 2.06% nickel.

For further details on the Hengjaya Mine resource refer to the Geologists' Report from PT GMT Indonesia in Section 10.

Satellite image of Hengjaya Mine's proximity to the IMIP.



LOCATION IPPKH MAP

PT. HENGJAYA MINERALINDO SITE
TANGOFA BUNGKU PESISIR, MOROWALI SULAWESI TENGAH

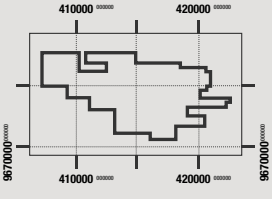
LEGEND

- WIUP PT.HM
- IPPKH PHASE 1
- IPPKH PHASE 2

LITHOLOGY

- ULTRAMAFIC ROCK

- DRILL HOLE EXPLORATION
- MINE ROAD
- PT.HM TOPO LINDAR (5M)
- HAUL RD PROPOSED APL-BB
- PROVINCIAL RD



2 COMPANY OVERVIEW

Overlapping area with third party plantation

Pursuant to the Statement Letter No. 98/DPKP/III/2018 dated 16 March 2018, issued by the Head of the Local Agriculture and Plantation Authority, it was identified that approximately 588 hectares of the IUP OP area overlapped with a neighbouring plantation area held by PT Bumi Tenilo Sejahtera, an unrelated third party.

Under PT Hengjaya's IUP OP and relevant Indonesian mining law, if any part of PT Hengjaya's mining area overlaps with an area under a land title or a concession right held by a third party, PT Hengjaya shall settle such overlapping issue with the concession owner.

However, the relevant area where there is an overlap is not an area which PT Hengjaya currently conducts mining operations for the Hengjaya Mine and PT Hengjaya has no current intention of conducting mining operations in that area.

IUP OP Licence

An operation and production mining business licence is required for PT Hengjaya to carry out construction, mining, processing and refining, and transportation and sales activities of minerals.

PT Hengjaya obtained its IUP OP on 16 June 2011 and the IUP OP was declared 'clean and clear' by the Minister of Mineral and Energy Resources (**MEMR**) on 14 May 2012.

The IUP OP is issued for the mining location of Pradabaho Village, Bete Bete Village, Pu'ungkeu and Tangofa Village and is valid for 20 years until 26 May 2031, comprising:

- 3 years for construction; and
- 17 years for production.

The IUP OP may be renewed twice, each for a period of 10 years.

For further details on the Hengjaya Mine IUP OP Licence refer to the Solicitor's Report on Tenements in Section 11.

Forestry Licences

In June 2013 PT Hengjaya obtained an *Ijin Pinjam Pakai* (**IPPKH**), 'borrow and use licence', in respect of approximately 851 hectares of the Hengjaya Mine within an area included as a Limited Production Forest Area by the Ministry of Forestry of Indonesia. The IPPKH permit is valid until June 2031 and permits PT Hengjaya to conduct mining activities within the Limited Production Forest Area.

In August 2014, the Indonesian government approved the conversion of approximately 2,000 hectares of the Hengjaya Mine's concession area, previously classified as Protected Forest, to Production Forest, thereby significantly opening this expanded area to future mining.

In February 2018 PT Hengjaya obtained an IPPKH in respect of approximately 994 hectares, enabling an expanded resource area to be mined in closer proximity to the coast which will reduce current mining and hauling costs.

Licences Status

As at the date of this Prospectus, none of the aforesaid licences, permits and approvals for the Hengjaya Mine have been suspended, revoked or cancelled. To the best of the Directors' knowledge and belief, the Company is not aware of any facts or circumstances which would cause such licences, permits and approvals to be suspended, revoked or cancelled as the case may be, or for any applications for, or renewal of, any of these licences, permits and approvals to be rejected by the relevant authorities.

PT Hengjaya - Divestiture requirements

In January 2017 the Indonesian Government issued a new decree on the divestiture of ownership interests by foreign companies in Indonesian IUP OP companies. All foreign owned IUP OP holders are now required to divest its shares in stages so that domestic investors shall have minimum local ownership of 51% by the end of the 10th year of production from that IUP OP.

The divestiture process stipulates that the price for the divested shares offered by PT Hengjaya to the local investors shall be determined based on 'fair market value' without considering the mineral reserve during the offering.

Pursuant to its IUP OP, PT Hengjaya's production has been in operation since 17 June 2014. As PT Hengjaya is already 20% owned by local Indonesian shareholders, PT Hengjaya (as a foreign owned IUP OP holder) is required to divest its shareholding from the 7th year of its mining operation as follows:

DIVESTMENT SCHEDULE OF PT HENGJAYA	MINIMUM LOCAL SHAREHOLDING %	DATE
7th year of mining production	30%	16 June 2021
8th year of mining production	37%	16 June 2022
9th year of mining production	44%	16 June 2023
10th year of mining production	51%	16 June 2024

Hengjaya Nickel (the RKEF Project PMA Company) does not hold an IUP OP and is not subject to any divestiture obligations.

3 NICKEL MARKET OUTLOOK & ASSET REVIEW REPORT

April 2018

Hengjaya Mine and RKEF NPI Project

Asset Review and Global Nickel Market Outlook

Prepared for Nickel Mines Limited

Executive summary

Background

Nickel Mines Limited ('Nickel Mines' or 'the Company') is an Australian public company whose operations are focused in Central Sulawesi, Indonesia, where the Company owns an 80% interest in Hengjaya Mine ('HM'), a high-grade, long-life nickel laterite deposit.

In September 2017, Nickel Mines executed a Collaboration and Subscription Agreement ('CSA') with Shanghai Decent Investment (Group) Co., Ltd ('SDI') a Tsingshan Group ('Tsingshan') company, and a third party investor, Shanghai Wanlu Investment Co. Ltd ('Wanlu'), to construct, own and operate a 2-line Rotary Kiln Electric Furnace ('RKEF') plant within Tsingshan's Indonesian Morowali Industrial Park ('IMIP').

The 2-line RKEF plant ('the Project') will have a planned capacity of 150 ktpa of Nickel Pig Iron ('NPI') at an average grade of 11% (producing ~16,500 tpa of Ni metal equivalent) and will be built for an agreed capital cost of not more than US$200M. NPI produced will be able to be fed directly into Tsingshan's adjacent stainless steel plant.

Under the CSA, SDI and Wanlu have subscribed for US$26M and US$24M respectively in Nickel Mines shares with these funds being used by Nickel Mines to secure an initial 25% interest in a special purpose vehicle ('SPV HoldCo') that will own and operate the Project.

Nickel Mines is pursuing a listing on the Australian Stock Exchange ('ASX') in mid-2018 with a targeted capital raising of A$200M. Funds will predominantly be used by Nickel Mines to increase its equity interest in the RKEF plant up to 60% (for US$70M), for capital investment at HM, costs of the listing on ASX and for general working capital purposes.

The Company also has an option to increase its interest in SPV Holdco to 100% within 12 months of first NPI production for an additional US$120M.

Scope of Report

As part of the ASX listing process, Nickel Mines has engaged Wood Mackenzie to:

- Provide an independent assessment and outlook for the global nickel market;
- Review and critique a Feasibility Study Report ('FSR') independently produced for the Project;
- Evaluate a financial model prepared by Nickel Mines incorporating its current mining operations, future RKEF operations and ongoing corporate expenses and review its key operating assumptions to assess the reasonableness of those assumptions for the purposes of reviewing EBITDA and FCF calculations for 1 year of operations of the HM mine and RKEF Project on a steady-state ownership basis; and
- Conduct an integrity check on the functionality of the financial model to ensure that the represented assumptions correctly flowed through the financial model to the EBITDA and FCF outputs provided in the sensitivity tables.

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Wood Mackenzie has prepared this report in its capacity as an independent consultant to Nickel Mines and has not been engaged by any other party in relation to the preparation of this report. Wood Mackenzie has not previously been engaged by Nickel Mines or any of its related parties. None of Wood Mackenzie or any person involved in the preparation of this report has any present or contingent interest in Nickel Mines or any of its subsidiaries, or in any assets of Nickel Mines or any of its subsidiaries.

Similarly, Wood Mackenzie has not previously been engaged by Tsingshan or any of its related parties. None of Wood Mackenzie or any person involved in the preparation of this report has any present or contingent interest in Tsingshan or any of its group companies, or in any assets of Tsingshan or its group companies.

Wood Mackenzie's fee for completing this report is based on its normal professional rates plus reimbursement of incidental expenses and Wood Mackenzie has not received a fee from any other party other than Nickel Mines in connection with the preparation of this report.

Inclusion of financial information

This report contains financial information which has not been prepared by Wood Mackenzie. While the financial model and information underpinning it was not prepared by Wood Mackenzie, we have assessed the underlying information and conducted an integrity check on the financial model as described below and consider it to be reasonable with nothing having come to our attention that has caused concern. Wood Mackenzie has only assessed such financial information in accordance with the process and procedures outlined in this report for the purposes of:

(1) Determining whether such financial information and assumptions, in Wood Mackenzie's view, are reasonable; and

(2) Conducting an integrity check to ensure the financial model reflected the reviewed assumptions to ensure they correctly flowed through into the associated EBITDA and FCF calculations for 1 year of operations of the HM mine and RKEF Project on a steady-state ownership basis.

Outlook for the global nickel market

Wood Mackenzie forecasts global primary nickel demand to increase from 2.31 Mt in 2018 to 2.68 Mt in 2025, a constant average growth rate ('CAGR') of 2.2%.

Stainless steel production is the single largest demand segment for primary nickel, accounting for nearly 70% of overall demand. In recent years, demand for primary nickel consumption has increased significantly, in part as a result of the ramp-up of Tsingshan's stainless steel production facility at the IMIP. Tsingshan is the world's largest stainless steel producer and plans to lift stainless steel capacity at the IMIP from current 2.0 Mtpa to 3.0 Mtpa by 2019. In the forecast period, demand for nickel will continue to be dominated by stainless steel although non-stainless sectors are forecast to grow at a higher rate. The majority of growth in non-stainless demand will be driven by battery manufacturing for electric vehicles ('EV'). While EV demand is currently driven by government policy, future demand growth for EVs will be increasingly driven by consumer appetite.

Nickel laterite material from the HM is converted to NPI through the RKEF process. The use of electric furnaces, such as RKEF, is set to become the dominant processing route due to reduced average costs of production that are the result of lower energy costs and the processing of higher ore grades. Wood Mackenzie expects nickel production from laterite ore to increase by 3.5% per annum from 1.63 Mt in 2018 to 1.80 Mt in 2021, where it will peak, followed by a decline to 2025 as currently operating mines deplete their reserves. Nickel production from sulphide ore is forecast by Wood Mackenzie to decline by 3.4% year-on-year from 2018 to 2025.

As a consequence, Wood Mackenzie forecasts the LME nickel price to rise over the short and medium term. The price will peak at ~US$25,800/t (real 2018) in 2025. From 2026 the price will decline slightly before plateauing at the long term incentive price of ~US$22,050t (real 2018). The decline in price will coincide with the market moving back towards surpluses, which will be achieved from 2027 onwards.

FSR review

The FSR review was carried out with two underlying objectives.

(1) To assess whether the FSR contained the necessary design, engineering, operational and financial detail that would normally be expected to be included in a report of this nature; and

(2) Whether there were any 'fatal flaws' within the FSR that would cause us to be concerned about the Project's ability to produce at its nameplate design capacity of 150kt of NPI per annum.

It is Wood Mackenzie's view that the FSR is of an acceptable standard for a project of this nature and there is nothing from a 'fatal flaw' perspective that would cause the Project not to deliver upon its nameplate specifications. Our conclusion is further supported by confirmation that there are currently 20 similar RKEF lines operating within the IMIP to validate the performance specifications of the Project.

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Evaluation of financial model

In addition to conducting a detailed review of the FSR, Wood Mackenzie reviewed the financial model prepared by the Company and the financial model assumptions underpinning it. This review involved:

Key document review

Wood Mackenzie reviewed the key documents that underpin the material assumptions for the financial model.

Site visits

Site inspections of both the Hengjaya Mine and the IMIP supplemented our understanding of operations across both the mining and processing phases of the project.

The HM mine inspection and discussions with key members of the Nickel Mines' local operations teams assisted in our understanding of mining related activities and relevant model assumptions.

The inspection of the NPI and stainless steel operations within the IMIP and discussions with SDI senior management assisted in confirming our understanding of processing related activities and model assumptions.

Peer Project Analysis

Wood Mackenzie tested information provided in the key documentation and gained through the site inspections and meetings against our internal databases and consultants' experience.

As part of its review of the Project, Wood Mackenzie ran a comparative analysis between Nickel Mines' RKEF project and 41 other undeveloped nickel projects in Wood Mackenzie's global database. Taking into account operating expenditure, capital intensity and project lifespan, Wood Mackenzie derived an 'incentive' nickel price curve reflecting the nickel price required for each project to deliver a pre-tax IRR of 15%. Based on this analysis the Project rates as one of the most attractive development projects in the global nickel pipeline with its low operating costs, low levels of capital intensity and long-life nature.

Based on the review undertaken by Wood Mackenzie on the financial model assumptions, Wood Mackenzie is of the opinion that:

- The key operating assumptions underpinning the financial model's outputs are reasonable;
- The HM mine operating assumptions in the financial model are reasonable for a direct shipping operation by the HM mine based on historic actual operating performance by the HM mine; and
- The operating assumptions for the 2 RKEF lines in the financial model are reasonable based on historic actual operating performance of 20 RKEF lines, the same as the RKEF Project lines, within the IMIP.

A sensitivity analysis of EBITDA and FCF calculations for 1 year of operations of the HM mine and RKEF Project on a steady-state ownership basis at a range of nickel prices and +10% and +20% HM mine and RKEF Project operating costs can be found in Tables, 8, 9 and 10 of this report.

Wood Mackenzie's assessment is that if Nickel Mine's project was operating at a steady state of production in 2018 it would sit in the second quartile of the global nickel supply C1 cost curve on a paid nickel basis and in the first quartile of the global NPI supply C1 cost curve. This assessment is made in context of our own industry expertise and with reference to our proprietary database of project cost analytics across the stainless steel, nickel, coal and power industries. NPI produced within the IMIP provides a tangible economic advantage to Tsingshan's Indonesian stainless steel operations with the highly integrated nature of the various component processes allowing for molten forms of NPI and chromium to undergo a direct 'hot transfer' into Tsingshan's IMIP stainless steel plant. The direct hot transfer of NPI and chromium into the stainless steel operation eliminates costs for ingot casting, transportation and saves power required for re-smelting. Tsingshan's process also recycles and recovers metal elements from the NPI production process, further enhancing the economics of its integrated process.

Wood Mackenzie Industry Expertise and Credentials

Wood Mackenzie is well known throughout the mining and energy industry for detailed understanding of the key issues that affect the business (for both companies and shareholders) and the assets that underpin the performance and value of the companies. Our competence covers the full value chain from the paddock to the pit, to the port, to the plant. Relevant to this Report:

- Our project team along with research analysts have in-depth knowledge of nickel mines and markets gained through on-going research and consulting engagements similar to NML's project. The Wood Mackenzie team assigned to this project comprised staff with 120 years collective industry experience. Beyond the project team input from Wood Mackenzie's wider research team was utilised as required. The engagement team comprised a core group of five members including a Senior Project Manager who managed the engagement. The two team members who attended the IMIP and Hengjaya Mine site visits are individuals with deep base metals industry experience gained across a range of similar assignments. One team member is a Wood Mackenzie in-house modelling expert, while the other has previously worked as a Project Metallurgist and has significant experience with smelting operations of the nature within the IMIP. The team worked collaboratively across the engagement and where applicable discussed certain aspects of the project review with other

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members of the broader Wood Mackenzie group. The Senior Project Manager on the engagement, who is a trained geologist with more than 20 years' experience of metals and mining consultancy globally, including due diligence support, IPO's and forecasting, oversaw all work flow and was ultimately responsible for the signoff and delivery of the final report.

- Wood Mackenzie has completed numerous consulting assignments related to market assessments of mining commodities for the purpose of Definitive Feasibility Studies, debt and equity raisings, Initial Public Offerings, and mining companies' internal strategy. As part of our engagement mandates Wood Mackenzie is regularly asked to review a company's financial and/or operations model and opine on the reasonableness of the assumptions underpinning them with reference to our detailed understanding of the relevant industry's cost structure and peer projects.
- Wood Mackenzie is known for its high quality research of mining commodities. Applicable to this engagement, our research covers nickel, operating costs (we cost 97% of global nickel supply), concentrate markets and steel and stainless steel production and markets, and coal supply and markets. We provide an outlook of this industry on the long term fundamentals including the demand, supply and price forecasts.

For further information about Wood Mackenzie please visit www.woodmac.com.

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Nickel Market Assessment

Nickel is a base metal with physical and chemical properties that make it suitable for use in a wide variety of products across the commercial, industrial, construction and transport sectors. Key properties include its high strength and ductility; low thermal conductivity; resistance to corrosion and oxidation; ferromagnetism; and catalytic properties. Nickel also alloys readily with many other metals and can also be deposited by electroplating, imparting its favourable properties to the resulting alloy or plated product.

Nickel demand overview

Nickel demand is separated into primary and secondary demand. Primary nickel demand is met directly by supply from mined material. On the other hand, secondary supply is met by recycled scrap products that contain nickel. Primary nickel products are classified by nickel content. These are classified as:

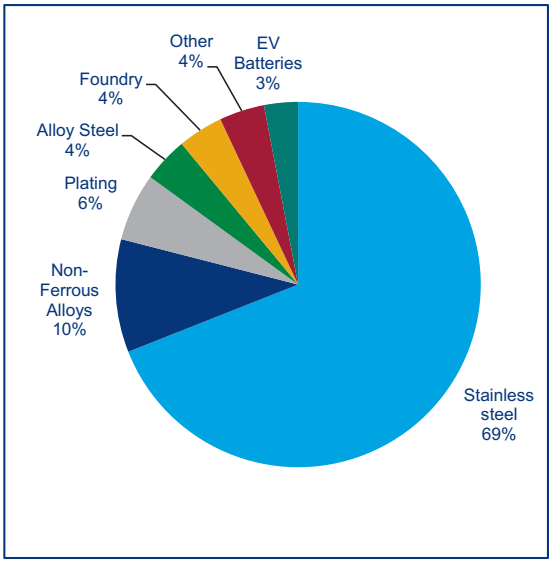
- Class 1 – Refined nickel products with a nickel content of at least 99.8%. These include
  - Electrolytic nickel
  - Pellets
  - Briquettes
  - Granules
  - Rondelles
  - Powder/flakes
- Class 2 – Charge nickel products have <99.8% contained nickel. These include:
  - Nickel pig iron and ferro-nickel
  - Nickel oxide sinter
  - Chemicals – nickel oxides/carbonates/salts etc which are used for specialty purposes or further refined

There is different demand for the types of nickel products, linked to different end uses, although there is some ability to substitute between nickel products. As shown in Figure 1, approximately 70% of nickel is consumed as an alloying element in stainless steels. Due to the size of the primary nickel market accounted for by stainless steel, the types and uses of stainless steel are central to understanding the use of nickel. Stainless steels can be broadly assigned to one of two classes:

- **Ferritic**, which account for 25-30% of production, and typically contain chromium as the only alloying element with no or very little nickel and other alloying elements. These steels have fair to good corrosion resistance, particularly to chloride stress corrosion cracking. They are magnetic and are not hardenable by heat-treatment. The corrosion resistance in ferritic steels comes from the chromium contained in the alloy. However, the addition of chromium to steel can increase its brittleness so making it more difficult to weld and form, limiting the extent to which it can be incrementally added to alloys for additional corrosion resistance. Some applications for ferritic grades include items that require corrosion resistance where surface aesthetics are less important (such as car exhaust systems), or applications in mild environments such as dishwashers and car trims.

- **Austenitic**, which account for 70-75% of production, and typically contain both chromium and nickel as the major alloying elements, with a range of additional elements depending on the grade. The nickel enhances the corrosion resistance of the chromium, making some grades of austenitic stainless steel more suitable for heavily corrosive environments. Austenitic stainless steels also have good weldability and formability properties. These steels are suitable for a wide range of uses, including cutlery, pharmaceutical manufacturing, food processing, and medical equipment.

Figure 1: Global nickel consumption by first use 2017



Source: Wood Mackenzie

The most commonly used austenitic grade of stainless steel is 300 series, which contains 8-10.5% nickel and 18-20% chromium.

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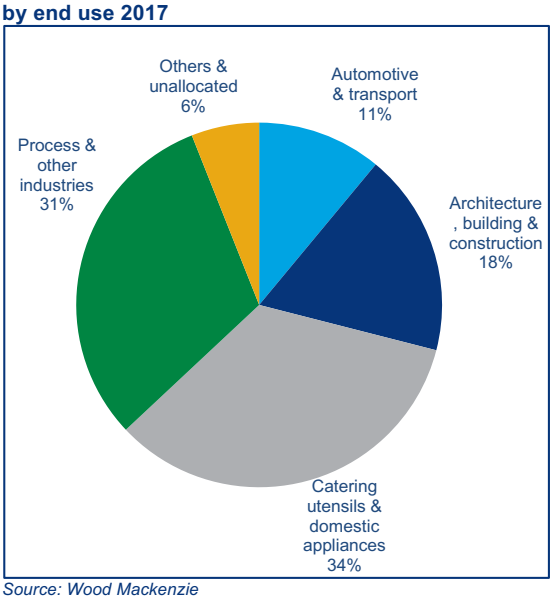
The primary uses of stainless steel are catering utensils and domestic appliances, followed by use in processing industries (Figure 2). Wood Mackenzie expects that these industries will continue to underpin demand for stainless steel. As such, growth in these industries is expected to translate into ongoing growth in stainless steel demand.

The remaining 30% of nickel is used for other purposes:

- **Alloy steel**, including tool steels and high strength steels, as well as in non-ferrous alloys, or superalloys for usage in aircraft engines, gas turbines, waste incineration and chemical processing plants, offshore oil and gas applications, and flue gas desulphurisation units.
- **Plating,** carbon steel can be plated with nickel to impart corrosion resistance, with the resulting plated steel used principally in cars and household appliances.
- **Foundry applications** for awkwardly shaped castings that cannot be cast continuously as slab or billet. Nickel is added either to increase the strength of those alloys that are not going to be heat treated, or to improve the 'hardenability' of those that are going to be heat treated.
- **Other uses,** including catalysts primarily for the hydrogenation of fats and oils and batteries (particularly in NiMH batteries).

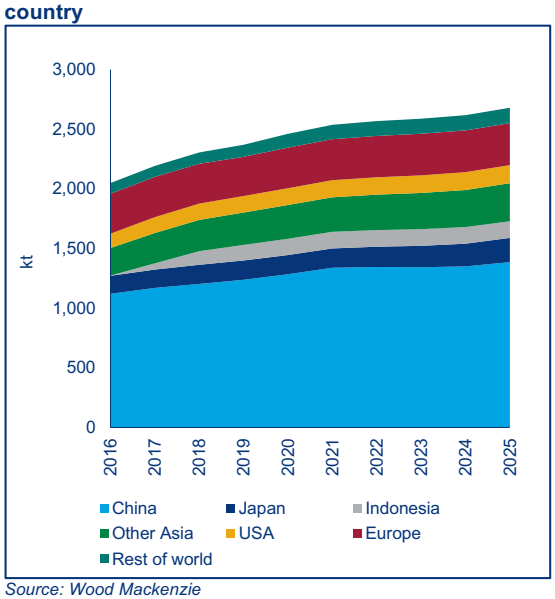
Figure 2: Global stainless steel product consumption by end use 2017



Source: Wood Mackenzie

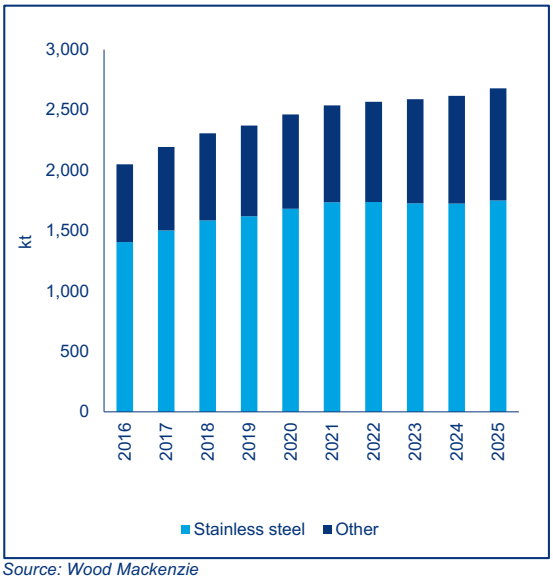
Class 1 products can be utilised both in stainless steel production and other uses while usage of Class 2 (except for chemicals) products are generally restricted to stainless steel production. Growth in demand for Class 1 products outside of stainless steel production (e.g. the growing EV battery market) is expected to create more opportunities for Class 2 product in the stainless steel industry.

Figure 3: Global primary nickel consumption by country



Source: Wood Mackenzie

Figure 4: Global primary nickel consumption by sector



Source: Wood Mackenzie

Global demand for nickel has seen significant growth in recent years, driven primarily by an increase in stainless steel production, almost exclusively in China. Demand for nickel will continue to be dominated by stainless steel although other sectors will see relatively higher growth. Demand for Class 2 nickel is boosted because of stainless steel growth, and due to the potential allocation of Class 1 to non-stainless applications which would have otherwise catered to the demand for nickel in the stainless steel sector.

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Wood Mackenzie forecasts global primary nickel demand to increase from 2.31 Mt in 2018 to 2.68 Mt in 2025 (CAGR 2.2%). Stainless steel production is the single largest demand segment for primary nickel, accounting for nearly 70% of overall demand. In recent years, demand for primary nickel consumption has increased significantly - partly as a result of the ramp-up of Tsingshan's stainless steel production facility in Indonesia (Figure 3).

Stainless steel will continue to maintain its dominant position as the primary source of demand (see Figure 4) through to 2025. Demand for nickel from stainless steel will increase by 165 ktpa from 2018 levels (CAGR 1.4%), while demand for non-stainless applications will see higher growth with the demand increasing from 720 kt in 2018 to 929 kt in 2025 (CAGR 3.7%). The highest growth in non-stainless demand comes from EV batteries, which grows from 101 kt in 2018 to 231 kt in 2025 (CAGR 12.6%).

It should be noted that for the purpose of Wood Mackenzie's demand forecasts, nickel demand is taken to be at the point of first use. In the case of stainless steel, this is at the stainless steel melt facility, not at the final location or final use of the stainless steel.

Nickel demand by sector

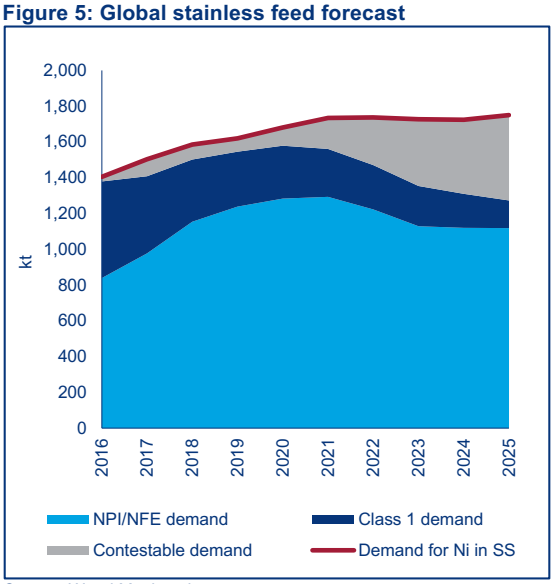
Nickel demand from stainless steel

Globally, China is the largest stainless steel producer accounting for ~51% of supply in 2018. Wood Mackenzie expects China to remain the dominant stainless steel producer rising from 25.7 Mt in 2018 to 30.3 Mt in 2025 (CAGR 2.3%). India, Japan, and the US comprise the remainder of the top 4 stainless steel producing countries. Together these producers account for over 70% of global stainless production.

Wood Mackenzie forecasts world stainless melt output to be 50.1 Mt in 2018, driven by growth in the industries that are the predominant users of stainless steel. The ramp up at Tsingshan Indonesia will support ongoing growth through 2019 (see Figure 6). Growth will then moderate slightly, with world stainless melt production reaching 56.2 Mt in 2025 (CAGR 1.7%).

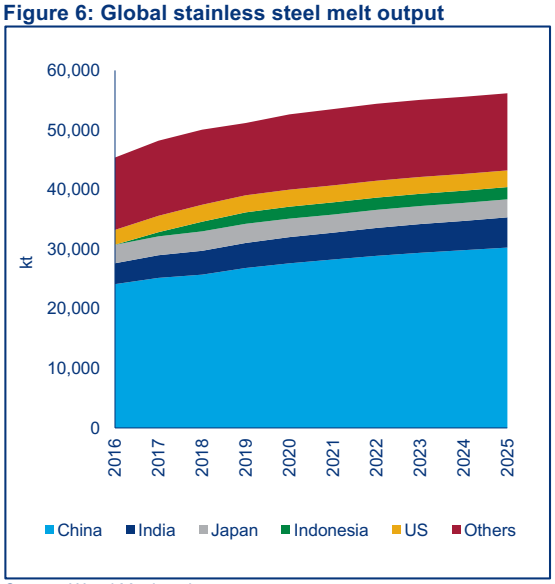
Class 1 nickel is estimated to comprise 27% or 424 kt of nickel used in stainless steel in 2018. With Class 1 nickel increasingly being diverted to battery manufacturing, there is an upside potential for NPI/FeNi demand to increase market share in stainless steel production if Class 1 product is diverted to other uses. Should this occur, use of Class 1 nickel in EV batteries increases from 100 kt in 2018 to 231 kt in 2025 (CAGR 12.6%). Wood Mackenzie forecasts that the share of NPI/FeNi in stainless steel could rise from the 73% level of 2018 to 91% in 2025, if it is more competitive than Class 1 for the portion of the market that is contestable (see Figure 5).

Figure 5: Global stainless feed forecast



Source: Wood Mackenzie

Figure 6: Global stainless steel melt output



Source: Wood Mackenzie

Other nickel demand

Non-stainless demand for nickel will rise from 720 kt in 2018 to 929 kt in 2025 (CAGR 3.7%). The leading non-stainless steel uses of nickel are in non-ferrous alloys, at 232 kt in 2018. However, the majority of growth in non-stainless demand will be driven by EV battery manufacturing, accounting for 131 kt (62%) of the increase in demand. By 2025, battery manufacturing will have moved to the second largest non-stainless demand segment for nickel, with only slightly lower demand than non-ferrous alloys.

Battery manufacturing is a strong growth area with the move towards EVs as replacements for standard internal combustion engine ('ICE') vehicles. Although this is already the leading growth area in non-stainless nickel demand, there is additional upside potential

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in the case of more rapid decarbonisation and technology developments. Growth in this segment will be driven by both the uptake of electric vehicles, as well as by the chemistry of the batteries that are being used.

Uptake of electric vehicles is currently being driven by government policies, but will also in future be driven by the technology choices of car manufacturers, as well as by the cost of ownership for consumers.

EV sales have been concentrated in the US, Europe and China. EVs include both plug-in hybrid electric vehicles and battery electric vehicles. Incentives have played an important role in the sale of EVs and will continue to be the main catalyst in the near to mid-term. As these are phased out, EVs are expected to compete from an economic standpoint with ICE models, as decreasing battery costs allow EVs to move from niche markets to larger auto market segments. With government policy shifting toward electrified transport due to carbon and other pollutant mitigation efforts, a number of auto-manufacturing incumbents have announced plans to introduce electric car options for their existing line-ups as well as new models.

The chemistry of the batteries that will be used in EVs is evolving to maximise energy density whilst also giving consideration to raw material costs and supply chain security. This is a slow process due to the technology development cycle, as well as a degree of conservatism associated with safety considerations for new battery formulations.

There are two basic types of EV batteries containing nickel: nickel metal hydride ('NiMH') and lithium ion ('Li-ion'). NiMH has long been the preferred battery type in hybrid EVs although Wood Mackenzie expects it to be largely replaced by Li-ion chemistries by 2025. Li-ion batteries are generally seen as the key component in moving EVs away beyond a niche market from both a cost and technological perspective.

Not all Li-ion variants contain nickel (e.g., lithium iron phosphate, LFP) but the present consensus is that NCM (NiCoMn) and NCA (NiCoAl) will be the dominant formulations of the foreseeable future. The portion of nickel in NCM batteries will also increase, partly in response to the impact of high cobalt prices on battery cost, but also because of the improved energy density that nickel imparts. Thus the preference looks set to evolve from NCM 111 (20% Ni), to NCM 523 or 622 (30-36% Ni). An additional variant, NCM 811 (48% Ni), is under development, although the rigours of testing and certification indicate that commercial use of such a battery is no closer than 3-5 years away.

Battery costs have already fallen by more than 70% since 2010, allowing for longer-range vehicles to be developed. As battery costs continue to fall, and other cost reductions are realised through lightweighting and the lower number of moving parts in EVs, the price incentive for consumers to purchase EVs will replace the current policy incentives that are likely to be phased out in the medium term.

Demand by country

Despite demand growth being higher in other countries, primary nickel demand across both product classes will continue to be dominated by China out to 2025 due to the already large demand base. Indonesia will see the largest growth due to rapid expansion of Tsingshan's integrated stainless steel plant in Indonesia.

Specifically it is stainless steel producers in China that are expected to drive demand for nickel.

China

At 1.17 Mt, Chinese nickel demand accounted for over half of global nickel consumption in 2017. Wood Mackenzie forecasts Chinese demand will grow from 1.20 Mt in 2018 to 1.39 Mt in 2025 (CAGR 2.0%). The Chinese government will continue its efforts to rationalise overcapacity in the steel industry, which has moderated future nickel demand growth. However, the majority of the remaining growth in stainless steel production will be of 300 series, which will continue to drive nickel demand.

Non-stainless applications such as other alloys and plating will see relatively higher growth, albeit from a low base of demand. This includes an increase of 40 ktpa demand for nickel for EV batteries, from 43 kt in 2018 to 83 kt in 2025 (CAGR 9.9%) based on our assessment of $NiSO_4$ production expansion in China.

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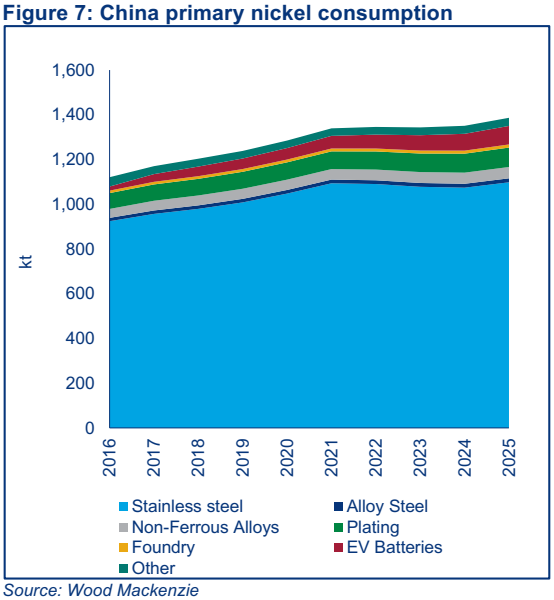
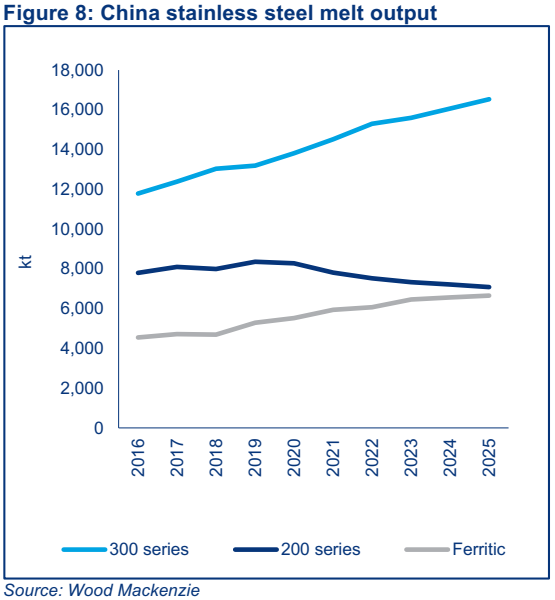
Figure 7: China primary nickel consumption



Source: Wood Mackenzie

Figure 8: China stainless steel melt output

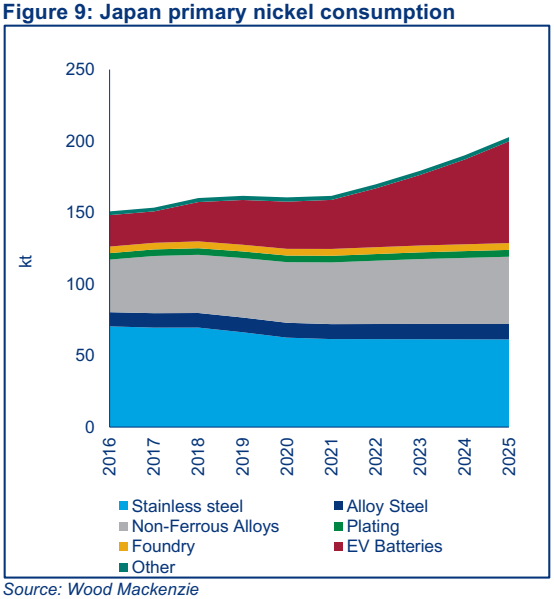


Source: Wood Mackenzie

Japan

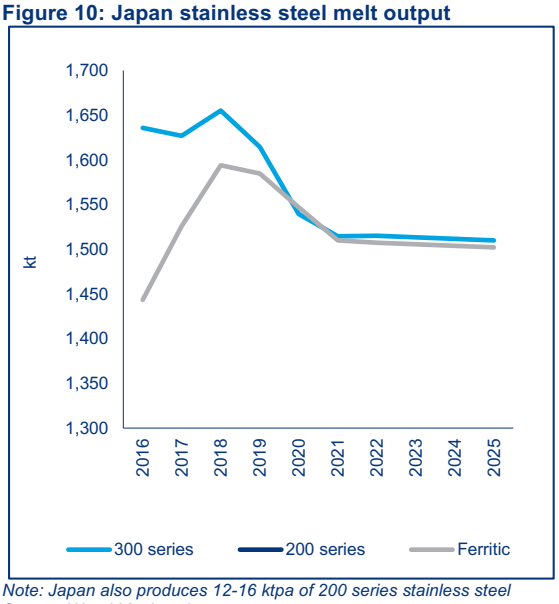
Japan accounted for 7.0% of global nickel demand in 2017. Wood Mackenzie forecast that nickel demand in Japan will grow from 160.2 kt in 2018 to 202.8 kt in 2025 (CAGR 3.4%), driven primarily by non-stainless steel sector. Japan's stainless steel market is mature. As a result, Wood Mackenzie forecasts a slight decline in stainless steel output from 3.3 Mt in 2018 to 3.0 Mt in 2025 (CAGR -1.1%). However, potential upside for nickel demand in Japan has become apparent through a focus on financial improvement by industry players, particularly through enhanced margins stemming from product innovation and alternative material replacement.

Figure 9: Japan primary nickel consumption



Source: Wood Mackenzie

Figure 10: Japan stainless steel melt output



Note: Japan also produces 12-16 ktpa of 200 series stainless steel
Source: Wood Mackenzie

Outside stainless steel, nickel demand growth has better prospects in Japan than in most other countries. Primary metal consumption in these sectors is projected to increase from 91 kt in 2018 to 142 kt by 2025 (CAGR 6.6%). The automotive sector will drive demand growth for plating, alloy steels and foundry forecasts while battery demand from electric vehicle will drive up nickel demand from 27.5 kt in 2018 to 71 kt in 2025 (CAGR 14.5%).

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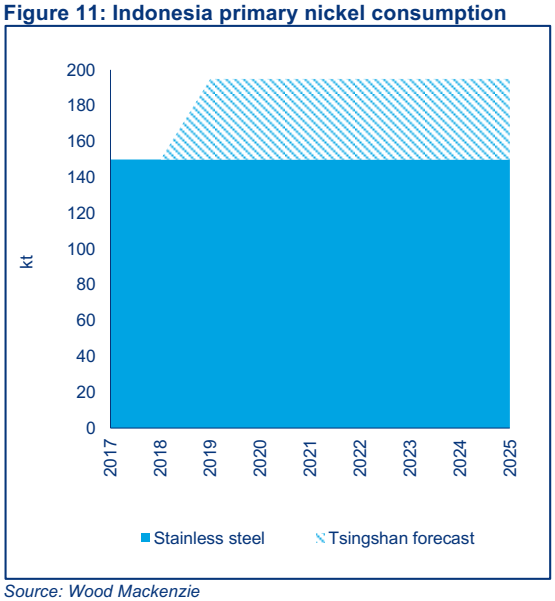
Indonesia

The development of Tsingshan's Indonesian Morowali Industrial Park ('IMIP') was primarily in response to the Indonesian Government's policy banning the exportation of unprocessed minerals in order to encourage downstream processing in Indonesia. With NPI being the predominant component of stainless steel (~65%), Tsingshan's rapidly expanding stainless steel production base has resulted in increasing NPI feed.

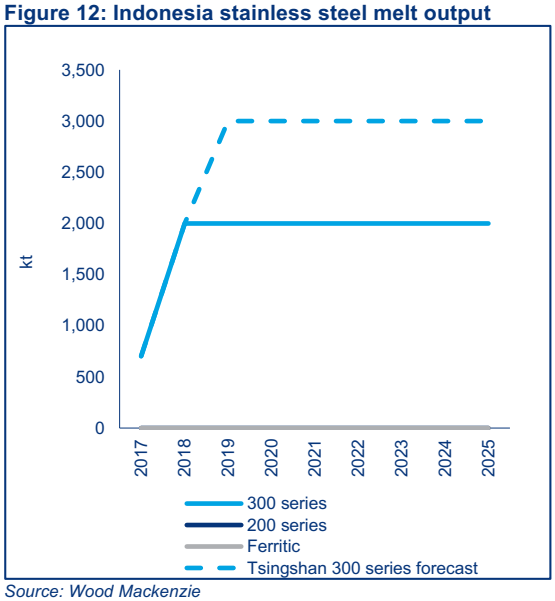
Wood Mackenzie notes that Tsingshan has announced its intentions to increase its stainless steel output from the IMIP from 2 Mtpa to 3 Mtpa by 2019, a move that would further increase its requirement for NPI generated nickel units to 195 kt. Tsingshan's RKEF plants have already achieved production of 150 kt in 2017 and will continue to ramp up the capacity including Nickel Mines' new plant to cater to the total feed requirement of 195 kt.

Figure 11: Indonesia primary nickel consumption



Source: Wood Mackenzie

Figure 12: Indonesia stainless steel melt output



Source: Wood Mackenzie

Should stainless steel output from the IMIP successfully increase to these levels it is Tsingshan's expectation, given its highly competitive cost structure (see Project Benchmarking), that this additional capacity would displace higher cost producers.

United States

The US accounted for 6.1% of global primary nickel demand in 2017. Wood Mackenzie forecasts this will fall to 5.7% by 2020 and remain around this level out to 2025. Primary demand in the US will grow from 136 kt in 2018 to 152 kt in 2025 (CAGR 1.5%), driven primarily by non-ferrous alloys.

Nickel consumption rates in stainless steel manufacturing have been declining due to increased scrap consumption. However, the proportion of scrap used in stainless steel manufacturing has plateaued, halting declines in primary nickel and leaving nickel demand around 37-38 ktpa between 2018 and 2025.

Nickel demand in non-stainless in the US will be sustained by growth in superalloys for aerospace and automotive applications. Support from the government for the main players in the former, and from the public in its need for private transport for the latter, will effectively guarantee the survival of these demand segments over the long term despite any short term volatility. The nickel-based metals and materials used in both sectors will remain relatively stable, despite the potential for significant changes in other metals (for example, carbon steel body skins moving to aluminium).

As with other locations, if the US follows the global move to vehicle electrification, this will provide a potential growth area for nickel demand. The main company in the US EV industry is Tesla. However, to date, Tesla has imported EV battery packs with nickel substrates made by Panasonic in Japan. As a result, there will be no reflection of higher first use US nickel demand in this application until this arrangement changes. Tesla may eventually make nickel/cobalt chemicals at its Reno, Nevada facility, and other players might follow its lead elsewhere. For that reason, the Wood Mackenzie forecasts nickel in EV batteries in the US to grow from 2.0 kt in 2018 to 3.0 kt in 2025 (CAGR 5.9%).

There is likely to be minimal impact on global primary nickel demand due to recent tariffs on steel imports due to the high proportion of scrap use in US mills. While the tariffs have not been finalised they could impact Indonesian imports and Allegheny Technologies Incorporated ('ATI') has begun the process to gain an exemption.

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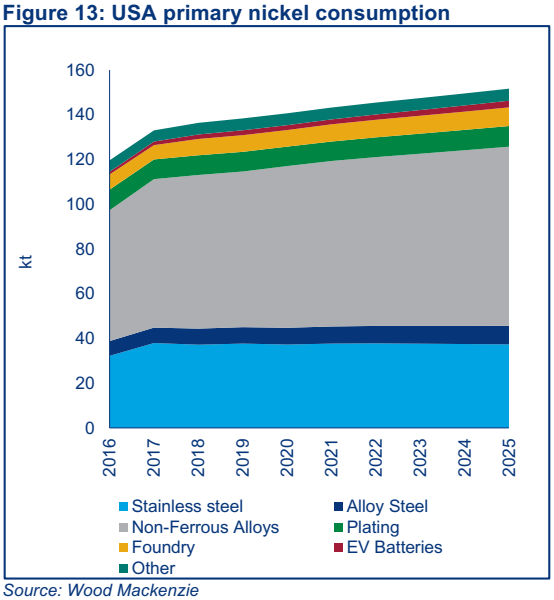
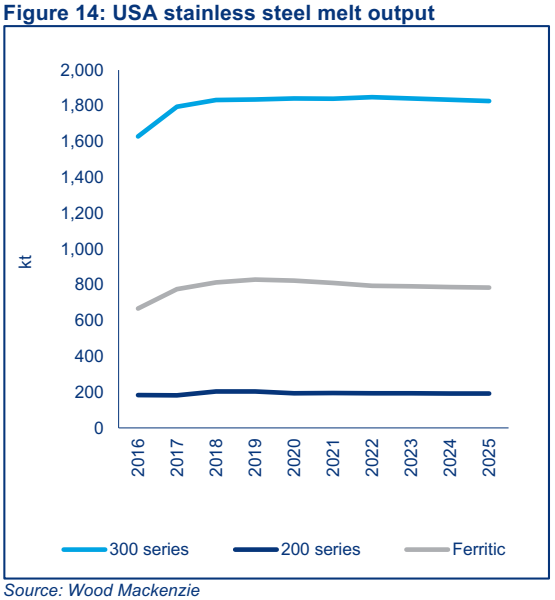
Figure 13: USA primary nickel consumption



Source: Wood Mackenzie

Figure 14: USA stainless steel melt output

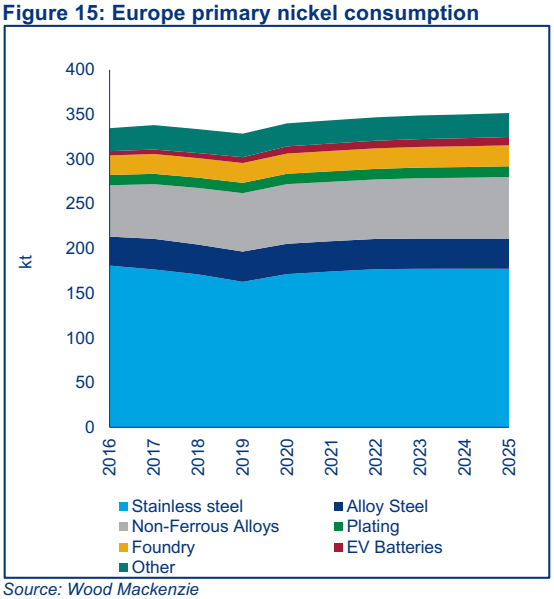


Source: Wood Mackenzie

Europe

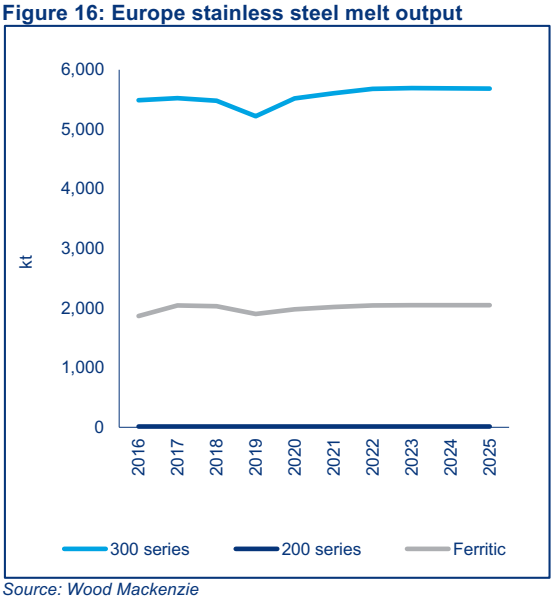
Wood Mackenzie forecasts European stainless output to grow from 7.5 Mt in 2018 to 7.8 Mt in 2025 (CAGR 0.4%). Primary nickel demand in stainless steel will increase in line with stainless steel output, from 171.1 ktpa in 2018 to 177.5 ktpa in 2025 (CAGR 0.5%). Continued uncertainty due to Brexit is likely to undermine the market from mid-2018.

Figure 15: Europe primary nickel consumption



Source: Wood Mackenzie

Figure 16: Europe stainless steel melt output



Source: Wood Mackenzie

Aside from Brexit, the forecast also depends on producers maintaining their share of the European market and, potentially, growing niche markets overseas, particularly in Asia and China. However, the market share of domestic players in their home market remains under pressure from ex-region imports, despite the imposition of dumping duties on cold-rolled imports from China and Taiwan. South Korean stainless steel, which is not subject to duties, continues to penetrate the European market. Imports from Taiwan, which are understood to largely be re-rolled material originally from China, have also increased despite duties. Chinese producers are also circumventing duties by exporting increasing volumes of hot rolled stainless to Europe.

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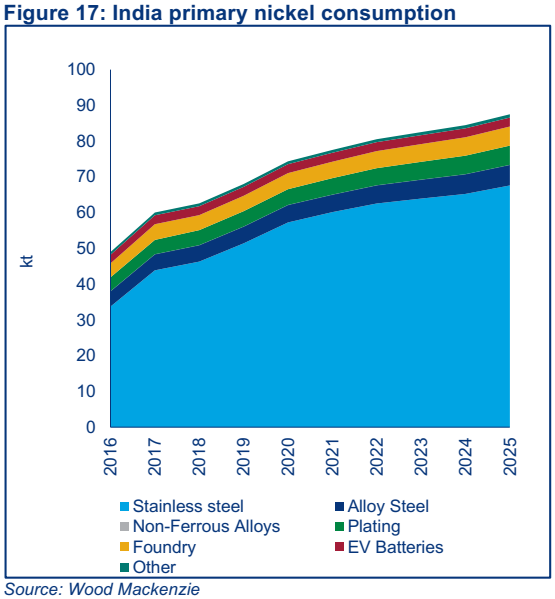
India

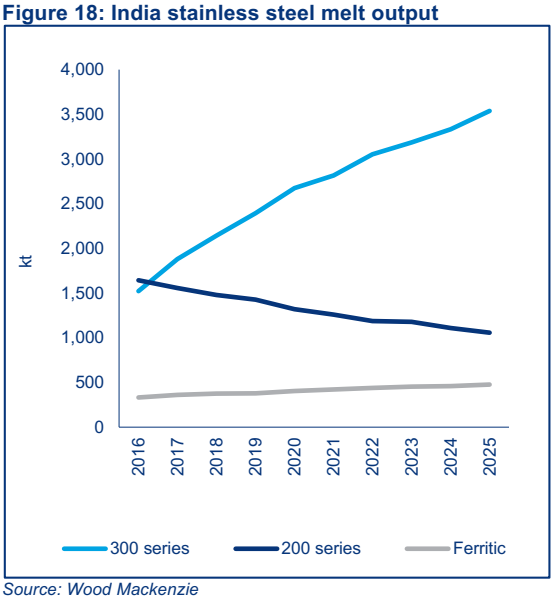
Wood Mackenzie forecasts primary nickel demand in India to increase from 62.6 kt in 2018 to 87.5 kt in 2025 (CAGR 4.9%). The majority of this demand will come from stainless steel production, which will see an increase in primary nickel demand from 46.3 kt in 2018 to 67.6 kt in 2025 (CAGR 5.6%). Whilst smaller stainless steel producers already appear to be operating at capacity, the growth is coming from some of the larger stainless steel producers whose plants have been underutilised. The growth in stainless melt output will come at the expense of the informal sector producing "patta" – hand-processed sheet and blanks for household/kitchen end-uses, predominantly produced from scrap. This has been driven by demand for higher quality steels, as shown by the rise in 300 series stainless steel in Figure 18.

Figure 17: India primary nickel consumption



Source: Wood Mackenzie

Figure 18: India stainless steel melt output



Source: Wood Mackenzie

India is also set to become the destination of the downstream processing of some of the stainless slab produced at Tsingshan's plant in Indonesia. Development has started on a new facility in Mundra. The first stage of development is a 600 ktpa capacity cold-rolling mill that will take in hot-rolled coil from Indonesia. Wood Mackenzie expects production to become available from this new Indian venture by late 2019, or early 2020. A second stage will see slab delivered from Indonesia for hot rolling at Mundra. There is potential for complete backward integration as a third stage at a later date, however the plant at this stage will be utilised for downstream processing only and will not contribute to primary nickel demand.

Supply

Nickel production

There are two main types of nickel ore - sulphides and laterites:

- **Nickel sulphides** (that is ores containing nickel bonded with sulphur) account for roughly 30% of global resources, with more than 95% of these resources held in intrusive orebodies. Many sulphide ores contain valuable, recoverable by-products that include copper, cobalt, platinum group metals, gold and silver. The Sudbury deposits in Canada, the Norilsk-Talnakh deposits in Russia, and the Bushveld Igneous Complex in South Africa are examples of some of the principal deposits in this class.
- **Nickel laterites** (that is ores containing nickel bonded with oxygen, along with other elements) account for roughly 70% of global resources. Laterites are formed through weathering and can be further sub-classified into Limonites (nickel bonded with hydroxides) or Saprolites (nickel bonded with silicates). Limonite ores account for roughly 70% of laterites with saprolites account for the remaining 30%. In general limonite ores are high in iron and low in magnesia, and saprolite ores are low in iron and high in magnesia. Key laterite deposits are present across Latin America and the Asia Pacific region, most notably in Indonesia, the Philippines and New Caledonia.

The type of nickel ore determines the chosen processing route. The routes for processing nickel ore to produce refined nickel or valuable intermediates are complex and vary widely between different operations. Sulphide nickel ore is mined and upgraded to a concentrate, which is smelted to produce matte and which is then refined to produce a pure nickel product (Class 1 product). Laterite nickel ore can be smelted or processed hydrometallurgically to produce a similar matte or intermediate, which is then further refined to produce various nickel products.

On a very simplified level, after milling and separating to produce a concentrate:

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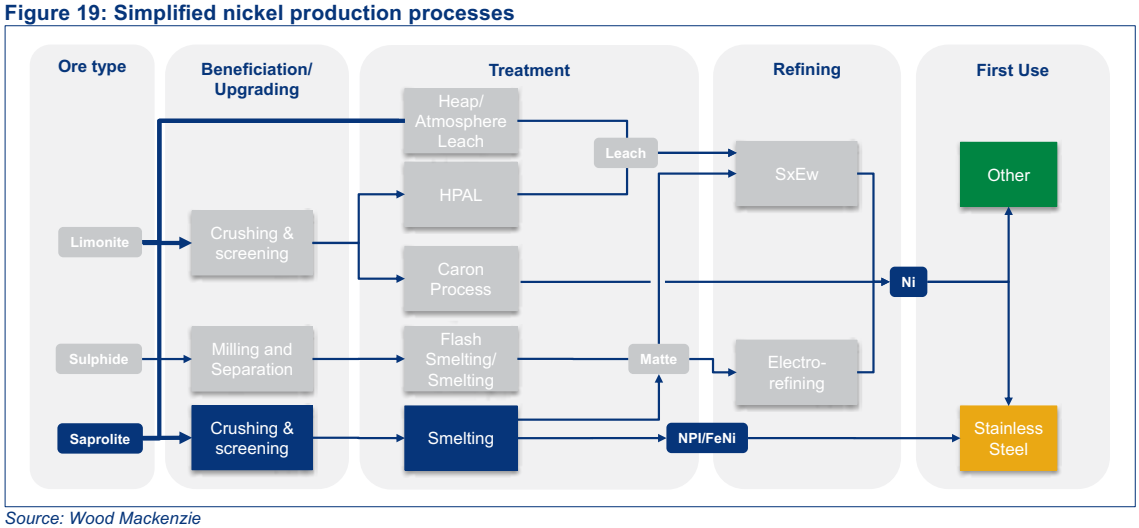
- **Sulphide concentrates** are flash smelted to produce matte, which can then be refined through either solvent extraction and electrowinning ('SxEw') or electro-refining.
- **Limonite ores,** a form of laterite ore, undergo either high pressure acid leaching ('HPAL') or the Caron process. HPAL, like atmosphere/heap leaching produces a solution which is then used as an input to SxEw, the Caron process produces pure Ni metal which does not need to be refined.
- **Saprolite ores,** a form of laterite ore, are subjected to traditional smelting to produce either an NPI/FeNi intermediate, or (with the addition of sulphur into the process) nickel matte. The matte can again be refined by either route. The NPI/FeNi intermediate (Class 2 product) can only be used directly as an input into in stainless steel production.
- **Unbeneficiated** ores can be atmospherically or heap leached to produce a leach liquor which is then used as an input to SxEw.

Figure 19: Simplified nickel production processes



Source: Wood Mackenzie

The nickel value chain is summarised in Figure 19. Saprolite from Hengjaya, which is the main product mined, is converted to NPI through the rotary kiln electric furnace ('RKEF') process. The use of electric furnaces, such as in the RKEF process, is set to become the dominant processing route due to reduced average costs of production that are the result of lower energy costs and the processing of higher ore grades.

Nickel production by ore type

Production of nickel from laterite ores has been growing over time. In 2009 finished nickel production from laterite ores overtook the amount of nickel produced from sulphide ores for the first time. While this coincided with a temporary loss of sulphide production at Vale Sudbury, due to strike action, it was primarily a consequence of a significant increase in laterite ore production in the Philippines and Indonesia as feed for the production of nickel pig iron in China. Nickel sourced from laterite has continued to be the largest source of mined nickel since then and is likely to remain so in the future.

Wood Mackenzie's base case forecast for nickel production from laterite ore is expected to increase by 3.5% per annum from 1.63 Mt in 2018 to 1.8 Mt in 2021, where it will peak. We assume Indonesia will once again ban ore exports (based on the initial 5 year relaxation of the export ban). Nickel production from sulphide ore is forecast to decline by 3.4% year-on-year from 2018 to 2025. The growth in laterite production in the last few years reflects the continued growth in NPI production both in China and Indonesia.

Growth will come from increases in New Caledonia, China, Indonesia and potentially Zambia, through the development of new projects and the ramp-up of existing operations. This growth in nickel production is expected to come primarily from laterite ore. Wood Mackenzie currently categorise three laterite projects as highly probable (included in the forecast) which could add a combined 47 ktpa to global nickel output by 2025. There are currently no sulphide projects that we consider as being highly probable. However, there are eight probable sulphide mine projects which could add 95kt Ni in concentrate to supply by 2021 and almost 150 ktpa by 2023.

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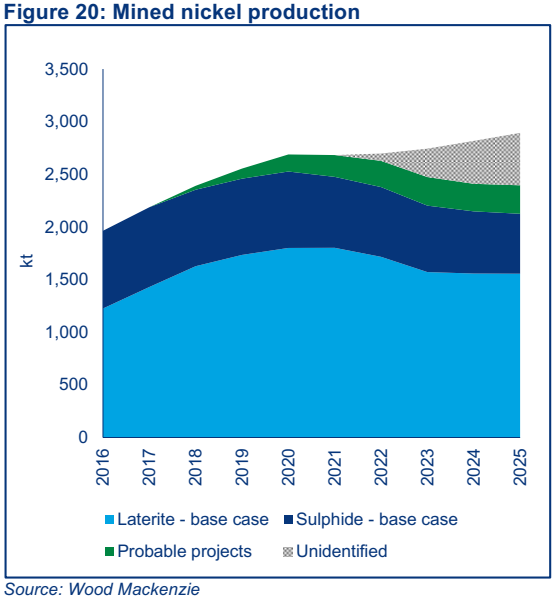
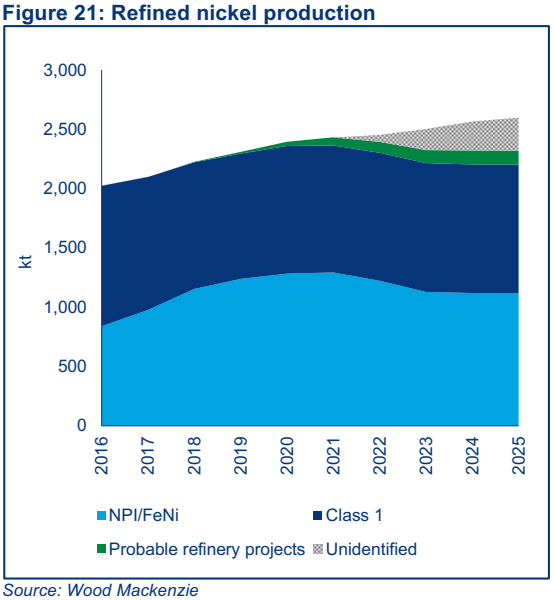
Figure 20: Mined nickel production



Source: Wood Mackenzie

Figure 21: Refined nickel production



Source: Wood Mackenzie

NPI production

The growth of mined nickel from laterites is partially reflected in the growth of NPI. Forecast short term growth in nickel production comes from increased NPI/FeNi production, which will grow at 3.9% CAGR from 2018 to 2021. Given the forecast decline in mined nickel from sulphide ore, and the continued strength in stainless steel production, it is likely that additional demand will be met through increased NPI/FeNi production in China and Indonesia.

Nickel industry and market structure

The nickel industry can also be segmented into integrated production and non-integrated production.

Integrated production occurs when the mining, smelting and refining stages of nickel production are carried out by a single company. Production is classed as non-integrated when some or all of the three processing stages are completed by separate companies. Although historic integrated production has been associated with major sulphide mines, companies such as Glencore and Sumitomo have integrated laterite operations. Integrated operation reduces offtake related risks for intermediate products, but requires greater investment and capability development and can create a risk of underutilisation in specific production stages.

Historically large scale nickel production, based on large nickel sulphide resource bases, was dominated by integrated nickel producers. Similarly nickel produced from laterites would often be linked with downstream processing that was partially owned by the same company. This resulted in a large degree of supply concentration with less than a dozen producers accounting for over 70% of refined nickel output globally, creating often insurmountable barriers to new entrants wanting to enter the business.

The traditional industry structure has changed, triggered by declines in sulphide ore reserves, associated with integrated producers. To maintain throughput, smelters have externally sourced nickel concentrate, creating a custom concentrate market. This has enabled the exploitation of small sulphide resources, which could not support a discrete smelter. In the laterites, there have also been new opportunities for direct selling of ore, in particular to the Chinese NPI sector, or producing and selling more complex intermediate products to third parties for final refining.

There is now a well-established, non-integrated international and seaborne trade for nickel intermediates. These include lateritic ore, NPI/FeNi, sulphide concentrate and smelter matte. The most significant trade is the purchase of lateritic ores by Chinese consumers, who produce NPI/FeNi for sale to separate refining companies domestically. This trade grew out of the lack of domestic Chinese ore resources, and the significant increase in demand for NPI/FeNi for stainless steel production. Further evolution has been triggered by the Indonesian nickel ore export ban between 2014-2017 which saw an investment in downstream processing in Indonesia. Much of this investment is effectively vertical integration of Chinese stainless steel producers. This is ultimately expected to result in a reduction in trade of laterite ore, replaced by an increase in processed nickel and stainless steel out of Indonesia.

A much larger number of companies are now involved in the nickel supply chain, particularly when considering those producing, selling and using nickel intermediates and Class 2 nickel products.

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Market concentration of nickel supply

The top five nickel producing companies account for nearly 40% of global refined production. In addition to being a major producer of refined nickel, Tsingshan is also the largest producer of stainless steel globally.

Market share of the top producing companies has declined in recent years due to the growth in the number of NPI producers in China. However, this still clearly illustrates the dominance of the major producers in the industry. Given the high capital costs involved in building smelting and refining capacity it is unlikely that the position of a relatively small number of companies producing the bulk of finished nickel production will change.

Production of Class 2 nickel products is relatively fragmented and the end use for these products is dominated by the production of stainless steel. Production of nickel intermediates and/or Class 2 nickel is often located in jurisdictions with higher risk of disruption. As a result, despite the growth in the international trade of nickel intermediates, there are new examples of actual and virtual vertical integration. Key benefits include greater security of supply of Class 2 nickel products for a stainless steel producer and greater offtake certainty for the producer of Class 2 nickel products.

It is Wood Mackenzie's opinion that Nickel Mines' NPI production has a logical destination in Tsingshan's integrated stainless steel plant, thus reducing the offtake risk. With Tsingshan aiming to increase stainless steel capacity from 2 Mtpa to 3 Mtpa by the second half of 2019, NPI requirements will need to increase from current levels of approximately 1.5 Mtpa to around 1.95 Mtpa.

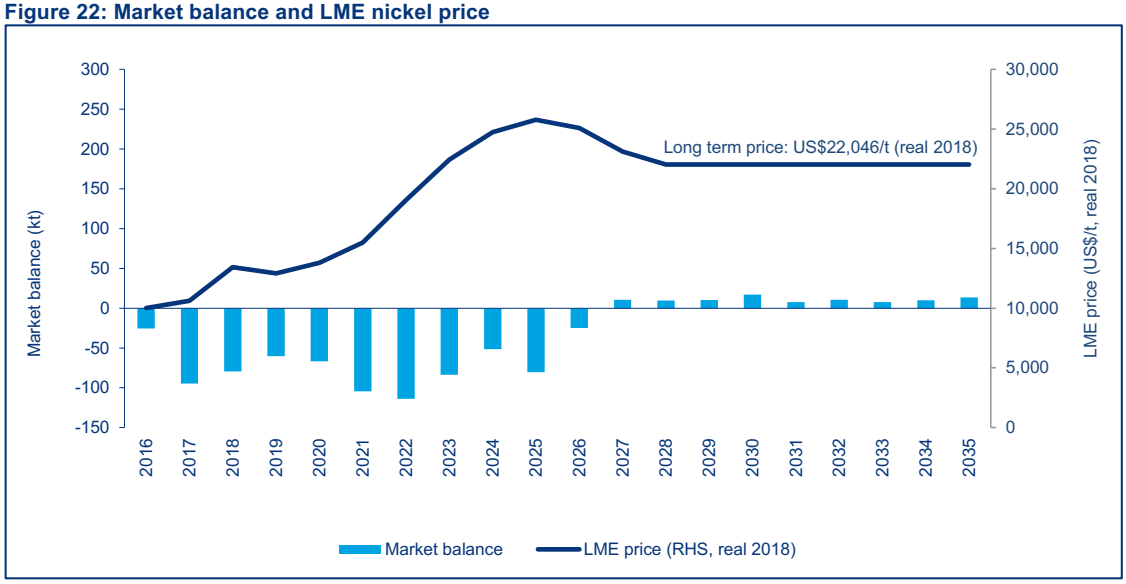
Price forecast

Market balance and pricing

Wood Mackenzie forecasts the LME nickel price to rise over the short and medium term. The price will peak at US$25,800/t (real 2018) in 2025. This will be driven by multiple years of market deficits that have already started. From 2026 the price will decline slightly before plateauing at the long term incentive price of just over US$22,000/t (real 2018). The decline in price will coincide with the market moving back towards surpluses, which will be achieved from 2027 onwards.

Over the medium term, the additional requirement for new nickel supply (after including highly probable projects) increases from 5 kt in 2018 to 398 kt in 2025. 49% of the increase in global primary nickel demand comes from China, with additional demand from Chinese projects, including in Indonesia at a comparatively lower cost. With probable projects capable of supplying around 30% of this requirement by 2025, nickel from other unidentified sources (drawn from Wood Mackenzie's database of possible projects) will be needed from 2022 when Indonesian exports of nickel ore are potentially curtailed.

Figure 22: Market balance and LME nickel price



Source: Wood Mackenzie

NPI pricing

Historically the NPI price has closely followed the benchmark LME nickel price, with a premium or discount adjustment. The premium or discount depends on the prevailing market conditions. Given NPI is predominantly used in the stainless steel market, the price is largely affected by the market activity of the major stainless steel producers and the value they are prepared to pay at any given moment.

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Additionally, Wood Mackenzie notes that any downside NPI pricing risk to Nickel Mines is mitigated under the CSA where SDI has agreed to purchase all SPV Holdco's NPI product at a floor price of 90% of the LME price.

Risks to the Forecast

Upside and downside risks to our base case forecasts have been outlined below:

Stainless steel

A risk to the nickel market forecast is related to the strategy of Tsingshan – the world's largest stainless steel producer. With two 1 Mtpa stainless lines now producing in Indonesia and with a third 1Mtpa line under development, there is a downside risk of pushing Chinese and global market towards oversupply. Tsingshan is increasingly looking to sell its product into new export markets so as to not push the Chinese steel market towards oversupply. Tsingshan has been in the process of rolling out its overseas downstream processing network even while its stainless steel lines were under construction within the IMIP. At present, Tsingshan has a controlling stake in three overseas cold rolling mills, one of which is operational in Indonesia with an annual output of 300,000 tons, one under construction in India with an annual output of 600,000 tons and another one in the USA with available capacity of 300,000 tons that is being expanded to 600,000 tons. All three mills have and will secure their source material from the hot rolling stainless steel produced from the IMIP. With the expansion of sales to Europe, South Korea and Chinese Taiwan, it is expected that by 2019, or 2020 at the latest, sales volume to areas outside mainland China will exceed 2.1 Mtpa. In the meantime, the scale of Tsingshan's operations mean that any ramp up or cut back has the potential to affect a portion of global nickel demand that is sufficiently large to move nickel prices price up or down. Due to Tsingshan's position as a low cost producer of stainless steel, any increase in their stainless steel output that is in excess of demand will also likely push down stainless prices, which in turn will displace more expensive competitors and return the market to equilibrium.

Tariffs

The impact of US tariffs on the global primary nickel market is not likely to be felt from changes within the US market due to the high proportion of scrap usage. As such the increase in primary nickel requirements will be commensurately low if the domestic mills can replace some of that lost import tonnage. However, if Tsingshan's Indonesian melt shop stops exporting slab to ATI, it could mean lower utilisation of its second melting line and a reduction in primary nickel unit consumption. It might also force Tsingshan to delay the start up of its third 1 Mtpa stainless melt shop, which is currently scheduled for commissioning in Q3 2018. Tsingshan believe that as one of the lowest cost producers, their plans to ramp up to 3 Mtpa of stainless steel production will not be affected by the tariffs (given the involvement of ATI).

Battery types

Another risk to Wood Mackenzie's forecast comes from the potential expansion of the global EV fleet and the impact this will have on nickel demand in batteries. EVs depend on a range of battery types for their power, some of which contain nickel, such as NiMH (in hybrids) and NCM or NCA variants of Li-ion (in plug-ins and full EVs). The quantity of nickel contained in these batteries also varies but in Li-ion types nickel accounts for approximately 25-50% by weight of the cathode material. The current consensus is that NCM is likely to be the dominant battery type over the next ten years, signalling that a substantial boost to nickel demand is possible.

Project overview

Processing Operations

SPV Holdco is a joint venture between Nickel Mines and SDI that will see the construction and operation of a 2-line RKEF plant with Nickel Mines' 80% owned HM mine supplying the predominant feedstock to the plant. The Project sits within the Indonesian Morowali Industrial Park ('IMIP') (Figure 23), a 2,000 hectare industrial zone established in 2013 to facilitate the Indonesian Government's vision of building a downstream processing industry for the country's vast mineral resources.

IMIP is managed by PT. Indonesia Morowali Industrial Park of which SDI is the major shareholder and operator. Within the IMIP, SDI have established the world's longest fully integrated NPI/stainless steel production chain with the park complete with its own 1.26GW power plant, coking plant, lime plant, acid plant and port facilities ensuring a logistically streamlined operational process. Current and planned infrastructure is presented in Table 1.

Figure 23: Project location map

Source: Wood Mackenzie

Table 1: IMIP current and planned infrastructure

Current facility	Current Capacity	Planned Capacity Expansion	Ultimate Capacity
NPI Line	1.5 Mtpa	0.45 Mtpa	1.95 Mtpa
Carbon Steel Plant	0.5 Mtpa	3.0 Mtpa	3.5 Mtpa
Stainless Steel Plant	2.0 Mtpa	1.0 Mtpa	3 Mtpa
Power Plant	1,260 MW	700 MW	1,960 MW

Source: Nickel Mines

With Tsingshan being a global leader in RKEF processing technology, Nickel Mines will be a direct beneficiary of SDI's construction and operational experience. 20 RKEF lines have been built and are in operation with SDI having a strong track record of on time project delivery. In relation to Nickel Mines' project, key earthworks and structural foundations are nearing completion with many of the critical plant components currently being pre-fabricated in China ahead of shipment to the IMIP.

Once construction has been completed, we understand from SDI that commissioning is expected to be not more than 3 months, after which time production is expected to be at full capacity. While the Project has an annual nameplate capacity of 150kt of NPI to produce 15 ktpa nickel metal, current operational performance suggests a higher level of output is probable. Further comment on the performance of the existing RKEF lines is made in the Technical Review below.

Mining Operations

The JV's two RKEF lines will source nickel laterite material from the Hengjaya mine which is located approximately 20km by road or 20 nautical miles by barge from the IMIP. The mine operates under an IUP Operasi/Produksi (Izin Usaha Pertambangan or mining business licence, Operation/Production) and is a contractor operation utilising truck and shovel machinery. For more than 3 years mining has been occurring from the Bete Bete pit where nickel laterite material has been transported approximately 12km along a provincial highway in 8 tonne trucks to HM's own jetty for loading into 5,000 tonne barges for shipping to the IMIP. With the recent granting of a new Pinjam Pakai (forestry production permit) mining operations are planned to move to a new production zone (the Central Zone) approximately 4.5km from the HM jetty resulting in significantly reduced haulage distances. As part of the relocation, dedicated haul roads will be also be utilised allowing for significantly larger trucks (20-30 tonnes) which will further reduce operating costs.

Current operations have been delivering approximately 50kt wmt per month (600 ktpa) of nickel laterite material to the IMIP under a contractual arrangement with Tsingshan. With the JV's two RKEF lines requiring approximately 1.5M wmt pa of nickel laterite material, the relocation of mining operations to the Central Zone, scheduled to be ready for operations in early 2019, will enable the

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HM mine to deliver on these expanded production requirements. It is also noted that there is no obligation that nickel laterite feed to the RKEF operation has to be supplied by the HM mine. IMIP is able to purchase high-grade ore from numerous nearby nickel laterite mines, making IMIP the predominant buyer of nickel laterite material being produced in the Sulawesi region.

Resources

A number of exploration programs have been undertaken with a JORC statement prepared in 2015 and updated in 2018. The deposit is comprised of weathered ultramafic material which can be classified as follows:

- Limonite with typically hosting minerals such as goethite, hematite with high Fe content (>25%), low MgO (<10%), Ni content occasionally high (>0.8%),
- Saprolite with goethite, olivine, antigorite, serpentinite, garnierite, silica commonly with lower Fe content (<25%) and higher MgO (>10%), higher Ni content (>1.5%) content. This represents the main part of the deposit.

Below the weathered zone is bed rock, which is unaltered ultramafic rocks typically with lower Ni (<0.5%) and higher MgO content.

Resources are set out in Table 2 and Table 3 below. The deposit has been classified as 34% moisture for the adjustment from wet tonnages to the dry tonnage estimates.

The tables below show PTHM's JORC compliant Resource as represented at cut-off grades between 1.5% and 2.5%. As can be seen at a 1.5% cut-off grade, PTHM has ~37.5M dry tonnes with average ore grade ~1.8%. Wood Mackenzie notes while Nickel Mines will predominantly be supplying 1.8% nickel laterite material to the IMIP, lower grade material (down to 1.6%), as currently supplied from other domestic nickel laterite mines, can be blended with higher grade materials and thus utilised through an RKEF processing route.

Table 2: JORC Resource estimate at different cut-off grades

COG (Ni%)	Dry Tonnes	Ni (%)	Co (%)	Fe (%)
1.50	**37,523,000**	**1.81**	**0.06**	**17.52**
1.60	26,308,000	1.91	0.05	16.52
1.70	18,583,000	2.01	0.06	16.20
1.80	13,725,000	2.09	0.06	16.00
1.90	9,609,000	2.17	0.06	15.76
2.00	6,370,000	2.26	0.06	15.25
2.10	4,203,000	2.34	0.07	14.41
2.20	2,622,000	2.43	0.08	14.69
2.30	1,464,000	2.54	0.10	14.46
2.40	838,000	2.65	0.12	13.81
2.50	492,000	2.77	0.15	13.23

Source: PT GMT Indonesia

Table 3: JORC Resource Statement

Category	Block	Dry Tonnes	Ni (%)	Co (%)	Fe (%)
Measured	Block B	18,000	1.70	0.03	16.00
	Block C	690,000	1.80	0.05	
Total Measured		**700,000**	**1.80**	**0.05**	**16.00**
Indicated	Bete Bete	5,500,000	1.90	0.04	15.00
	West Bete Bete	1,200,000	1.80	0.05	6.10
	Central	350,000	1.80	0.07	16.00
	Central 2	6,400,000	1.80	0.08	17.00
	Block A	890,000	1.90	0.09	40.00
	Block B	210,000	1.70	0.03	
Total Indicated		**15,000,000**	**1.90**	**0.06**	**17.00**
Inferred	Bete Bete	300,000	2.00	0.04	17.00
	West Bete Bete	900,000	1.90	0.05	12.00
	Central	17,000,000	1.80	0.05	17.00
	Central 2	2,700,000	1.70	0.08	17.00
	Block A	200,000	1.90	0.09	41.00
	Block B	600,000	2.00	0.03	15.00
	Block C	100,000	1.70	0.04	

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Total Inferred		**22,000,000**	**1.80**	**0.05**	**17.00**
Grand Total		**38,000,000**	**1.80**	**0.06**	**17.00**

Source: PT GMT Indonesia

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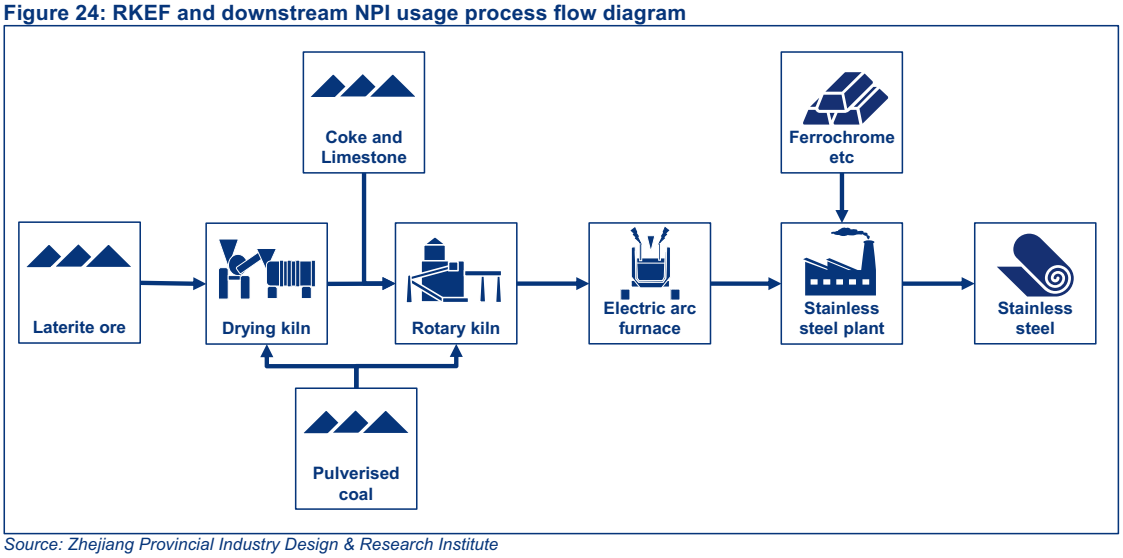
Feasibility Study Review

A feasibility study document for the proposed smelter operation was prepared by the Zhejiang Provincial Industry Design & Research Institute in November 2017. The document sets out the rationale for the project, provides an overview of the nickel market and describes the layout and design of the facilities required.

The process is summarised in Figure 24. Essentially ore is pre dried prior to mixing with carbon and limestone for charging into one of the two 4.6m diameter × 100m long rotary kilns. After roasting, the partially reduced ore is placed in one of the two 33 MW AC electric furnaces ('EAF'). Molten NPI is removed from the EAF by ladle and either cast into ingots or moved in a molten state to the stainless steel plant where it is further refined to a stainless steel product. It should be noted that by having molten material from the EAF move directly into the stainless steel plant large energy savings are achieved.

Figure 24: RKEF and downstream NPI usage process flow diagram



Source: Zhejiang Provincial Industry Design & Research Institute

The Feasibility Study Report review was carried out with two underlying objectives.

1) To assess whether the FSR contained the necessary design, engineering, operational and financial detail that would normally be expected to be included in a report of this nature; and
2) Whether there were any 'fatal flaws' within the FSR that would cause us to be concerned about the Project's ability to produce at its nameplate design capacity of 150kt of NPI per annum.

Wood Mackenzie has reviewed the following documents:

Table 4: Documentation review

Title	Author	Date	Wood Mackenzie comments
PT Hengjaya Nickel Industry Annual Output of 150,000 tons of Nickel Pig Iron Project - Feasibility Study Report	Zhejiang Provincial Industry Design & Research Institute	Nov 2017	Zhejiang is well known in China for designing NPI plant. The report covers the salient aspects of the project including: 1. Project description 2. Market analysis 3. Smelting process 4. General layout and transportation 5. Ventilation and dust 6. Thermal facilities (air and flue gas) 7. Water and drainage 8. Electricity 9. Instrumentation 10. Maintenance and testing facilities 11. Civil works 12. Energy consumption 13. Environmental protection 14. Safety 15. Fire fighting 16. Manpower

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Title	Author	Date	Wood Mackenzie comments
			17. Project budget 18. Technology and financial evaluation 19. Risks Wood Mackenzie notes the following: 1. The market analysis is based on data pre-2015. While the market has evolved since that time, Wood Mackenzie has set out more up to date analysis as part of this study and does not believe the report being based on superseded forecasts to be a material issue. 2. The smelting process is well defined. In particular we note the potential cost savings from locating the NPI plant in the same complex as the stainless facility. 3. Sourcing of inputs are well defined however contract documents have not been sighted by Wood Mackenzie. 4. Risks and uncertainties are set out in the feasibility study as: a. Policy risk – this is perhaps the highest risk to the facility. We note however the IMIP facility is a high level collaboration between Indonesia and China. b. Environmental risk – We note the feasibility study states Indonesian environmental standards shall be met. c. Production and technology risk – the feasibility study notes the technology is well understood and utilised both currently at IMIP and also in China.
Technical Review and Resource Estimation for the PT Hengjaya Mineralindo Concession Area, Kabupaten of Morowali, Province of Sulawesi Tengah, Indonesia	PT GMT Indonesia	April 2018	The JORC report was prepared in 2015 and is based on previous drilling programs and updated in 2018. The updated JORC report states that at 1.81% nickel grade there is 37.5M dry tonnes of Resource. The JORC report has been prepared by a competent person and conforms to other JORC compliant reports viewed by Wood Mackenzie.
Various planning documents	Nickel Mines Ltd	Various	Scheduling documents, pit location and haul road location plans, marketing documents.

Source: Wood Mackenzie

It is Wood Mackenzie's view that the FSR is of an acceptable standard for a project of this nature and there is nothing from a 'fatal flaw' perspective that would cause the Project to not deliver upon its nameplate specifications. Our conclusion is further supported by confirmation that there are currently 20 similar RKEF lines operating within the IMIP to validate the performance specifications of the Project.

In addition to conducting a detailed review of the FSR, Wood Mackenzie also undertook a site inspection and evaluation of IMIP. This included a tour of the operational RKEF facility and the integrated stainless steel plant. In addition, senior management from SDI were available to discuss the operation performance of the plant. According to plant management, the operational RKEF lines are producing approximately 18 ktpa of contained nickel metal at an NPI grade of ~12.5%. Given this is greater than planned for the new lines, Wood Mackenzie is comfortable in the Project's ability to achieve its nameplate capacity.

It should be noted that Wood Mackenzie has not reviewed:

- Mining business licence document
- Forestry clearance document
- Ore supply offtake contract
- Other consumables contracts

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Financial Model Review

Summary

As a key component of its engagement Wood Mackenzie conducted a critical review of the Company's financial model incorporating its current mining operations, future RKEF operations and ongoing corporate expenses. In this section, we outline our approach to this review, provide an overview of the key model assumptions and present sensitivity analyses across a range of nickel price points at the 60% RKEF ownership level.

Wood Mackenzie notes the financial model was prepared solely and exclusively by Nickel Mines and its financial advisors.

The key financial and operational information underpinning the model's assumption were provided by the Company, with respect to the HM Mine operations and corporate activities, and by SDI senior management with regards to the performance metrics of the 20 RKEF lines currently operating within the IMIP. The key operating assumptions underpinning the model's outputs were critically reviewed by Wood Mackenzie to assess their reasonableness based on the discussions with Nickel Mines local Indonesian operations team at the HM Mine and SDI senior management, a site visit to the HM mine and IMIP and a review of a key documents underpinning the project, all benchmarked against our experience and in-house models.

Having reviewed the financial model to determine the reasonableness of the underlying assumptions Wood Mackenzie also conducted an integrity check of the financial model's functionality to ensure that the represented assumptions correctly flowed through the financial model to the EBITDA and FCF outputs provided in the sensitivity tables. The HM mine operating assumptions in the financial model are assessed as reasonable by Wood Mackenzie for a direct shipping operation by the HM mine based on historic actual operating performance by the HM mine.

The operating assumptions for the 2 RKEF lines in the financial model are assessed as reasonable by Wood Mackenzie for the RKEF Project based on the historic actual operating performance of the existing and near identical 20 RKEF lines within the IMIP. While Wood Mackenzie acknowledges that there is always some degree of inherent risk in referencing the performance of the existing RKEF lines to the expected future performance of the Company's 2 RKEF lines under construction, in our opinion this risk is materially mitigated by virtue of two primary factors:

1) The design specifications of each RKEF line are near identical, thus significantly reducing construction risk and any unexpected complexities in operating performance; and,

2) Ongoing operational refinements have, and are expected to continue to see, newer RKEF lines deliver incremental improvements and cost efficiencies compared to when the initial RKEF lines were first commissioned.

The reasonableness of the assumptions contained within the Company's financial model were assessed in context of our own industry expertise and with reference to our proprietary database of project cost analytics across the stainless steel, nickel, coal and power industries. Wood Mackenzie undertook an iterative process with NML and other advisors to test the reasonableness of the assumptions from initial modelling through to final output. This included use of our in-house models and databases and more updated information from the company that was obtained through the engagement.

The Company's financial model assumes a steady state "base case" level of operating performance from mid-2020, approximately 12 months after the Company's 2 RKEF lines are expected to be in operating at full production.

The earnings before interest, tax, depreciation and amortisation ('EBITDA') and free cash flow ('FCF') sensitivity analyses presented in Tables 8, 9 and 10 below represent a 1 year EBITDA and FCF calculation of the HM mine and RKEF Project operations on a steady-state ownership basis at a range of nickel prices and +10% and +20% HM mine and RKEF Project operating costs. As these indicative financial profiles along the nickel price curve do not pertain to any single year they should not be construed as financial forecasts.

Approach

The review of the financial model involved the following three-step approach:

Step 1: Identification of high impact assumptions and model structure

This involved reviewing the financial model structure with an objective of reviewing EBITDA and FCF calculations. In this step we also identified the high impact assumptions to be reviewed in the subsequent steps.

Step 2 Review and analysis of material assumptions

The process undertaken by Wood Mackenzie to review the material assumptions was as follows:

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Key document review
Wood Mackenzie reviewed the key documents that underpin the HM mine and RKEF Project. These were:

- Collaboration and Subscription Agreement between Nickel Mines and SDI
- Feasibility Study Report
- 2018 JORC Resource statement

Site visits
Site inspections by Wood Mackenzie of both the HM mine and the IMIP supplemented our understanding of operations across both the mining and processing phases.

As part of the HM mine inspection, Wood Mackenzie discussed with key members of the Nickel Mines' local operations teams responsible for operations at the HM mine various aspects of HM mining related activities and relevant model assumptions including:

- Operating cost estimates
- Mine planning
- Commercial arrangements with the mining contractors
- Logistics
- Contribution to local developments
- Reclamation and rehabilitation

As part of these discussions, Nickel Mines' local operations team provided an overview of current mining activities along with plans to move operations to the Central Zone pit which assisted with the above matters. Wood Mackenzie also had an opportunity to inspect the NPI and stainless steel operations within the IMIP and engage in discussions with SDI senior management including key members of the operations team who were responsible for the oversight of the existing RKEF lines. In particular, Wood Mackenzie sought clarification and further information from SDI senior management on the following operational parameters to help validate the model assumptions derived from the operating performance of the existing RKEF lines:

- RKEF lines' NPI output capacity
- NPI grade
- Use of NPI and pricing arrangements
- Operating costs
- Capital costs

From Wood Mackenzie's perspective, discussions with the SDI senior management and operations team provided valuable additional information. We found the responses from management and technical to be reasonable based on our experience from other projects.

Project Benchmarking
The reasonableness of the operating assumptions underpinning the financial model were also assessed in context of our understanding of the stainless steel, nickel, coal and power industries. Wood Mackenzie routinely produces reports on these industries and has analysts and consultants who have come from industry and have first-hand experience from other projects. Wood Mackenzie maintains a proprietary database of projects across these industry sectors and the revenue and cost structures that underpin them.

The IMIP's competitiveness in the nickel/stainless steel industry is based on two key factors:

1. Low cost domestic laterite feedstock

With the Indonesian export ban in place, high grade nickel laterite material (>1.8% Ni) that might otherwise be exported, is captive to Indonesia and allows the IMIP operations to purchase this higher quality feedstock at lower prices than Chinese steel mills who are largely forced to import (incurring freight costs) lower grade material from the Philippines. It is on this basis, and with reference to monthly export pricing data that Wood Mackenzie assesses the nickel ore pricing assumptions used in the financial model to be reasonable.

2. Captive power supply

The IMIP has a purpose built, on-site 1.26GW (expanding to 1.96GW) power plant. Wood Mackenzie reviewed the energy pricing formula applied within the IMIP to tenants operating within the IMIP. This formula comprises both a capital charge and operating expense and was confirmed to be competitive and a reasonable input to the model on a kilowatt hour basis.

Based on our understanding of other projects in our database and the costs structures of these industries, "other costs" including consumables, labour, and sustaining capex are considered reasonable for an operation of this nature.

A further assessment of the cost assumptions underpinning the financial model outputs can be found in Tables 6 and 7.

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Step 3: Finalisation of assumptions

In this step, we analysed the reasonableness of the financial model's key operating assumptions taking account of the abovementioned documents and key learnings from our discussions with Nickel Mines and SDI management.

Nickel Mines provided Wood Mackenzie EBITDA and FCF sensitivity analyses calculations which Wood Mackenzie found to be reasonable based on the documentation review, information provided on the site visit and from our experience and models.

Assumptions Review

Adopting the approach outlined in the section above Wood Mackenzie has provided a view on the reasonableness of all key assumptions in the financial model as explained in Table 5 and Table 6Table 5 It should be noted that the operating assumptions presented in Table 6 and Table 7 are reflective of current operating performance and may change over time in line with commodity prices and operating conditions.

Table 5: Mine related assumptions

Assumptions	Assumed value	Wood Mackenzie comments
Ore price (US$/wmt)	28.5	Tsingshan is the predominant buyer of nickel ore being produced in the Sulawesi region and is currently buying ore with an average grade of 1.90% Ni and average moisture content of 36% for ~US$31/wmt which reflects an LME nickel price of ~US$14,000/t. The assumed 'base case' price in the model of US$28.50/wmt has been arrived at after adjusting for the grade and moisture content of the ore estimated to be delivered by Nickel Mines with reference to the 1.90% grade ore at ~US$14,000/t Ni. For the purposes of the sensitivity analysis, ore prices are assumed to be positively correlated with changes in LME nickel. This translates to an assumed ore price range of: • US$18.5/wmt for 1.9% grade ore at US$8,000/t Ni; to • US$33/wmt at US$16,000/t Ni. It should be noted that ore prices have been capped for the purposes of sensitivity analysis at US$33/wmt to reflect the purchasing power of Tsingshan with regards to ore entering the IMIP. In Wood Mackenzie's view the ore price assumption is reasonable based on the above and the rationale regarding the Indonesian laterite export ban discussed above.
Ore grade (%)	1.81	Average life of the mine Resource grade has been assumed as per the JORC Resource statement. Refer to the JORC Resource statement for basis.
Mining cost (US$/wmt)	16.0	Mining costs of US$16/wmt have been estimated based on mining a new pit in the recently acquired Pinjam Pakai. The new pit is significantly closer to the port than the current Bete Bete pit meaning a material reduction in haulage distances. With designated haul roads linking the pit to the port, larger tonnage trucks can also be utilised further improving operating efficiencies. The cost of US$16/wmt is considered reasonable for an operation of this nature and is also inclusive of local royalties, reclamation costs and contingencies.
Royalty rate (%)	5.0	The model assumes the production royalty at the rate of 5% of revenue based on the government mandated nickel ore price which is in line with the current regulations.
Capital cost (US$M)	7.5	Capital expenditure of US$7.5M has been provided for improvements at Hengjaya mine. This is considered sufficient to upgrade haulage roads and trucking fleet and expand port capacity to cater for the ~1.5Mt of nickel laterite material required to feed Nickel Mines' RKEF lines (current mining rates are ~600 ktpa).

Table 6: RKEF related assumptions

Assumptions	Assumed value	Wood Mackenzie comments

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Assumptions	Assumed value	Wood Mackenzie comments
Production (kt of NPI – gross)	150.0	Assumed production of 150 ktpa (gross NPI) is in line with the planned capacity of the plant. Based on Wood Mackenzie's review of the FSR and other aspects of its review and site visit, we are of view that the there is nothing from a "fatal flaw" perspective that would cause the RKEF Project to not deliver upon its nameplate specifications.
Long term nickel price (US$/t contained Ni)	Nickel prices ranging from US$8,000/t – US$18,000/t	The model runs sensitivities at a range of prices from US$8,000/t to US$18,000/t for Class I grade nickel traded on LME to calculate EBITDA and FCF. In the longer term as the market for NPI and Class I nickel bifurcates due to rapidly growing demand from battery segment, it is possible that NPI may attract some discount to LME Class 1 price. For further comment on nickel prices refer to the NPI Pricing section in the Nickel Market Assessment. Given Wood Mackenzie's long term nickel price outlook, the price range used for the EBITDA and FCF calculations considered acceptable.
NPI grade (%) Ni Metal Units (kt)	11.0 16.5	NPI grade of 11% is reasonable. Based on discussions with SDI senior management we understand the average grade across the 20 similar operating RKEF lines operating within the IMIP in 2017 was ~12.6% suggesting some potential upside to the assumed grade of 11% and nickel metal output of 16.5kt.
Ore cost (US$/wmt)	28.5	Ore cost has been estimated based on the currently prevailing pricing structure for the Indonesian nickel saprolite ores (see Mine related assumptions).
Power cost (US$ /t contained Ni)	2,600	Based on the existing RKEF operations, two RKEF lines are expected to consume about 40,000 to 43,000 kwh/contained Ni tonne. The electricity required for the plant will be supplied by IMIP's captive power plant under an agreed formula linked to 4,500 CV thermal coal prices. Utilising the agreed formula and adopting Wood Mackenzie's price outlook for thermal coal, we estimate the electricity cost to range from US$2,560/t to US$2,640/t with an average of US$2,573/t. The modelled cost of US$2,600/t is therefore considered reasonable and conservative compared our estimated cost and competitive compared to other projects in our global database.
Reductant coal cost (US$/t contained Ni)	1,450	The modelled cost of reductant coal is representative of coal costs paid within the IMIP in 2017. Wood Mackenzie forecasts the long term coking coal price will be lower than in 2017 and therefore considers the assumed value as reasonable.
Other costs (US$/t contained Ni)	1,612	Other costs include operational consumables such as refractory bricks for the kiln, electrode paste and shells for the electric furnace and diesel. These costs also include a direct labour charge, management costs and provisions for repairs and maintenance. These costs are reflective of current operational performance of the existing RKEF lines operating in the IMIP and are considered reasonable based on an assessment of other projects in our global database.
Capex (US$M)	200	Based on the RKEF lines already completed, Tsingshan estimates capital expenditure for the Nickel Mines' 2 RKEF lines will amount to approximately U$130M-US$150M. Under the CSA, Tsingshan has guaranteed the capital cost at US$200M. The $200M capital cost to Nickel Mines incorporates an allocated charge for the use and benefit of all existing infrastructure within the IMIP.
Sustaining capex (US$M/year)	5	The US$5M per annum of sustaining capital in the model is considered reasonable and sufficient to cover maintenance and any major overhauls of the RKEF based on discussions with management. This is in addition to a repairs and maintenance charge already incorporated into ongoing operating costs.

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EBITDA and FCF Sensitivity Analysis

Approach to EBITDA and FCF calculations

Overview

The EBITDA and FCF sensitivity analyses presented in Tables 8, 9 and 10 below represent a 1 year EBITDA and FCF calculation of the HM mine and RKEF Project operations on a steady-state ownership basis at a range of nickel prices and +10% and +20% HM mine and RKEF Project operating costs.

The HM mine contributions to the EBITDA and FCF calculations are based on Nickel Mines retaining a 49% ownership interest in PT Hengjaya Mineralindo , having fulfilled it legislated obligations to divest down to this level from its current ownership interest of 80%. The steady state "base case" level of operating performance from HM Mine is considered reasonable as it understates the Company's present entitlement to HM Mine's operational performance by 31%.

Although ore supply for the RKEF operation does not have to be sourced from the HM mine, EBITDA and FCF calculations have assumed nickel laterite material being supplied by the HM mine to the RKEF operation at the rate of approximately 1.5M wmt pa. Based on the HM mine's currently reported Resource of 37.5M dry tonnes, equivalent to 57.7 wmt, the HM mine life is in excess of 35 years.

The 2 RKEF lines are already under construction and expected to be completed in March 2019. With commissioning taking approximately three months, the 2 RKEF lines are expected to be in steady-state production by the end of the first half of 2019.

The 2 RKEF lines will be new plants and, with the inclusion of the sustaining capex maintenance expenditure, are expected to have an operating life of in excess of 35 years, commensurate with the HM mine life.

With there being no divestment requirements for processing assets, Nickel Mines' attributable interest in the 2 RKEF lines is reflected at the 60% ownership level. While the Company's current equity interest in the SPV Holdco sits at 25%, 60% represents the Company's intended ownership interest after completing its IPO.

EBITDA and FCF calculations

Wood Mackenzie reviewed the EBITDA and FCF calculations for 1 year of operations of the HM mine and RKEF Project on a steady-state ownership basis based on a financial model prepared by Nickel Mines, the key assumptions to which were reviewed by Wood Mackenzie as described above.

While the financial model and information underpinning it was not prepared by Wood Mackenzie, we have assessed the underlying information and consider it to be reasonable with nothing having come to our attention as part of our review that would lead us to consider that this information is not reasonable.

Having reviewed the financial model to determine the reasonableness of the underlying assumptions Wood Mackenzie also conducted an integrity check of the financial model's functionality to ensure that the represented assumptions correctly flowed through the financial model to the EBITDA and FCF outputs provided in the sensitivity tables.

The following EBITDA and FCF sensitivity analyses presented in Tables 8, 9 and 10 below were only prepared for the purpose of illustrating a 1 year EBITDA and FCF calculation of the HM mine and RKEF Project operations on a steady-state ownership basis at a range of nickel prices and +10% and +20% HM mine and RKEF Project operating costs.

EBITDA for the HM mine operation has been calculated as:

- Revenue from sale of nickel laterite material - operating cost of mine
    - Where operating costs include mining cost, transportation cost to jetty, barging cost, loading and unloading costs, local royalty and production royalty.

EBITDA for the RKEF operation has been calculated as:

- Revenue from sale of NPI - operating cost of RKEF
    - Where revenue is based on nickel prices at various price points as disclosed in the Indicative EBITDA and FCF profile result tables. (Revenues profiles assume that contained nickel in the NPI receives 100% of the LME Nickel Price.)
    - Where operating costs of RKEF include ore procurement cost, electricity cost, reductant coal cost, labour cost, consumable cost and other cost operating expenses.

Attributable EBITDA for Nickel Mines has been consolidated on pro-rata ownership basis.

FCF for the HM mine operation has been calculated as:

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- Revenue from sale of nickel laterite material - operating cost of mine - income tax - sustaining capital expenditure - growth capital expenditure

FCF for the RKEF operation has been calculated as:

- Revenue from sale of NPI - operating cost of RKEF - income tax - sustaining capital expenditure - growth capital expenditure

Distributable FCF for Nickel Mines has been consolidated on pro-rata ownership basis after taking into account a dividend withholding tax of 10%.

Table 7: Indicative 1-year steady-state EBITDA and FCF sensitivity analysis at a range of Nickel Prices
At 60% RKEF ownership (9.9 kt Ni attributable production)

Metrics	Nickel Price						
	US$/t	8,000	10,000	12,000	14,000	16,000	18,000
	US$/lb	3.63	4.54	5.44	6.35	7.26	8.16
Attributable revenue[1,2]	US$M	89.8	113.1	136.4	159.7	180.0	199.8
- RKEF revenue	US$M	79.2	99.0	118.8	138.6	158.4	178.2
Attributable EBITDA[1]	US$M	8.0	26.8	45.7	64.5	84.0	103.7
- RKEF EBITDA	US$M	10.1	25.7	41.2	56.7	75.9	95.7
EBITDA margin		9%	24%	33%	40%	47%	52%
Attributable NPAT[4]	US$M	(2.6)	11.5	29.1	43.2	57.8	72.6
FCF[3]	US$M	4.5	17.4	29.1	41.8	55.0	68.3
- RKEF FCF	US$M	6.3	16.8	26.2	36.7	49.7	63.1

[1] Revenue and EBITDA profiles assume a 49% contribution from the HM mine in line with regulatory divestiture requirements from the Company's current 80% interest in PTHM.
[2] Revenue profiles assume that contained nickel in the NPI receives 100% of the LME nickel price
[3] Dividend withholding tax at 10%
[4] Equity financed

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We have also performed a sensitivity analysis for any downside risks related to +10% and +20% of the HM mine and RKEF Project operating costs.

Table 8: Indicative 1-year steady-state EBITDA and FCF sensitivity analysis at a range of Nickel Prices with +10% increase in the HM Mine and RKEF Project operating costs
At 60% RKEF ownership (9.9 kt Ni attributable production)

Metrics		Nickel Price					
	US$/t	8,000	10,000	12,000	14,000	16,000	18,000
	US$/lb	3.63	4.54	5.44	6.35	7.26	8.16
Attributable revenue[1,2]	US$M	89.8	113.1	136.4	159.7	180.0	199.8
- RKEF revenue	US$M	79.2	99.0	118.8	138.6	158.4	178.2
Attributable EBITDA[1]	US$M	1.5	20.3	39.2	58.0	77.6	97.2
- RKEF EBITDA	US$M	4.9	20.4	35.9	51.4	70.6	90.4
EBITDA margin		2%	18%	29%	36%	43%	49%
Attributable NPAT[4]	US$M	(6.6)	6.7	24.2	38.3	53.0	67.7
FCF3	US$M	0.0	13.0	24.8	37.5	50.7	63.9
- RKEF FCF	US$M	2.8	13.2	22.7	33.2	46.1	59.5

[1] Revenue and EBITDA profiles assume a 49% contribution from the HM mine in line with regulatory divestiture requirements from the Company's current 80% interest in PTHM.
[2] Revenue profiles assume that contained nickel in the NPI receives 100% of the LME nickel price
[3] Dividend withholding tax at 10%
[4] Equity financed

Table 9: Indicative 1-year steady-state EBITDA and FCF sensitivity analysis at a range of Nickel Prices with +20% increase in the HM Mine and RKEF Project operating costs
At 60% RKEF ownership (9.9 kt Ni attributable production)

Metrics		Nickel Price					
	US$/t	8,000	10,000	12,000	14,000	16,000	18,000
	US$/lb	3.63	4.54	5.44	6.35	7.26	8.16
Attributable revenue[1,2]	US$M	89.8	113.1	136.4	159.7	180.0	199.8
- RKEF revenue	US$M	79.2	99.0	118.8	138.6	158.4	178.2
Attributable EBITDA[1]	US$M	(5.0)	13.9	32.7	51.6	71.1	90.7
- RKEF EBITDA	US$M	(0.4)	15.1	30.6	46.1	65.4	85.2
EBITDA margin		(6%)	12%	24%	32%	39%	45%
Attributable NPAT[4]	US$M	(10.6)	1.8	16.0	33.5	44.8	62.9
FCF[3]	US$M	(4.4)	8.6	21.4	33.1	47.3	59.5
- RKEF FCF	US$M	(0.8)	9.7	20.2	29.6	43.6	56.0

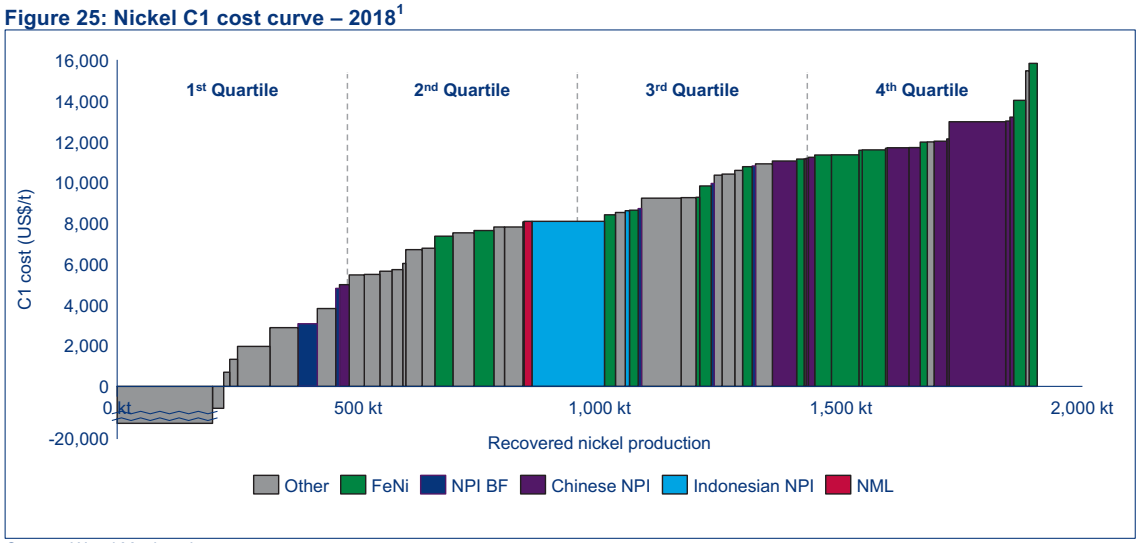
[1] Revenue and EBITDA profiles assume a 49% contribution from the HM mine in line with regulatory divestiture requirements from the Company's current 80% interest in PTHM.
[2] Revenue profiles assume that contained nickel in the NPI receives 100% of the LME nickel price
[3] Dividend withholding tax at 10%
[4] Equity financed

Project benchmarking

Cost structure

Tsingshan's Indonesian operations sit in the second quartile of the global nickel supply cost curve on a paid nickel basis. Nornickel makes up the bottom 10% of global production, due to the large value of by-product credits that it receives.

Figure 25: Nickel C1 cost curve – 2018[1]



Source: Wood Mackenzie

The above cost curve has been compared with global NPI and nickel production, the majority of which would have to be re-smelted in stainless steel plants.

NPI produced within the IMIP provides a tangible economic advantage to Tsingshan's Indonesian stainless steel operations with the highly integrated nature of the various component processes allowing for molten forms of NPI and chromium to undergo a direct 'hot transfer' into the stainless steel plant.

The direct hot transfer of NPI and chromium into the stainless steel operation eliminates costs for ingot casting, transportation and saves power required for re-smelting. Tsingshan's process also recycles and recovers metal elements from the NPI production process further enhancing the economics of its integrated process. As such, there is an inherent "value-in-use", which makes NPI produced within the IMIP more competitive compared to global NPI operations, that has not been captured in the cost curve above. When focusing on NPI/FeNi producers, Tsingshan's operations are in the lowest cost quartile (refer Figure 26), with this cost profile attributable to two primary factors:

(i) Being able to purchase high-grade ore from numerous nearby nickel laterite mines prevented from exporting at more commercial rates; and

(ii) The ability to leverage highly competitive electricity costs, courtesy of the IMIP's purpose built 1.26GW power plant and an abundance of cheap domestically sourced thermal coal.

[1] "Other" includes caron, heap leach, integrated laterites, integrated sulphides, pressure acid leach

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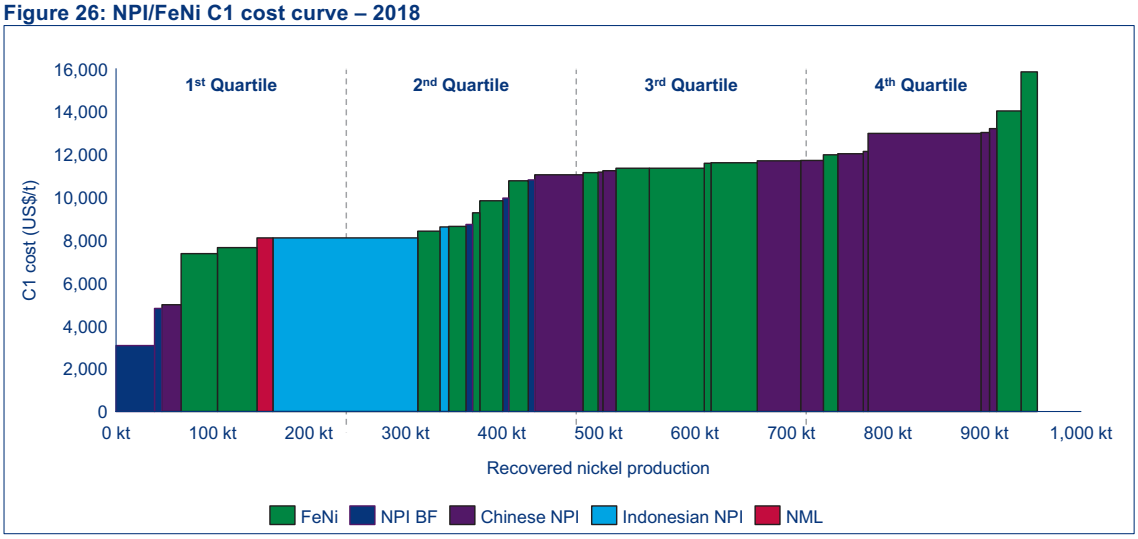
Figure 26: NPI/FeNi C1 cost curve – 2018



Source: Wood Mackenzie

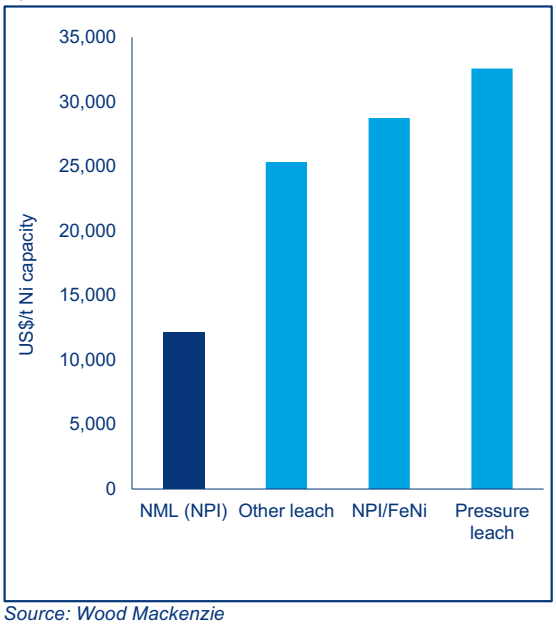
Capital intensity

In addition to being in a competitive operating cost position, the Nickel Mines operation is also attractive based on the capital cost per tonne of nickel production capacity. Using a weighted average of the forecast capital costs of projects in the Wood Mackenzie database, the Company's operation has the lowest capital intensity compared to other projects coming up in the short term.

Ten nickel operations that include ore processing as well as the mining of ore are forecast to be developed by 2024. All of these are laterite projects, and can be separated into leaching operations or NPI/FeNi operations.

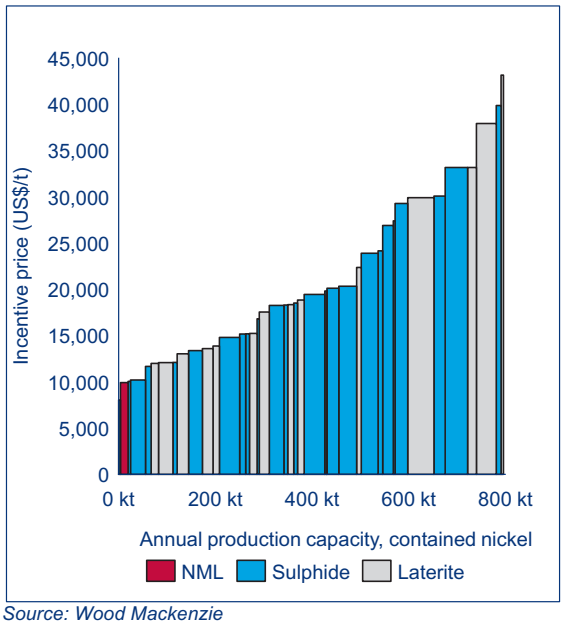
Leaching operations provide a path for laterite ores to produce Class 1 nickel. For pressure leaching operations in particular, the additional processing equipment required to liberate the nickel from the laterite ore results in higher capital costs.

Figure 27: Capital intensity of new nickel supply to 2024



Source: Wood Mackenzie

Figure 28: Nickel incentive price curve for a 15% IRR



Source: Wood Mackenzie

Nickel Mines' investment in the 2 RKEF lines has the advantage of being an expansion of an existing NPI production facility. This reduces or removes the additional expenditure on supporting infrastructure, such as earthworks, roads, and services connections

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that would be required by a greenfield project. The result has been a lowered capital investment requirement giving the project a lower capital intensity than other projects that are forecast to come online in the near term.

In addition, the capital costs for the Project have been guaranteed contractually, minimising the risk that the capital intensity will become inflated over the period until construction is completed.

Incentive price

Figure 28 shows the incentive price curve for a list of 41 yet to be developed projects ranked on the price of nickel that would provide each project with a pre-tax IRR of 15%. As can be seen from the figure, the comparison of incentive price, which takes into account operating expenditure, capital intensity and project lifespan, suggests the Project is highly attractive compared to a list of projects identified and analysed by Wood Mackenzie research. The Project's robust economics is driven by competitive operating cost, lower capital intensity and long lifespan.

3 NICKEL MARKET OUTLOOK & ASSET REVIEW REPORT

Appendix - Overview of the Indonesian regulatory environment

Institutional framework

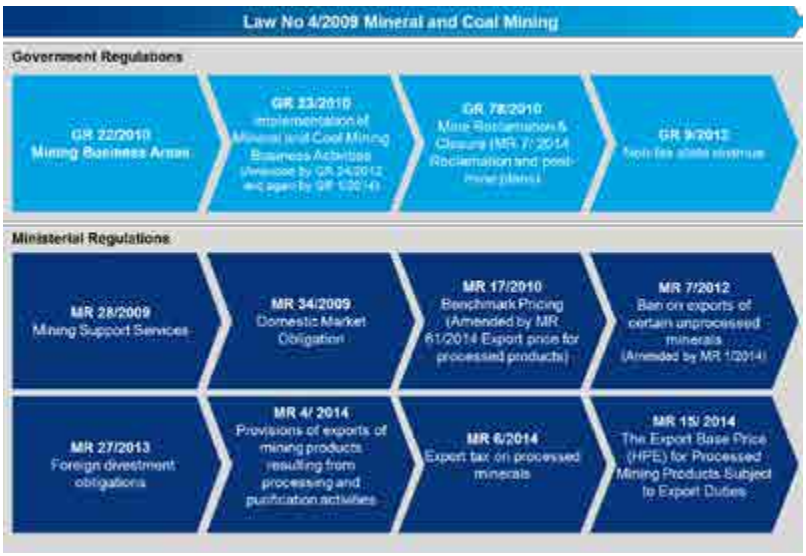
Mining policy in Indonesia is administered through the Ministry of Energy and Mineral Resources ('MoEMR'), represented by the Director General of Mineral and Coal ('DGoMC'). Mineral and coal exports are also administered by the Ministry of Trade, represented by the Director General of Foreign Trade.

Regulatory framework

In January 2009, Indonesia introduced the New Mining Law of 2009 (Law 4/2009) superseding the old 1967 Mining Law (Law 11/1967). The New Mining Law introduced a number of significant regulatory changes to the licensing system, royalties, foreign ownership and raw material exports.

A number of implementation regulations in the form of Government Regulations, Ministerial Regulations and Director General letters have been released since 2009. Key regulations are depicted in Figure 29 below. While providing clarification, the changing regulations have also created some uncertainty within the industry.

Figure 29: Indonesia mining regulatory framework



Source: Wood Mackenzie

Changes to the Indonesian mining policy in recent years coincide with Indonesia's master plan to accelerate its economic development. An integral part of Indonesia's master plan is improved utilisation of natural resources with a major focus on value-adding and expanding their processing industry. Following suite, the MoEMR endorses the following six steps for their mineral and coal policy direction:

1. Implement priority fulfilment of mineral and coal for domestic needs.
2. Provide certainty and transparency (Mining Law regulation supporting, sanction violations of the provisions, etc.).
3. Improve supervision on good mining practice.
4. Increase investment and state revenues from mining.
5. Encourage the development of value-added products (i.e. processing, local content, local expenditure, upgrading brown coal, labour).
6. Undertake corporate social responsibility.
7. Maintain environmental sustainability through environmental management and monitoring, including the reclamation and post-mining.

Permitting

The New Mining Law introduced a new licencing system that replaces the old Contracts of Work ('CoW') scheme and the local Kuasa Pertambangan ('KP') system. Under the new system there are two types of commercially important mining permits:

- Izin Usaha Pertambangan ('IUP'): An IUP (or Mining Business Licence) is a mining business permit required to conduct mining activities within a designated IUP area. IUPs are issued as either exploration or production type permits; as it stands, the New

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Mining Law provides assurance that holders of exploration permits will be granted production permits. When the IUP areas falls wholly within a regency, permits are issued by the mayor of that regency. When an IUP area falls across the border of two regencies, permits are granted by the provincial Governor. If the IUP area falls across two provinces then the permit is issued through the Central Government. IUPs are issued for one specific mineral type only, and separate IUPs are required if another mineral type is to be extracted from the same permit area.

- Izin Usaha Pertambangan Khusus ('IUPK'): An IUPK (or Special Mining Business Licence) is a special mining business permit issued by the MoEMR for areas which have been deemed as State Reserve Areas. As with IUPs, IUPK permits are divided into separate exploration and production type permits, with permit holders given a guarantee of a production type permit once exploration is completed. Under the new mining law, an IUPK must first be offered through a tender to state or region owned companies. If there is no interest from these parties then the IUPK can then be tendered to the private sector. IUPKs are issued for one specific mineral type only, and separate IUPs are required if another mineral type is to be extracted from the same permit area.

Licence terms and extensions depend on the type of IUP/IUPK and the commodity being explored or exploited. Metallic mineral exploration IUP/IUPKs are granted for 8 years and may be extended 2x10 years. Metallic mineral production IUP/IUPKs are granted for 20 years and may be extended 2x10 years. Metallic mineral exploration IUPs/IUPKs may range from 5,000 to 100,000 ha, downsizing to a maximum of 50,000 ha after three years and downsizing again to a maximum of 25,000 ha for a production IUP/IUPK.

IUP/IUPKs can only be issued within mining business areas approved by the Central Government. IUP/IUPKs are granted through a tender process where bidders must provide price and technical justification.

Migration of existing CoWs to IUPs is ongoing and can currently only be approved by MoEMR. CoWs will be honoured until their expiry date, upon which MoEMR will negotiate a licence under the new IUP system. To avoid historical issues of overlapping tenure, the New Mining Law has integrated permit data between MoEMR and the local governments by creating a central registry for "clean and clear" permits.

Foreign ownership

Under GR 77/2014 the Government released revised maximum foreign ownership percentages for each type of IUP/IUPK. Exploration IUPs and IUPKs can have up to 75% foreign ownership. Foreign ownership percentages of IUPs/IUPKs start at 49% and then progressively increase to 60% if the operation has processing/or refining activities, and again to 70% if the operation is underground. After five years all production IUPs/IUPKs must progressively divest from 20%. The percentage gradually increases over a ten year period again depending on the complexity of the operation.

Divestment shares must first be offered to the national, provincial and regency governments. If these governments decline the offer, the shares must be offered to a state or regional owned entity, before it can be offered to an Indonesian private entity by way of auction.

Royalties

Production royalty arrangements differ between the old CoWs and the new IUP system. CoW holders are required to pay royalties at a flat rate of 13.5%. The royalty rate payable for production IUP holders varies between 2 and 7% depending on the commodity. Production royalty rates are currently 4-5% for nickel and 2.5% for pig iron. Royalties are based off benchmark nickel ore price determined by a formula mandated by the government. The prices are linked to LME price.

Exports and prices

Prior to exporting any minerals, miners must get clearance from Ministry of Trade ('MoT'). The MoT coordinates with the MoEMR to ensure that the miner has an export recommendation and that all government levies have been paid. The MoT also decides the base price base price upon which the payable duties are calculated. The export base price for minerals is determined using four price indices, which are the highest average price of:

(i) international bourses;
(ii) FOB;
(iii) domestic price; and
(iv) importing country.

In addition, the MoT also factors in domestic needs, environmental sustainability, domestic price stability and competitiveness level of the exported ore.

Export restrictions

In February 2012, the Indonesian Government issued 'The Minerals Added Value Regulation No.7' (MR 7/2012) outlining implementation measures to ban the export of selected raw (or unprocessed) minerals. In early 2017 this ban was relaxed.

By restricting raw mineral exports, Indonesia hoped to promote downstream processing and the creation of value-added products. The regulation also aimed to secure long-term supplies for the domestic market, to maximise revenue and to sustainably exploit its natural resources. This is in line with the guiding principle in Indonesia's constitution that its natural resources should be for the greatest benefit of its people.

3 NICKEL MARKET OUTLOOK & ASSET REVIEW REPORT

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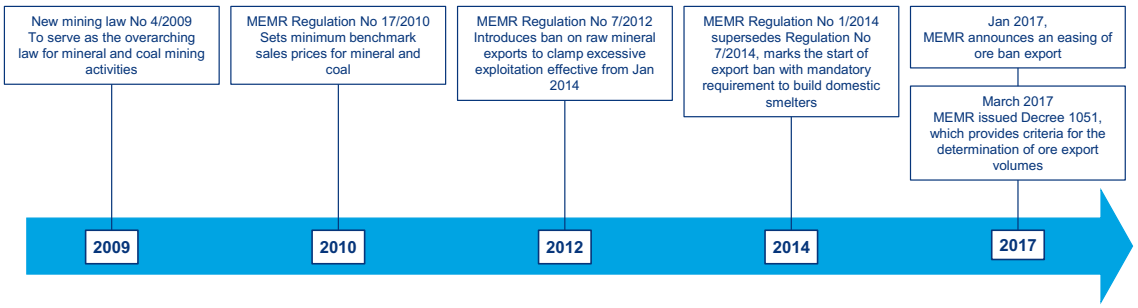
Figure 30: Overview of Indonesian policy evolution



Source: Wood Mackenzie

MR 1/2014 defined the 11 metal minerals that were banned as of January 2014. Six metals, including nickel, could only be exported in a beneficiated form.

By limiting raw mineral exports, the Indonesian government sought to promote developing value-added products. Raw materials needed to undergo refining and processing through domestic smelters before export was allowed, which also spurred investments in domestic infrastructure and helped create jobs. In the case of nickel, the export ban promoted Chinese investment to develop NPI smelters in Indonesia. Until the end of 2013, China was largely dependent on Indonesia's nickel ores to feed its own NPI smelters.

Processing and refined products

The New Mining Law requires mining companies to process their minerals within Indonesia. Processing and refining can be undertaken by the IUP/IUPK production holders. The holders of a Special Production Operation may also process and refine the mining output from another IUP/IUPK.

Following MR 28/2009, IUP/IUPK holders must use local businesses and contracting out all activities was restricted. IUPK/IUP holders must carry out mining, processing and refining and can only engage a Mining Services Company for the purposes of consultation, planning and testing, overburden stripping and transportation.

This report has been prepared by Wood Mackenzie for Nickel Mines Ltd (Nickel Mines) and other financiers, in accordance with the Consulting Agreement between Wood Mackenzie and Nickel Mines. The report is intended solely for the benefit of the Client and its Financiers and its contents and conclusions are confidential and must not be published, quoted or disseminated to any other persons or companies unless otherwise permitted by the Agreement, or with Wood Mackenzie's prior written permission. The information upon which this report is based comes from Nickel Mines, our own experience, knowledge and databases. The opinions expressed in this report are those of Wood Mackenzie. They have been arrived at following careful consideration and enquiry but Wood Mackenzie does not guarantee their fairness, completeness or accuracy. The opinions, as of 26 April 2018 are subject to change.

4 DETAILS OF THE OFFER

4.1 DESCRIPTION OF THE OFFER

The Prospectus contains an offer of 571,428,572 Shares at an Offer Price of $0.35 per Share to raise $200.0 million (**Offer**).

The Shares issued under the Offer are of the same class and will rank equally in all respects with existing Shares on issue.

The Company reserves the right not to proceed with the Offer at any time before the allotment of Shares under the Offer. If the Offer does not proceed, Application Monies received by the Company will be refunded in full without interest.

The Company also reserves the right to close the Offer early, to accept late Applications or extend the Offer (in certain circumstances) without notifying any recipient of this Prospectus or any Applicant.

4.2 USE OF PROCEEDS OF THE OFFER

The Company intends to use its current funds of approximately $2.0 million cash held by the Company at the Prospectus Date, and the funds raised from the Offer as follows:

	TOTAL ($ MILLION)	
USE OF FUNDS FROM THE OFFER	**$**	**% OF TOTAL EXPENDITURE**
Funds available		
Cash on hand[1]	2.0	-
Funds from the Offer	200.0	-
Total funds available[2]	**202.0**	**-**
Expenses of the Offer[3]	13.0	11.3%
Exercise of option to move to a 60% interest in the RKEF Project[4]	93.3	81.0%
Expansion of operations at the Hengjaya Mine[5]	3.7	3.2%
Working capital[6]	5.2	4.5%
Total expenditure	**115.2**	**100.0%**
Interest received	1.8	
Total funds available – end of year 2	**$88.6**	

1. As at 31 May 2018.

2. Does not take into account cash flows from mining operations at the Hengjaya Mine, nor the exercise of the Call Option and the associated additional equity or debt that would be required to fund the exercise of the Call Option.

3. Total expenses of the Offer will be funded from the proceeds of the Offer. Refer to Section 12.7 for a breakdown of these expenses. They include estimated costs of capital raising ($11,250,000), ASX and ASIC fees ($337,000), accounting, legal and other professional adviser fees ($1,370,000) and prospectus design, printing and related costs ($20,000).

4. This amount assumes exercise of the option to move to a 60% interest in Hengjaya Holdings and consequently a 60% indirect interest in the RKEF Project for US$70 million, converted at the exchange rate of A$1.00 = US$0.75.

5. Expansion costs include the costs of the construction of haul roads and upgrades of existing roads, upgrading of the Hengjaya jetty, detailed Resource definition, vehicles, camp and building construction and power upgrades.

6. Working capital expenditure is to be applied to the administration costs of the Company. These costs include wages and salaries, occupancy costs, professional consultant's fees, compliance and reporting costs associated with running an ASX listed company, as well as other typical administration costs. It is anticipated that funds available as unallocated working capital may be applied to unforeseen expenses associated with the Company's existing projects and towards expenses incurred in identifying and generating new mineral exploration projects or assets.

The use of funds set out above represents the Company's current intentions based upon its plans and business conditions as at the date of this Prospectus. Investors should note that, as with any budget, the allocation and timing of funds set out in the above table may change depending on a number of factors. The Directors reserve the right to alter the way the funds are applied.

The Directors are of the opinion that, following completion of the Offer, the Company will have sufficient working capital to carry out its stated objectives as set out in the table in this Section 4.2 (estimated in the table above to be $5.2 million).

The Company has elected to raise $200.0 million under the Offer and have surplus funds available from the Offer (shown above as 'Total funds available – end of year 2 - $88.6 million) because it expects to require and be able to apply these surplus funds as follows:

- to part fund the increase of its ownership of the RKEF Project to 100%. This will occur, at the Company's election, no later than 12 months from the date on which the first batch of NPI is produced from the RKEF Project. Based on the current construction timeframe of the RKEF Project, completion of the RKEF Project and subsequent NPI production is currently estimated to occur by around March 2019; or
- to part fund the acquisition from Shanghai Decent of two new RKEF lines within the IMIP. A decision to apply the surplus funds for this purpose will be made promptly after the negotiation of a definitive agreement with respect to the matters in the non-binding Memorandum of Understanding described above. Under the Memorandum of Understanding, Shanghai Decent and the Company have agreed to negotiate in good faith with an aim to enter into such definitive agreement by September 2018.

The Company will apply the surplus funds to whichever of these two opportunities will be more value accretive for Shareholders. The surplus funds will not impact the gearing of the Company in the short term because the Company currently has no external third party debt in place.

As the Company is also likely to require further funding (in addition to the surplus funds raised under the Offer) to fully fund either of the options described above, the Company will make an assessment at the time of implementing the relevant option as to an optimal funding mix and whether a combination of debt and equity funding will be used.

Further, the Company considers that raising $200.0 million and having surplus funds as part of the Offer is preferable because:

1. the terms of any future funding required to be raised to fund the abovementioned opportunities are uncertain and may not be favorable to existing Shareholders; and
2. the Company considers it unlikely that neither of these options will be selected by the Company to deploy the surplus funds.

In the event, which the Company considers unlikely, that applying the surplus funds to either of these options is not likely to be value accretive to Shareholders, the Company intends to return the surplus cash to Shareholders, promptly after it has decided not to apply the surplus funds to either of these opportunities.

Please refer also to Section 6.2 (**Risks**) for further information on potential risks if the Company does not apply the surplus funds to any of these options.

4.3 SHAREHOLDING STRUCTURE

The ownership of Shares immediately prior to completion of the Offer and immediately following completion of the Offer is set out below:

	PRIOR TO THE OFFER		POST COMPLETION OF THE OFFER	
SHAREHOLDER	**SHARES**	**%**	**SHARES**	**%**
Directors[1]	189,770,945	23.5%	189,770,945	13.7%
Shanghai Decent	161,696,446	20.0%	161,696,446	11.6%
Wanlu	149,258,258	18.5%	149,258,258	10.7%
Other Existing Shareholders[2]	307,756,581	38.1%	307,756,581	22.2%
New Shareholders	-	-	579,513,394[3]	41.8%
Total Shares	**808,482,230**	**100.0%**	**1,387,995,624**	**100.0%**

[1.] Directors' interests include entities associated with Robert Neale, Norman Seckold, Justin Werner, Peter Nightingale and Mark Lochtenberg, all of whom are Directors of the Company but exclude relevant interest in Shares held by Non-Executive director Yuanyuan Xu, which is represented by the shareholding of Wanlu. Refer to Section 7.6 for information about the Directors' interests in the Company's Shares.

[2.] 71,978,688 of the 307,756,581 Shares held by other Existing Shareholders will be subject to mandatory escrow arrangements. Refer to Section 4.8 for further details.

[3.] Includes the 8,084,822 Shares (outside of the Shares to be issued under the Offer) to be issued to CO_2 Capital Pte Ltd, upon successful completion of the IPO, as detailed in Section 5.5.

4 DETAILS OF THE OFFER

4.4 TERMS & CONDITIONS OF THE OFFER

TOPIC	SUMMARY
What is the type of security being offered?	Fully paid ordinary shares in the capital of Nickel Mines (**Shares**).
What are the rights and liabilities attached to the Shares being offered?	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 4.15.
What is the consideration payable for each Share being offered?	The Offer Price is $0.35 per Share.
What is the minimum and maximum application under the Offer?	Applications must be for a minimum of 6,100 Shares ($2,100). Applications in excess of the minimum number of Shares must be in multiples of 1,000 Shares ($350). There is no maximum amount that may be applied for under the Offer. The Company reserves the right to aggregate any Applications under the Offer which it believes may be multiple Applications from the same person. The Company reserves the right to reject any Application or to allocate a lesser number of Shares than is applied for.
What is the Offer period?	The key dates, including details of the Offer period, are set out in the key dates in the Summary of the Offer at the start of this Prospectus. The key dates are indicative only and may change. Unless otherwise indicated, all times are stated in Australian Eastern Standard Time (**AEST**). The Company, in consultation with the Lead Manager reserves the right to amend any or all of the dates and times subject to the Corporations Act, the ASX Listing Rules and other applicable laws, including closing the Offer early, extending the Offer, deferring the date of Completion of the Offer, accepting late Applications either generally or in particular cases, allotting Shares at different times to investors, or to withdraw the Offer, without prior notice. The quotation and commencement of trading of the Shares is subject to confirmation from ASX.
How much is the Company seeking to raise under the Offer?	The Company is offering 571,428,572 Shares in the Company at an Offer Price of $0.35 per Share to raise $200.0 million. If this is not obtained within four months after the date of the Original Prospectus, the Company will repay all Application Monies in full without interest as soon as practicable or issue a supplementary or replacement prospectus and allow Applicants one month to withdraw their Applications and be repaid their Application Monies in full without interest.
What is the allocation policy?	The Board will allocate Shares at its discretion based on satisfying completion of the Offer and to ensure an appropriate Shareholder base for the Company. The Company reserves the right in its absolute discretion to issue no Shares to any Applicant under the Offer and may reject any Application or allocate a lesser amount of Shares than those applied for. The Company will ensure that, at the time of allocation of Shares, its free float will not be less than 20%.
When will Applicants receive confirmation whether Applications are successful?	It is expected that holding statements will be despatched by standard post on or about 15 August 2018.

TOPIC	SUMMARY
Will Share be listed on the ASX?	The Company has applied to ASX for its admission to the Official List, and quotation of Shares by ASX, under the ASX code '**NIC**'. Completion of the Offer is conditional on ASX approving the application and granting permission for the Shares to be quoted on ASX on terms acceptable to the Company. If this approval and permission is not given within three months of the Prospectus Date (or any longer period permitted by law), the Offer will be withdrawn and all monies received from Applicants will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act. The Company will be required to comply with the ASX Listing Rules, subject to any waivers obtained by the Company from time to time. ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit the Company to the Official List is not to be taken as an indication of the merits of Nickel Mines or the Shares offered for subscription.
When are the Shares expected to commence trading?	It is expected that trading of the Shares on ASX will commence on or about 20 August 2018. It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive a statement of holding do so at their own risk. The Company and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their statement of holding, whether on the basis of a confirmation of allocation provided by any of them, by the Nickel Mines Offer Information Line, by a broker or otherwise.
Is the Offer underwritten?	No, the Offer is not underwritten.
Are there any escrow arrangements?	Yes. Details are provided in Section 4.8.
Have any ASX waivers been obtained or been relied on?	Yes. The Company has applied for and received in-principle confirmation from ASX of a waiver from ASX Listing Rule 10.1 to permit the Company to acquire a further 35% interest in Hengjaya Holdings from Shanghai Decent (and to increase the Company's total interest in Hengjaya Holdings (and therefore the RKEF Project) to 60%) under the CSA, without Shareholder approval. Further details are provided in Section 12.9.
Are there any tax considerations?	Yes. Details are provided in Section 12.8.
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty is payable by Applicants on the acquisition of Shares under the Offer.

4 DETAILS OF THE OFFER

4.5 GENERAL OFFER

TOPIC	SUMMARY
Who can apply for Shares under the Offer?	The Offer is open to clients of the Lead Manager and all investors who are resident in Australia, however any person who has a registered address in any other country who receives this Prospectus may apply for Shares provided that investor is able to reasonably demonstrate to the satisfaction of the Company that they may participate in the Offer relying on a relevant exception from, or are not otherwise subject to, the lodgement, filing, registration or other requirements of any applicable securities laws in the jurisdiction in which they have a registered address.
How do I apply under the Offer?	Applications for Shares must be made using the Application Form attached to this Prospectus or online at www.nicklemines.com.au,or as instructed by the Lead Manager in the case of Institutional Applicants or its clients. The Application Form attached to this Prospectus and available online at www.nicklemines.com.au contains detailed instructions on how the form can be completed. An original, completed and lodged Application Form, together with a receipt of Application Monies by BPAY, constitutes a binding and irrevocable offer to subscribe for the number of Shares specified in each Application Form. The Application Form does not need to be signed to be valid. If the Application Form is not completed correctly, or if the accompanying payment is for the wrong amount, it may be treated by the Company as valid. The Directors' decision as to whether to treat such an Application as valid and how to construe, amend or complete the Application Form is final. However, an Applicant will not be treated as having applied for more Shares than is indicated by the amount of the Application Monies received.
How to pay Application Monies	Follow the instructions on the Application Form or pay as instructed by the Lead Manager in the case of its clients.
When does the Offer open?	The Offer is expected to open for Applications on 8 August 2018.
What is the deadline to submit an Application under the Offer?	It is your responsibility to ensure that your Application Form and Application Monies are received before **5:00 pm AEST** on the **Closing Date** for the Offer which is 9 August 2018. The Company and the Share Registry take no responsibility for any acts or omissions committed by your broker in connection with your Application.
When will I receive confirmation whether my Application has been successful?	Holding Statements confirming Applicants' allocations under the Offer are expected to be sent to successful Applicants on or around 15 August 2018. Applicants under the Offer will be able to call the Share Registry on 1300 070 723 (from within Australia) or +61 3 9415 4125 (from outside Australia), Monday to Friday, between 8:30 am and 5:00 pm AEST, from 30 July 2018 to confirm their allocation.
When will I receive my Shares and when can I trade my Shares?	Subject to ASX granting approval for the Company to be admitted to the official list of ASX, the Company will procure the issue of Shares to successful Applicants as soon as practicable after the Closing Date. Allotment is expected to occur on 14 August 2018. Trading of Shares on ASX is expected to commence on 20 August 2018 on a normal T+2 settlement basis. If you sell Shares before receiving an initial Holding Statement, you do so at your own risk, even if you have obtained details of your holding from your broker or the Share Registry.
Who do I contact if I have further queries?	If you have queries about investing under the Offer, you should contact your stockbroker, financial advisor, accountant or other professional advisor. If you have queries about how to apply under the Offer or would like additional copies of this Prospectus, please call the Share Registry on 1300 070 723 (from within Australia) or +61 3 9415 4125 (from outside Australia), Monday to Friday, between 8:30 am and 5:00 pm AEST.

4.6 APPLICATION MONIES

The Company reserves the right to decline any Application in whole or in part, without giving any reason. Monies received from Applicants under the Offer will be held in a special purpose account until the Shares are issued to Applicants. Applicants under the Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will receive a refund, as applicable. Interest will not be paid on any monies refunded.

Applicants whose Applications are accepted in full will receive the whole number of Shares calculated by dividing the amount applied for by the Offer Price. Where the Offer Price does not divide exactly into the amount applied for, the number of Shares to be allocated will be rounded down. No refunds pursuant solely to rounding will be provided.

Interest will not be paid on any monies refunded and any interest earned on Application Monies pending the allocation or refund will be retained by the Company.

You should ensure that sufficient funds are held in the relevant account(s) to cover the amount of your BPAY® payment. If the amount of your BPAY® payment for Application Monies is less than the amount specified on the Application Form, you may be taken to have applied for such lower dollar amount of Shares or your Application may be rejected.

4.7 ACKNOWLEDGEMENTS

Each Applicant under the Offer will be deemed to have:

- agreed to become a member of the Company and to be bound by the terms of the Constitution and the terms and conditions of the Offer;
- acknowledged having personally received a printed or electronic copy of this Prospectus (and any supplementary or replacement prospectus) including or accompanied by the Application Form and having read them all in full;
- declared that all details and statements in their Application Form are complete and accurate;
- declared that the Applicant(s), if a natural person, is/are over 18 years of age;
- acknowledged that, once the Company or a broker receives an Application Form, it may not be withdrawn;
- applied for the number of Shares at the Australian dollar amount shown on the front of the Application Form;
- agreed to being allocated and issued the number of Shares applied for (or a lower number allocated in a way described in this Prospectus), or no Shares at all;
- authorised the Company and the Lead Manager and their respective officers or agents, to do anything on behalf of the Applicant(s) necessary for Shares to be allocated to the Applicant(s), including to act on instructions received by the Share Registry upon using the contact details in the Application Form;
- acknowledged that, in some circumstances, the Company may not pay dividends, or that any dividends paid may not be franked;
- acknowledged that the information contained in this Prospectus (or any supplementary or replacement prospectus) is not financial product advice or a recommendation that Shares are suitable for the Applicant(s), given the investment objectives, financial situation or particular needs (including financial and taxation issues) of the Applicant(s);
- declared that the Applicant(s) is/are a resident of Australia or otherwise satisfies the requirements in Section 12.14;
- acknowledged and agreed that the Offer may be withdrawn by the Company and or may otherwise not proceed in the circumstances described in this Prospectus; and
- acknowledged and agreed that if admission to the Official List, and quotation of Shares by, ASX does not occur for any reason, the Offer will not proceed.

4.8 ESCROW ARRANGEMENTS

The Shares issued under this Prospectus will not be subject to escrow restrictions and will be transferable from the date of their issue.

Certain Shares held by Existing Shareholders classified by ASX as 'restricted securities' will be required to be held in mandatory escrow for a period determined by ASX and will not be able to be sold, mortgaged, assigned or transferred for the escrow period without the consent of the ASX.

The Company expects that, if it is admitted to the Official List of the ASX, the following Existing Shareholders will be required to have their Shares held in escrow for the period of time as set out below:

EXISTING SHAREHOLDER	PERIOD OF RESTRICTION	SHARES
Directors and director related entities[1]	24 months from admission to the Official List	205,072,072
Promoters[2]	24 months from admission to the Official List	75,146,957
Professionals or consultants to the Company	24 months from admission to the Official List	628,906
Seed capital investors[3]	12 months from date of Issue of Shares to the seed capital investors	61,043,572

[1] Includes 59,852,997 Shares which Non-Executive Director Yuanyuan Xu has a relevant interest through the shareholding of Wanlu.

[2] A person who has had a material involvement in, or who has provided a service to the Company or to a related party of the Company in relation to either the Company's promotion or listing, or the IPO of the Company. Promoter also includes a substantial holder in the Company.

[3] All of the Shares for seed capital investors subject to this escrow arrangement were Shares issued by the Company in the pre-IPO funding round conducted in December 2017.

4.9 RISK FACTORS

You should read this entire Prospectus, including the risk factors set out in Section 6 (Risks), before making any decision to invest. You may wish to consult your professional financial advisors before investing.

The risk factors set out in Section 6 (Risks) and other general risks applicable to all investments in listed securities not specifically referred to may, in the future, affect the value of the Shares offer pursuant to this Prospectus. Accordingly, an investment in the Company should be considered speculative.

4 DETAILS OF THE OFFER

4.10 TAX IMPLICATIONS OF INVESTING IN THE COMPANY

The taxation consequences of an investment in the Shares will depend on your particular circumstances. It is your responsibility to make your own enquiries concerning the taxation consequences of an investment in the Company.

A general overview of the Australian taxation implications of investing in the Company is set out in Section 12.8. The information in Section 12.8 is not intended as a substitute for investors obtaining independent tax advice in relation to their personal circumstances.

4.11 BROKERAGE, COMMISSION & STAMP DUTY

No brokerage, commission or stamp duty is payable by Applicants who apply for Shares.

4.12 FOREIGN SELLING RESTRICTIONS & OVERSEAS APPLICANTS

This Prospectus does not constitute a public offer or invitation in any jurisdiction other than Australia. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of Shares in any jurisdiction outside Australia.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who reside outside Australia and who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Any person who has a registered address in any other country who receives this Prospectus may only apply for Shares where that investor is able to reasonably demonstrate to the satisfaction of the Company that they may participate in the Offer relying on a relevant exception from, or are not otherwise subject to, the lodgement, filing, registration or other requirements of any applicable securities laws in the jurisdiction in which they have a registered address.

This document does not constitute an offer of Shares in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the Shares may not be offered or sold, in any country outside of Australia except to the extent permitted as set out in section 12.14.

4.13 ASX LISTING, REGISTERS & HOLDING STATEMENTS

Application to ASX for listing of Nickel Mines and quotation of Shares

The Company has applied to ASX for admission to the Official List and quotation of the Shares on ASX (under the ASX code '**NIC**').

ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit the Company to the Official List is not to be taken as an indication of the merits of the Company or the Shares offered under this Offer.

If permission is not granted for the Shares to be quoted on ASX on terms acceptable to the Company within three months of the Prospectus Date (or any later date permitted by law), all monies received by the Company in connection with the Offer will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.

The Company will be required to comply with the ASX Listing Rules, subject to any waivers obtained by the Company from time to time.

CHESS and issuer sponsored sub-register

The Company has applied to participate in the ASX's Clearing House Electronic Sub-register System (CHESS) and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on ASX under which transfers are affected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two sub-registers, being an electronic CHESS sub-register or an issuer sponsored sub-register. For all successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS sub-register. All other Shares will be registered on the issuer sponsored sub-register.

Following Completion of the Offer, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number (HIN) for CHESS holders or, where applicable, the Security holder Reference Number (SRN) of issuer sponsored holders.

Shareholders will subsequently receive statements showing any changes to their shareholding. Share certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS sub-register or through the Share Registry in the case of a holding on the issuer sponsored sub-register. The Company and the Share Registry may charge a fee for these additional issuer sponsored statements.

4.14 DESCRIPTION OF SHARES & SUMMARY OF THE CONSTITUTION

Introduction

The rights and liabilities attaching to ownership of Shares arise from a combination of the Constitution, statute, the ASX Listing Rules and general law.

A summary of the significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution are set out below. The below summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders. The below summary assumes that the Company is admitted to the Official List.

Voting at a general meeting

Subject to any rights or restrictions for the time being attached to any class or classes of shares in the Company (at present, there is only one class of shares being ordinary shares), whether by the terms of their issue, the Constitution, the Corporations Act or the ASX Listing Rules, at a general meeting of the Company, every Shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each Share held.

Meetings of members

Each Shareholder is entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, Corporations Act or the ASX Listing Rules.

Dividends

The Board may determine to pay a dividend and may decide the terms on which the dividend is to be paid. No dividend is to be paid except as allowed by the Corporations Act.

Transfer of Shares

Subject to any restrictions attached to a members' Shares, a Shareholder may transfer shares to another person by:

a. a written transfer document, in a common form, signed by or on behalf of the Shareholder and the transferee;
b. a proper ASX Settlement Operating Rules regulated transfer; or
c. a form approved by the Directors, signed by or on behalf of the Shareholder and the transferee.

The Board may, in their absolute discretion, refuse to register any transfer of Shares or request ASX Settlement to apply a holding lock to prevent a transfer of all or any of them:

a. where a law relating to stamp duty prohibits the Company from registering it;
b. where the Company has a lien on the securities in accordance with the Listing Rules;
c. if the Company is served with a court order that restricts the holder's capacity to transfer the shares; or
d. in any circumstances permitted by the Listing Rules.

The Directors must refuse to register a transfer of shares:

a. if the shares are classified as restricted securities under the Listing Rules or by the ASX and the transfer is or might be in breach of the Listing Rules any restriction agreement; or
b. where the Company or the Directors are required to do so by the Listing Rules.

If the Board refuses to register a transfer, the Company must, within five Business Days after the date on which the transfer was delivered to it, give the lodging party notice of the refusal and the reasons for the refusal.

Winding up

If the Company is wound up, the liquidator may, with the sanction of a special resolution, divide among the shareholders in kind the whole or any part of the property of the Company. The liquidator may determine how the division is to be carried out as between the shareholders or different classes of shareholders. The division need not accord with the legal rights of the shareholders, and, any class may be given preferential or special rights or may be excluded altogether.

Unmarketable parcels

The Company may, once in any 12 month period, sell the Shares of a Shareholder who holds less than a marketable parcel of Shares. The Company must notify the shareholder that they intend to sell the unmarketable parcel by a specified date and give the shareholder at least 6 weeks to tell the Company that the shareholder wishes to retain the holding, and if it does so the Company may not sell the holding.

Share buy-backs

Subject to the Corporations Act, ASX Listing Rules and ASX Settlement Operating Rules, the Company may buy back Shares in itself.

Variation of class rights

At present, the Company's only class of shares on issue is ordinary shares. Subject to the Corporations Act and the terms of issue of a class of shares, the rights attaching to any class of shares may be varied or cancelled:

a. with the written consent of the holders of 75% of the issued shares of the affected class; or
b. by a special resolution passed at a separate meeting of the holders of the issued shares of the affected class.

Directors – appointment and removal

Under the Constitution, the minimum number of Directors that may comprise the Board is three.

Directors are elected at annual general meetings of the Company. Retirement will occur on a rotational basis so that no Director (excluding any managing Director) holds office without re-election beyond the third annual general meeting following the meeting at which the Director was last elected or re-elected. Alternatively, if the Board appoints a person to fill a casual vacancy, that Director may not hold office without re-election beyond the next general meeting.

Directors – voting

Questions arising at a meeting of the Board will be decided by a majority of votes of the Directors entitled to vote on the resolution. In the case of an equality of votes on a resolution, the chairman of the meeting is not entitled to a second or casting vote.

Directors – remuneration

The Constitution provides that Non-Executive Directors are entitled to such remuneration as determined by the Directors but which must not exceed in aggregate the maximum amount as set out in the Constitution. The maximum amount as set out in the Constitution is $750,000.

Powers and duties of Directors

The business and affairs of the Company are to be managed by or under the direction of the Board, which (in addition to the powers and authorities conferred on it by the Constitution) may exercise all powers and do all things that are within the power of the Company that are not required by law or by the Constitution to be exercised by the Company in general meeting.

4 DETAILS OF THE OFFER

Indemnities

The Company indemnifies every person who is or has been an officer of the Company or a subsidiary of the Company to the extent permitted by law against liability (including liability for costs and expenses) incurred by that person as an officer of the Company. This does not apply to a liability to the Company or a related body corporate that is:

a. a liability that arises out of conduct involving a lack of good faith;

b. a liability for costs and expenses incurred in defending civil or criminal proceedings in which the officer is not acquitted; or

c. a liability for costs and expenses incurred by the officer in connection with an unsuccessful application for relief under the Corporations Act in connection with the proceedings referred to in the preceding paragraph.

The Company may pay the premium on a policy of insurance in respect of an officer or auditor of the Company to the full extent permitted by the Corporations Act.

Variation of the Constitution

The Constitution can only be amended by special resolution passed by at least 75% of Shareholders present (in person or by proxy) and entitled to vote on the resolution at a general meeting of the Company. The Company must give at least 28 days' written notice of a general meeting of the Company's members.

5 MATERIAL CONTRACTS

5.1 COLLABORATION & SUBSCRIPTION AGREEMENT

Overview

On 19 September 2017, the Company entered into a Collaboration and Subscription Agreement with Shanghai Decent Investment (Group) Co. Ltd., (**Shanghai Decent**), a Tsingshan group company, and another cornerstone investor, Shanghai Wanlu Investment Co. Ltd (**Wanlu**), (as amended by supplemental letter agreements dated 16 April 2018 and 2 July 2018) (**CSA**) which sets out (among other things) the terms on which the RKEF Project within the Indonesia Morowali Industrial Park (**IMIP**), located approximately 12 kilometres north of the Company's Hengjaya Mine on the island of Sulawesi, will be funded and constructed and the future operations of the RKEF Project.

In addition to the construction of the RKEF Project, a material objective of the CSA was to facilitate Shanghai Decent and Wanlu becoming significant shareholders in the Company.

Funding for construction of RKEF Project

The guaranteed capital cost of the RKEF Project as agreed under the CSA is not more than US$200 million, of which:

- US$50 million has been funded by the Company from the 'Initial Subscriptions' from Shanghai Decent and Wanlu as described below; and
- the balance of the capital cost shall be funded by Shanghai Decent by way of shareholder loans injected into Hengjaya Holdings Private Limited (**Hengjaya Holdings**), a Singaporean holding company which holds 100% of the shares (directly and indirectly) of PT Hengjaya Nickel Industry (**Hengjaya Nickel**).

Where the actual construction cost of the RKEF Project exceeds US$200 million, Shanghai Decent has agreed to indemnify Hengjaya Holdings or Hengjaya Nickel (without recourse to the assets or either of those entities) to the extent to which the actual construction costs of the RKEF Project exceed US$200 million and such excess amounts are actually incurred by Hengjaya Holdings or Hengjaya Nickel (as the case may be).

Pursuant to the CSA, in April 2018:

- Shanghai Decent subscribed for and were issued with 161,696,446 ordinary shares in the Company for consideration of US$26 million; and
- Wanlu subscribed for and were issued with 149,258,258 ordinary shares in the Company for consideration of US$24 million,

(together, the **Initial Subscriptions**).

The Initial Subscriptions were completed following the satisfaction of all relevant condition precedents under the CSA, including:

- completion of legal and financial due diligence by Shanghai Decent and its professional advisers on the Company and the Hengjaya Mine;
- there being no breach of any covenants, undertakings and agreements required to be performed or caused to be performed by the parties under the CSA prior to completion of the Initial Subscriptions; and
- each of the Company, Shanghai Decent and Wanlu having obtained all relevant approvals required to permit the Initial Subscriptions.

In April 2018:

- the Company provided US$50 million to Hengjaya Holdings by way of shareholder loan; and
- Hengjaya Holdings in turn provided the US$50 million received from the Company to Hengjaya Nickel (US$25 million by way of shareholder loan and US$25 million as equity contributions[1]), which will be used by Hengjaya Nickel to contribute to the funding of the construction of the RKEF Project.

Shanghai Decent is required under the CSA to fund the balance of the construction costs of the RKEF Project via shareholder loans to Hengjaya Holdings.

Shanghai Decent's responsibilities for the RKEF Project

Under the terms of the CSA, Shanghai Decent is responsible for:

- the construction of the RKEF Project and shall take a lead role in the design, construction and operationalisation of the RKEF Project, which is to be undertaken through Hengjaya Nickel; and
- ensuring that the RKEF Project is completed with an annual capacity of no less than 14,000 tonnes of equivalent contained nickel within 20 calendar months from April 2018 when Nickel Mines funded its first US$50 million investment in the development of the RKEF Project.

Shanghai Decent's obligations above are subject to the absence of a 'force majeure event' (being an event arising from any cause beyond the reasonable control of Shanghai Decent, including without limitation, acts of God, acts of civil or military authority, governmental restrictions, wars and change of Law).

Shanghai Decent further undertakes to procure that its related companies supply such utilities and logistics services within the IMIP as required by Hengjaya Nickel or the RKEF Project in line with the IMIP 'principle of non-discrimination'.

Hengjaya Nickel (as the operating company for the RKEF Project) does not currently have and does not intend to enter into formal supply, utilities and logistics services agreements (for example, power and access to port) with various service providers within the IMIP. To facilitate the operations of Hengjaya Nickel within the IMIP, under the CSA, Shanghai Decent has agreed to procure that its related companies that supply such services within the IMIP, will provide such services to Hengjaya Nickel on the basis of the IMIP 'principle of non-discrimination', i.e. in 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 other users within the IMIP.

See Section 2.4 for further details of the current status of construction of the RKEF Project.

IMIP NPI Pricing

Under the CSA, Hengjaya Nickel shall conduct the sale of its NPI products in an economically efficient manner through a tender exercise based on the price of nickel published by the London Metal Exchange (**LME Nickel Price**) plus a premium or discount and such other terms as may be determined by the board of directors of Hengjaya Nickel.

While Shanghai Decent is a logical purchaser of Hengjaya Nickel's NPI product, Hengjaya Nickel may elect to sell its NPI to whomever it chooses, including to offshore parties with its NPI product having surpassed the minimum beneficiation grade of 4% required for exportation from Indonesia.

[1] This includes US$24,750,000 provided directly by Hengjaya Holdings and US$250,000 provided through Hengjaya Nickel Private Limited, which is wholly owned by Hengjaya Holdings and is a 1% shareholder in Hengjaya Nickel. Hengjaya Holdings owns the remaining 99% equity in Hengjaya Nickel.

5 MATERIAL CONTRACTS

Nevertheless, under the CSA, where Hengjaya Nickel does not receive a price higher than 90% of the LME Nickel Price, Shanghai Decent irrevocably and unconditionally undertakes to purchase, directly or indirectly, all (and not some of) NPI products of Hengjaya Nickel at a price equivalent to 90% of the LME Nickel Price.

First acquisition of Hengjaya Holdings' shares following completion of the Offer

The Company is required to acquire further shares in the capital of Hengjaya Holdings from Shanghai Decent following completion of the Offer. Within 10 Business Days of the Company's Shares being listed and quoted on the ASX, the Company must notify Shanghai Decent the number of shares in the capital of Hengjaya Holdings, representing no less than 26% but no more than 35% of the share capital of Hengjaya Holdings that the Company agrees to acquire from Shanghai Decent.

The Company intends to acquire a further 35% of the share capital of Hengjaya Holdings, to increase its shareholding in Hengjaya Holdings (and as a result, the RKEF Project) from 25% to 60%. The consideration payable for this additional 35% interest is US$70 million payable in cash to Shanghai Decent, and the Company proposes to use US$70 million ($93.3 million[1]) from the Offer proceeds to fund this further acquisition.

The Company has obtained an in-principle waiver from the ASX to increase its shareholding in Hengjaya Holdings to 60% without the approval of Shareholders.

In addition to the acquisition of the additional 35% of the share capital of Hengjaya Holdings, the Company will also be assigned a proportion of the total outstanding shareholder loans owing from Hengjaya Holdings to Shanghai Decent at the time the RKEF Project is completed, such that the Company will also have 60% of the total shareholder loans made by the Company and Shanghai Decent to fund the RKEF Project.

Call option to acquire up to 100% of Hengjaya Holdings

Under the CSA, the Company has been granted a call option (**Call Option**) to require Shanghai Decent to sell to the Company all of the shares in Hengjaya Holdings held by Shanghai Decent (**Option Shares**) and assign all remaining shareholder loans owing from Hengjaya Holdings to Shanghai Decent for consideration of US$120 million, from a 60% ownership position, which if exercised would increase the Company's shareholding in Hengjaya Holdings to 100%.

The Company must exercise the Call Option no later than 12 months from the date on which the first batch of NPI is produced from the RKEF Project (or such other date as may be agreed in writing with Shanghai Decent).

If the Company elects to exercise the Call Option, the form of consideration payable by the Company to acquire the Option Shares and remaining shareholder loans will be at the election of Shanghai Decent. Shanghai Decent can elect the consideration be in cash, Shares in the Company or combination of both.

It should be noted that the sale and purchase of any Option Shares pursuant to the exercise of the Call Option is still otherwise subject to the parties obtaining all relevant regulatory approvals required to permit such a sale (including, without limitation, approval of the Shareholders of the Company, FIRB, ASX Listing Rules and the Corporations Act).

[1] Assuming an exchange rate of A$1.00 = US$0.75.

The Company has not yet decided whether it will exercise the Call Option and the Company will make an assessment at the time this option becomes available whether it is in the best interests of the Company to exercise the Call Option.

Warranties and covenants given by the Company

The Company has provided certain warranties and covenants in favour of Shanghai Decent and Wanlu under the CSA. These include:

- covenants in respect of the conduct of the Company between the signing of the CSA (September 2017) and completion under the CSA (April 2018), including, for example, that the Company complied with all applicable laws, not make any changes to its share capital or grant any option, and did not cause any licence, permit or authorisation of any Nickel Mines Group entity to be revoked;
- customary title, capacity and authority warranties in respect of the Nickel Mines Group and the issue of shares for the Initial Subscriptions.

As at the date of this Prospectus, as far as the Company is aware, it has not breached and is not in breach of any of these covenants or warranties, and neither Shanghai Decent nor Wanlu have notified the Company of any alleged breaches of such covenants or warranties.

Structure of the Boards of Directors of Hengjaya Holdings, Hengjaya Nickel Private Limited and Hengjaya Nickel

In accordance with the CSA, the Boards of Directors of Hengjaya Holdings, Hengjaya Nickel Private Limited and Hengjaya Nickel shall comprise no more than five directors.

Currently, one director has been nominated by the Company and three directors have been nominated by Shanghai Decent to the Boards of Directors of each of these companies.

Upon completion of the acquisition of a further 35% of the share capital of Hengjaya Holdings, to increase its shareholding in Hengjaya Holdings from 25% to 60%, the Company will be entitled to nominate three of the five directors to the Boards of Directors of each of these companies with one of these three directors being the Shanghai Decent nominee to the Company's Board of Directors.

Any appointment or removal of any director of each of these companies shall require the affirmative votes of no less than 80% of the shareholders of the relevant company.

Upon completion of the Call Option to acquire 100% of the capital of Hengjaya Holdings, the Company will be entitled to constitute the Boards of Directors of each of these companies in its sole and absolute discretion.

5.2 LAND SALE AGREEMENT

On 7 June 2018, Hengjaya Nickel and PT Indonesia Morowali Industrial Park (**PT IMIP**) entered into a preliminary land sale agreement which sets out (among other things), the terms on which the land within the IMIP on which the RKEF Project is being constructed (**IMIP Land**) is being sold to Hengjaya Nickel, the process to have the IMIP Land registered as *Hak Guna Bangunan* (**HGB title**), a 'right to build on land', and Hengjaya Nickel's rights to occupy and construct on the IMIP Land pending formal registration and transfer of the IMIP Land (**Land Sale Agreement**).

The IMIP Land will not be formally transferred to Hengjaya Nickel until HGB title has been obtained by PT IMIP in respect of the IMIP Land, which is a condition precedent to the transfer. In the intervening period, Hengjaya Nickel has been granted a right to occupy the IMIP Land under the Land Sale Agreement.

Sale of IMIP Land

PT IMIP has agreed to sell, and Hengjaya Nickel has agreed to buy the IMIP Land for the purchase price of US$150,000 per hectare, or in total, US$1,104,000 on the basis the IMIP Land comprises approximately 7.36 hectares.

The sale of the IMIP Land is conditional upon the fulfilment of certain conditions precedent, namely:

- PT IMIP has carried out and duly completed, all actions necessary and desirable for the certification and registration of the IMIP Land as HGB title land in the name of PT IMIP;
- PT IMIP is registered as the owner of the IMIP Land with HGB title, which ownership is as reflected in the IMIP Land HGB title certificate;
- neither the IMIP Land nor PT IMIP's HGB title ownership of the IMIP Land is the subject of any charges, claims, encumbrances or levies; and
- the relevant Indonesian land conveyancing office, has completed the status verification of the IMIP Land with the relevant land office, necessary for the preparation and execution of the formal deed for the sale and purchase of land.

There may be an adjustment to the purchase price depending on final measurement of the IMIP Land as conducted by the relevant land office. To the extent the final measurement shows that the area of the IMIP Land is:

- greater than 7.36 hectares, the purchase price shall be increased by an amount calculated by multiplying the excess number of hectares by US$150,000; or
- less than 7.36 hectares, the purchase price shall be reduced by an amount calculated by multiplying the shortfall in the number of hectares by US$150,000.

PT IMIP Covenants

PT IMIP has agreed to:

- keep Hengjaya Nickel fully informed, on a regular basis, about the progress of completing the certification and registration of the IMIP Land;
- provide to Hengjaya Nickel copies of all documents, letters and notices, in respect of the IMIP Land and the process of certificating and registering the IMIP Land, received by the PT IMIP from the relevant land office; and
- respond in a timely manner to any and all requests from Hengjaya Nickel for information regarding the process being undertaken by the seller in respect of the certification and registration of the IMIP Land.

Right to control, occupy and use

Under the Land Sale Agreement, PT IMIP has agreed to grant to Hengjaya Nickel the exclusive and sole right to control, occupy and use the IMIP Land in connection with the Hengjaya Nickel's proposed construction and operation of the RKEF Project on the IMIP Land. There is no rent or other monies payable by Hengjaya Nickel to PT IMIP for this right of control, occupation and use of the IMIP Land.

5.3 SUPPLY AGREEMENTS

Since the recommencement of mining operations at the Hengjaya Mine in October 2015, PT Hengjaya has signed a number of supply agreements with Tsingshan group companies to supply nickel laterite from the mine domestically. Under the current supply agreement signed in October 2017 between PT Hengjaya and PT Indonesia Tsingshan Stainless Steel (**ITSS**), a Tsingshan group company, ITSS has guaranteed to take supply of 50,000 wmt per month until 30 November 2018, with a cut-off grade of 1.60% nickel.

5.4 LEAD MANAGER MANDATE

The Company entered into a mandate letter with Bell Potter (**Lead Manager**) in November 2017, pursuant to which the Lead Manager was appointed as lead manager to provide services to the Company with respect to the IPO (**Mandate Letter**).

Under the terms of the Mandate Letter, the Company agreed to pay the Lead Manager a placement management fee equal to 3.0% of Offer proceeds and a placement selling fee of 3.0% of Offer proceeds, excluding funds raised from 'Chairman's List' participants in the Offer.

The Lead Manager is entitled to be reimbursed for its reasonable costs and expenses associated with the performance of its services under the Mandate Letter.

The Lead Manager entered into a mandate letter with Canaccord Genuity (Australia) Limited (**Canaccord**) in April 2018 as co-lead manager (**Co-Lead Manager**) for the Offer on terms set out in a separate engagement letter.

In consideration for the Co-Lead Manager providing services and subject to payment by the Company to the Lead Manager of the fees under the Mandate Letter at completion of the Offer, the Co-Lead Manager will be paid a selling fee of 3.0% plus GST on the total value of the Shares that the Co-Lead Manager is allocated and a Co-Lead Manager fee of $100,000 plus GST.

5.5 CO_2 CAPITAL PTE LTD AGREEMENT

The Company has entered into an agreement with CO_2 Capital Pte Ltd (**CO_2**) dated 17 September 2014 (as amended by supplemental letter agreement dated 26 April 2018). Pursuant to this agreement, the Company and CO_2 have agreed that the Company will issue 8,084,822 shares to CO_2 (or its nominee) upon successful completion of the IPO as consideration for advisory services provided by CO_2 in connection with the IPO.

5.6 MIS CORPORATE PTY LIMITED SERVICES AGREEMENT

The Company has entered into a services agreement with MIS Corporate Pty Limited (**MIS**), a company associated with Norman Seckold and Peter Nightingale, to provide full administrative services, including administrative and accounting staff, rental accommodation, services and supplies, on normal commercial terms to the Company. The Company has agreed to pay MIS a fee of $15,000 per month. The fee will be reviewed on a quarterly basis by the Company and MIS.

5.7 NO OTHER MATERIAL CONTRACTS

Other than as disclosed in this Section 5 and elsewhere in this Prospectus, there are no other material contracts relating to the Company or its business.

6 RISKS

6.1 OVERVIEW

An investment in the Company will be exposed to a number of risks.

Risks that the Directors believe are key risks are described under the headings 'Risks related to the Company's business and risks related to the industry in which the Company operates' (refer to Section 6.2) and 'Risks related to the Offer and an investment in Shares' (refer to Section 6.3).

The key risks are the risks that senior management and the Directors focus on when managing the business of the Company, and have the potential, if they occurred, to result in significant consequences for the Company and an investment in it.

There are also risks that are common to all investments in shares and which are not specific to an investment in the Company; for example, the general volatility of share prices including as a result of general economic conditions (including monetary and fiscal policy settings as well as exchange and interest rates) in Australia and elsewhere and other events outside the usual course of the Company's business such as acts of terrorism or war.

Investors should note that the occurrence or consequences of some of the risks described in this Section 6 are partially or completely outside the control of the Company, its Directors and senior management. Further, investors should note that this description focuses on the risks referred to above and does not purport to list every risk that the Company may have now or in the future. It is also important to note that there can be no guarantee that the Company will achieve its stated objectives or that any forward looking statements or forecasts contained in this Prospectus will be realised or otherwise eventuate.

Investors should satisfy themselves that they have a sufficient understanding of these matters, including the risks described in this Section 6, and have regard to their own investment objectives, financial circumstances and taxation position before investing in the Company. If you do not understand any part of this Prospectus, or are in any doubt as to whether to invest in Shares or not, it is recommended that you seek professional guidance from your stockbroker, solicitor, accountant or other independent and qualified professional advisor before deciding whether to invest.

6.2 RISKS RELATED TO THE COMPANY'S BUSINESS & RISKS RELATED TO THE INDUSTRY IN WHICH THE COMPANY OPERATES

The risks related to the Company's business and risks related to the industry in which the Company operates are detailed below.

Risks related to the Company's business and risks related to the industry in which the Company operates

RISK	DESCRIPTION OF RISK
Commodity price risks	Commodity prices, including nickel ore and nickel pig iron, 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 as well as general global economic conditions. These factors may have an adverse effect on the Company's activities as well as the Company's ability to fund those activities.
Reliance on the Tsingshan group	The development of the RKEF Project and the continued operations of the RKEF Project are heavily reliant on the relationship between the Company and Tsingshan. Under the terms of the CSA, Shanghai Decent (a Tsingshan group company) is responsible for the construction of the RKEF Project and shall take a lead role in the design, construction and operationalisation of the RKEF Project. Under the Land Sale Agreement, PT IMIP (a Tsingshan group company) is responsible for procuring that the IMIP Land (being the land on which the RKEF Project is being constructed) is registered as HGB title land and subsequently transferring the IMIP Land to Hengjaya Nickel. PT IMIP has also agreed under the Land Sale Agreement to provide Hengjaya Nickel with rights to occupy and construct on the IMIP Land pending formal registration and transfer of the IMIP Land. The Company does not have any formal contractual agreements for the supply of ancillary services within the IMIP that support the RKEF Project (for example, power and access to port). To facilitate the operations of Hengjaya Nickel within the IMIP, under the CSA, Shanghai Decent have agreed to procure that its related companies that supply such services within the IMIP, will provide such services to Hengjaya Nickel 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. The operations of the Company may be affected if these services are not supplied in accordance with the 'principle of non-discrimination' as agreed to by Shanghai Decent under the CSA.

Risks related to the Company's business and risks related to the industry in which the Company operates

RISK	DESCRIPTION OF RISK
Counterparty and enforceability risk	***CSA*** The CSA is a material contract which sets out the terms of the Company's key partnership with Shanghai Decent and the construction and operation of the RKEF Project, and is governed under the laws of Singapore. If Shanghai Decent breaches its obligations under the CSA, the construction and operation of the RKEF Project may not be completed in accordance with the manner specified under the CSA. If the parties are unable to resolve a breach or dispute under the CSA, the dispute will be finally resolved by arbitration in Singapore in accordance with the Arbitration Rules of the Singapore International Arbitration Centre. The arbitral tribunal may award any remedy or relief that could have been ordered by the Singapore High Court if the dispute had been the subject of civil proceedings in that court (Section 12(5) of the International Arbitration Act (Chapter 143A)). The Singapore High Court has the power to grant all reliefs and remedies at law and in equity, including damages in addition to, or in substitution for, an injunction or specific performance. While damages are the most common form of remedy for a breach of contract under Singapore law, where damages will not be an adequate remedy for a breach of contract, the equitable remedies of specific performance or injunction may be granted instead. In the context of the obligations under the CSA, the Company may need to seek specific performance to ensure that the construction and operation of the RKEF Project is implemented as agreed under the CSA. In addition, the Chinese Courts have discretion whether or not to enforce any foreign arbitration award. While the Chinese Courts have this discretion, the potential dispute and claim arising out of or in connection with the CSA does not fall into the category of nature of dispute or claim which is not capable of being recognised under the laws of the People's Republic of China. ***Land Sale Agreement*** The Land Sale Agreement is a material contract which sets out the terms on which Hengjaya Nickel will acquire HGB title to the IMIP Land and its right to occupy the IMIP Land pending HGB title registration, and is governed under the laws of Indonesia. If PT IMIP breaches its obligations under the Land Sale Agreement, Hengjaya Nickel may not obtain registered HGB title over the IMIP Land on which the RKEF Project is being constructed. However, Hengjaya Nickel will be entitled to those remedies provided in Indonesian law for breach of contract. Article 1267 of the Indonesian Civil Code provides that Hengjaya Nickel's remedies will be, at its option, (i) specific performance of the Land Sale Agreement or (ii) termination of the Land Sale Agreement and a claim for compensation in the form of costs, damages and 'interest' which expression is properly understood to mean loss of profit. Specific performance will only be available as a remedy for Hengjaya Nickel if transfer of ownership of the IMIP Land, by PT IMIP to Hengjaya Nickel, is still legally possible at the time Hengjaya Nickel submits its claim for compensation in the form of specific performance. For example, if PT IMIP never obtained HGB title to the IMIP Land, then it would not be in a position to legally transfer such title to Hengjaya Nickel, and specific performance would not be an available remedy.
Risks of operating in an emerging market	The Company's main operations are based in Indonesia and are subject to the laws and regulations of Indonesia. Generally, investing in emerging markets such as Indonesia involves greater risk than investing in more developed markets, including in some cases significant legal, economic and political risks. Financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in Indonesia and adversely affect the Indonesian economy. The Company's mining licences for the Hengjaya Mine and licences for the construction and operation of the RKEF Project have been issued or will be sought from relevant authorities in Indonesia. Exploration, construction, development and mining activities may be affected by political stability and changes to government regulations relating to the mining industry and foreign investment in Indonesia. Adverse changes in these regulations may negatively affect the Company's growth plans and strategy. Operations may also be affected by changes to mining laws, environmental laws, income and other taxes and exchange controls. The success of the Company is dependent on the stability of the political, economic and legal situation in Indonesia, which may be subject to rapid change. Any change in legislation could have an adverse effect on the Company.

6 RISKS

Risks related to the Company's business and risks related to the industry in which the Company operates

RISK	DESCRIPTION OF RISK
Regulatory risks	The Company's operations require approvals, permits and licences from Indonesian regulatory authorities which may not be forthcoming, either at all or in a timely manner, or which may not be able to be obtained on terms acceptable to the Company. Key approvals include obtaining HGB title to the IMIP Land on which the RKEF Project is being constructed, and Hengjaya Nickel obtaining various permits required to construct and operate the RKEF Project. The Company cannot guarantee that any or all requisite approvals will be obtained and a failure to obtain any approval could mean that the Company may be restricted, either in part or absolutely from developing the RKEF Project. While the procedures for obtaining any requisite licences and permits may be ascertained from relevant legislation and rules in Indonesia, the final granting of any such permits to the Company or its subsidiaries may still be subject to discretion of local Indonesian authorities. Exploration, development and production at the Hengjaya Mine requires various licences and approvals from the government (whether at the central government or regional government level) and other government agencies to conduct business and operations in Indonesia. These licences and approvals include general corporate, mining, production, export, manpower and environmental approvals. The Group must renew licences and approvals as they expire, as well as obtain new licences and approvals when required. Existing licences or approvals may be revoked by the Indonesian government due to the following reasons: (i) violation of the provisions stated in the licences or applicable regulations (including inappropriate use of licences); or (ii) non-fulfilment of obligations as required by the specific licence or applicable regulation. There is no assurance that the Indonesian government will not revoke existing licences and approvals for whatever reason or issue or renew the licences or approvals that the Group requires within the timeframe anticipated or at all. A failure to obtain or renew, or a loss of, any significant licence or approval that the Group requires to conduct its business and operations could have a material adverse effect on the business, financial performance, financial condition, results of operations and prospects. In addition, the Group is also required to comply with reporting obligations to the relevant governmental authorities and/or fulfil certain stipulated conditions in accordance with the provisions and procedures set forth in its licences. Failure to comply with the reporting obligations and/or fulfil certain stipulated conditions may cause the Group to be subject to, amongst others, an administrative penalty in the form of a warning and revocation of the relevant licence, as the case may be. For instance, the current licences, permits and approvals that the Group requires for the Hengjaya Mine operations may be suspended or revoked if it fails to comply with the stipulated continuing requirements including: a. submission of periodic written reports on the work plan and the implementation of the mineral mining business activities to the Minister of Mineral and Energy Resources (**MEMR**), governor, or the regent/mayor subject to their respective authority; b. submission of all data obtained and the exploration and production operation results to the MEMR, governor, or the regent/mayor subject to their respective authority; c. paying state income either in the form of tax or non-tax state income (*Penerimaan Negara Bukan Pajak*) in accordance with the applicable laws; d. prioritising domestic goods, tools and materials in accordance with prevailing laws; and e. sale of products to affiliated parties being subject to the market price. Since the commencement of mining operations at the Hengjaya Mine until the date of this Prospectus the Group has not had any material issues or inability to obtain, maintain or renew a licence required to enable operations at the Hengjaya Mine to be conducted. Any adverse developments in regulatory conditions could materially affect the Company's prospects. Political changes, such as changes in both monetary and fiscal policies, expropriation, methods and rates of taxation and currency exchange controls may impact the performance of the Group as a whole.

Risks related to the Company's business and risks related to the industry in which the Company operates

RISK	DESCRIPTION OF RISK
Environmental risks	The Group is subject to a number of laws and regulations regarding the protection of the environment. These laws and regulations set various standards regulating certain aspects of health and environmental quality and provide for penalties and other liabilities for the violation of such standards and establish, in certain circumstances, obligations to remediate current and former facilities and locations where operations are or were conducted. Significant liability could be imposed on the Group 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. The Company proposes to minimise these risks by conducting its activities in an environmentally responsible manner, in accordance with applicable laws and regulations and where possible, by carrying appropriate insurance coverage.
Mineral Resources risk	The Hengjaya Mine mineral resource estimate described in this Prospectus is based on work previously done on the properties and an assessment of the properties by PT GMT Indonesia. The report was prepared using information as at a specific date. The Company may undertake revisions to its respective mineral resource estimates based upon actual exploration and production results, depletion, new information and fluctuations in production and economic parameters. These factors may result in reductions in its mineral resource estimates, which could adversely affect plans and values detailed in the PT GMT Indonesia report. The Hengjaya Mine mineral resource estimate is classified as Measured, Indicated and Inferred Resources. Mineral Resources, which are not Ore Reserves, do not have demonstrated economic viability. An Ore Reserve is the economically mineable part of a Measured or Indicated Mineral Resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A large proportion of the Hengjaya Mine mineral resource estimate falls into the Inferred category. Inferred Resources provide a low level of confidence in the continuity of grade. Any reduction in grade could adversely affect plans and values detailed in this Prospectus.
Development and production risks	There can be no assurance that the Company will achieve its production and cost estimates. The failure of the Company to achieve its production and cost estimates could have a material adverse effect on its cash flows, profitability and the general financial condition of the Company. Production and cost estimates are dependent on many factors including but not limited to, mine commissioning, the accuracy of mineral resources, mine planning and scheduling, the accuracy of ore grades, ground conditions and mine stability, ore characteristics, the accuracy of the estimated rates and costs of mining, ore haulage, barging and shipping. Other factors that may affect production and costs include: industrial accidents; natural phenomena such as weather conditions, floods, rock slides and earthquakes; changes in fuel and power costs and potential fuel and power shortages; shortages of and cost of supplies, labour costs, shortages or strikes, civil unrest and restrictions or regulations imposed by government agencies or other changes in the regulatory environment.
Future funding risks	The future capital requirements of the Company will depend on many factors. The Directors believe that the proceeds of the Offer should be adequate to fund its business activities and to continue as a going concern, however, changes to operational requirements, market conditions and the identification of other opportunities may mean further funding is required by the Company at an earlier stage than is currently anticipated. As detailed in Section 2.4 the Company has the option to acquire the remaining 40% interest in Hengjaya Holdings it does not already own (on the assumption that the Company has already increased its interest to 60% as is currently intended) for an additional US$120 million, no later than 12 months after first NPI production from the RKEF Project. If the Company elects to exercise the option to acquire 100% of Hengjaya Holdings, it is likely that the Company will need to raise additional equity that will be dilutive to Shareholders. Should the Company require additional funding, there can be no assurance that additional financing will be available, either on acceptable terms or at all. Any inability to obtain additional funding, if required, will have a material adverse effect on the Company's business, its financial condition and performance, and its ability to continue as a going concern.

6 RISKS

Risks related to the Company's business and risks related to the industry in which the Company operates

RISK	DESCRIPTION OF RISK
	Any additional equity financing may be dilutive to Shareholders, may be undertaken at lower prices than the then market price, the Offer Price or may involve restrictive covenants which limit the Company's operations and business strategy. Debt financing, if available, may involve restrictions on financing and operating activities. Although the Directors believe that additional capital can be obtained, no assurances can be made that appropriate capital or funding, if and when needed, will be available on terms favourable to the Company or at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its activities and this could have a material adverse effect on the Company's activities and could affect the Company's ability to continue as a going concern. The Company may undertake additional offerings of Shares and of securities convertible into Shares in the future. The increase in the number of Shares issued and outstanding and the possibility of sales of such shares may have a depressive effect on the price of Shares. In addition, as a result of such additional Shares, the voting power of the Company's Existing Shareholders will be diluted.
Risk of the Company maintaining a substantial cash balance	As noted in Sections 1.1 and 4.2 of this Prospectus, the Company will have approximately $88.6 million of available cash at the end of year 2 after raising funds from the Offer and using those funds as described in section 4.2. It is intended that these funds available at the end of year 2 will be used to part fund either or both: - the Company increasing its ownership of the RKEF Project to 100%; or - the acquisition from Shanghai Decent of two new RKEF lines within the IMIP as described in the non-binding Memorandum of Understanding. In the unlikely event that the Company does not elect to implement either of these two options, the Company has stated its intention to return surplus funds to Shareholders in this circumstance. However, in the event the Company did not return surplus funds to Shareholders it would retain a substantial cash balance. In a low interest rate environment, interest earned on cash deposits will be modest and below the level of return the Company would expect from investing within its business, the impact of which would be a reduction in reported Return on Equity and Earnings per Share for the Company and on potential dividends per Share.
Risk that the Company's management and key personnel may discontinue their services	The Company's business and future success heavily depends upon the continued services of 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.
Forestry Permits	As detailed in Section 2.7, in June 2013 PT Hengjaya obtained an *Ijin Pinjam Pakai* (**IPPKH**), a 'borrow and use licence' in respect of approximately 851 hectares of the Hengjaya Project area within the production forest area and in February 2018 an IPPKH was received for a further 994 hectares. An IPPKH permit is required for PT Hengjaya to conduct mining activities in the forest area in which the Hengjaya mining concession area is in, as the forest area has been included as a Limited Production Forest Area by the Ministry of Forestry of Indonesia. To be able to mine outside of the areas over which IPPKHs have been granted, PT Hengjaya will need to apply for additional IPPKHs. There is a risk that PT Hengjaya may not be able to obtain such future IPPKHs which could impact its ability to expand operations at the Hengjaya Mine.
Reversal of ore export ban risk	The Indonesian government introduced the ban on the export of unprocessed raw materials or ore on 12 January 2014. In 2017 there was some relaxation of this ban. Were this ban to be overturned or relaxed further, a decrease in the price of nickel may occur.
Climate risk	The Company's properties are located in the Indonesian province of Central Sulawesi. The Company's properties and operations are therefore subject to the local climate of Central Sulawesi. Exploration, mining and transportation activities may be susceptible to risks and hazards resulting from sustained precipitation or other weather conditions. If these risks do materialise, they may result in production delays, increased costs and increased liabilities.
Changes in taxation laws and policies	Tax laws are in a continual state of change which may affect the Company and its Shareholders. There may be tax implications arising from ownership of the Shares, the receipt of franked and unfranked dividends (if any) from the Company, receiving returns of capital and the disposal of the Shares.

Risks related to the Company's business and risks related to the industry in which the Company operates

RISK	DESCRIPTION OF RISK
Changes in taxation laws and policies	Changes to tax laws may adversely affect the Group's financial performance and/or the returns achieved by investors. Dividends paid by the Company to certain investors may not be recognised as frankable by the Australian Taxation Office. The Group is not responsible for either taxation implications or penalties incurred by investors. You should carefully consider these tax implications and obtain advice from an accountant or other professional tax adviser in relation to the application of the tax legislation to your investment in the Company.
Payment of dividends	Payment of future dividends will depend on matters such as the future profitability and financial position of the Company and the other risk factors set out in this Section 6 (Risks). There is no assurance that the Company will be in a position or determine to pay dividends in the near future.
Third party risk	The operations of the Company require the involvement of a number of third parties, including suppliers, contractors and clients. In particular, the Company engages a number of external contractors to provide mining, transport and exploration works at the Hengjaya Mine and the IMIP. Financial failure, default or contractual non-compliance on the part of such third parties may have a material impact on the operations and performance of the Company. It is not possible for the Company to predict or protect the Company against all such risks.
Insurance risk	The Company insures its operations in accordance with industry practice. However, in certain circumstances, the Company's insurance may not be of a nature or level to provide adequate insurance cover and in some circumstances appropriate insurance cover may not be available or financially viable for certain risks. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company. The Company's business is subject to a number of risks and hazards generally, including without limitation, adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or facilities, personal injury or death, environmental damage to the Company's properties or the properties of others, delays in development, monetary losses and possible legal liability. The Company will maintain insurance coverage that is substantially consistent with mining industry practice. However, there is no guarantee that such insurance or any future necessary coverage will be available to the Company at all or at economically viable premiums or that, in the event of a claim, the level of insurance carried by the Company now or in the future will be adequate, or that a liability or other claim would not materially and adversely affect the Company's business.
Operational risk	The operations of the Company may be affected by various factors including failures in internal controls and financial fraud. To the extent that such matters may be in the control of the Company, the Company will mitigate these risks through management and supervision controls. In addition, the investments of the Company may be affected by various factors which are beyond the control of the Company, including adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, plant and equipment, fire, explosions and other incidents beyond the control of the Company. The operations of the Company may also be affected by natural disasters, epidemics, terrorist attacks and other disasters which may materially and adversely affect the economy in Australia, Indonesia and the Company's business.
Reliance on relationships and alliances	The Company has relationships with government, technical and advisory parties and other stakeholders in the industry. The Company's success, in part, depends upon continued successful relations with these parties. The loss of one or more of these relationships or a change in the nature or terms of one or more of these relationships may have a material adverse impact on the financial position and prospects of the Company.
Litigation risk	The Company is subject to litigation risks. All industries, including the minerals extraction and processing industry, are subject to legal claims, with and without merit. Defence and settlement costs of legal claims can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal proceeding to which the Company is or may become subject could have a material effect on its financial position, results of operations or the Company's activities.

6 RISKS

6.3 RISKS RELATING TO THE OFFER & AN INVESTMENT IN SHARES

The risks related to the Offer and an investment in Shares are detailed below.

Risks related to the Offer and an investment in Shares	
RISK	**DESCRIPTION OF RISK**
Investment speculative	Investment is subject to risks of a general nature relating to investment in shares and securities. The following risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company and others not specifically referred to, may in the future materially affect the financial performance of the Company and the value of the Shares offered under the Offer. The Shares to be issued under this Offer carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares. Potential investors should consider that an investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for the Shares offered under the Offer.
Liquidity and realisation risk	The Shares issued under the Offer will only be listed on ASX and will not be listed for trading on any other securities exchanges in Australia or elsewhere. As such, there can be no guarantee that an active market in the Shares will develop or continue, or that the market price of the Shares will increase. If a market does not develop or is not sustained, it may be difficult for investors to sell their Shares. Furthermore, the market price for Shares may fall or be made more volatile because of the relatively low volume of trading in the Company's securities. When trading volume is low, significant price movement can be caused by trading in a relatively small number of Shares.
Stock market fluctuations	There are a number of risks associated with any stock market investment. The price of the Shares may rise or fall in relation to the Offer Price and investors who decide to sell their Shares, after listing of the Company on ASX, may not receive the full amount of their original investment. The value of the Shares will be determined by the stock market and will be subject to a range of factors beyond the control of the Company and its Directors. These factors include movements in local and international stock exchanges, local interest rates and exchange rates, domestic and international economic and political conditions, government taxation, market supply, competition and demand and other legal, regulatory or policy changes.
Dependence on general economic conditions	The operating and financial performance of the Company will be influenced by a variety of general economic and business conditions. Any protracted down turn in Australia, Indonesia and the world economic situation could be expected to have a material adverse effect on the Company's financial performance, financial position and cash flows. Factors such as inflation, currency fluctuations, interest rates, legislative changes, political decisions and industrial disruption have an impact on operating costs and on nickel ore and nickel pig iron prices. The Company's future income, asset values and share price can be affected by these factors and, in particular, by the market price for nickel ore and nickel pig iron as well as exchange rate movements.
Negative publicity may adversely affect the Share price	Any negative publicity or announcement relating to any of the Company's substantial Shareholders, key personnel or activities may adversely affect the stock performance of the Company, whether or not this is justifiable. As with all stock market investments, there are risks associated with an investment in the Company. Share prices may rise or fall and the price of Shares might trade below or above the Offer Price. General factors that may affect the market price of Shares include without limitation economic conditions in both Australia and internationally, investor sentiment, local and international share market conditions, changes in interest rates and the rate of inflation, variations in commodity prices, the global security situation, changes to government regulation, policy or legislation, changes which may occur to the taxation of companies as a result of changes in Australian taxation laws, changes to the system of dividend imputation in Australia, and changes in exchange rates.

7 KEY PEOPLE, INTERESTS & BENEFITS

7.1 BOARD OF DIRECTORS

The Board has a broad range of experience in the mining industry, exploration and geology as well as commercial expertise. The Board is well positioned to implement the Company's strategic objectives. The following table provides information regarding the Directors.

NAME	POSITION	INDEPENDENT?
Robert Neale	Non-Executive Chairman	Yes
Norman Seckold	Executive Deputy Chairman	No
Justin Werner	Managing Director	No
Peter Nightingale	Executive Director and Chief Financial Officer	No
James Crombie	Non-Executive Director	Yes
Weifeng Huang	Non-Executive Director	No
Mark Lochtenberg	Non-Executive Director	Yes
Yuanyuan Xu	Non-Executive Director	No

7.2 DETAILS OF DIRECTORS

Details of each of the Directors are set out below.

ROBERT NEALE

Chairman, Non-Executive Director (appointed 16 April 2018).

Mr Neale graduated from the University of Queensland in 1968 with a First Class Honours Degree in Geology and Mineralogy with an additional major in Chemistry. Mr Neale is currently the Non-Executive Chairman of Mayur Resources Limited, a recently listed industrial minerals and energy company with assets in Papua New Guinea. Mr Neale is also a non-executive director of Amber Power Limited, an Australian, non-listed public company, developing innovative new energy technologies.

Mr Neale is the former Managing Director of New Hope Corporation Limited (NHC). 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.

Independence or affiliations Robert Neale is independent.

Interests and remuneration

- Mr Neale has an interest in 500,000 Shares held indirectly as at the date of this Prospectus; and
- Mr Neale receives $150,000 per annum as Director fees.

Legal or disciplinary action - Nil.

Insolvent companies - Nil.

NORMAN SECKOLD

Deputy Chairman, Executive Director (appointed 12 September 2007).

Mr Seckold graduated with a Bachelor of Economics degree from the University of Sydney in 1970. He 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., Pangea Resources Limited, Timberline Minerals, Inc. Perseverance Corporation Limited, Valdora Minerals N.L., Viking Gold Corporation, Mogul Mining N.L., Cockatoo Coal Limited 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 Collerina Cobalt Limited, Planet Gas Limited, Santana Minerals Limited and unlisted public company Mekong Minerals Limited.

Independence or affiliations Norman Seckold is not independent.

Interests and remuneration

- Mr Seckold has an interest in 123,715,661 Shares held indirectly as at the date of this Prospectus; and
- Mr Seckold receives $100,000 per annum in remuneration under the terms of an executive consultancy agreement between the Company and a company associated with Mr Seckold. Refer to Section 7.4 for more information.

Legal or disciplinary action - Nil.

Insolvent companies - Nil.

JUSTIN WERNER

Managing Director (appointed 23 August 2012).

Mr Werner, who holds a Bachelor of Management from the University of Sydney, has been involved in the mining industry for more than 15 years. He was a founding partner of PT Gemala Borneo Utama, a private Indonesian exploration and mining company, that developed a heap leach gold mine in West Kalimantan and which discovered the Romang Island project with Robust Resources Limited. Pt Gemala Borneo Utama was acquired by Indonesian businessman Anthony Salim.

Prior to his focus on developing projects in Indonesia, Mr Werner worked as a consultant for specialist mining consultancies GPR Dehler, Jamieson Consulting and Partners in Performance. This led to a number of turnaround projects for companies including Freeport McMoran (Grasberg deposit, Indonesia), Lihir Gold (Lihir mine, Papua New Guinea), Placer Dome (Nevada, USA), BHP Billiton (Ingwe Coal, South Africa), Rio Tinto (West Angelas Iron Ore, Australia), Nickel West (Western Australia) and QNI Yabulu refinery (Queensland, Australia). Mr Werner is currently a director of ASX Listed Collerina Cobalt Limited.

7 KEY PEOPLE, INTERESTS & BENEFITS

Independence or affiliations Justin Werner is not independent.

Interests and remuneration

- Mr Werner has an interest in 25,016,297 Shares held indirectly as at the date of this Prospectus; and
- Mr Werner receives $310,000 per annum in remuneration under the terms of an executive consultancy agreement between the Company and a company associated with Mr Werner. Refer to Section 7.4 for more information.

Legal or disciplinary action - Nil.

Insolvent companies - Nil.

PETER NIGHTINGALE

Executive Director, Chief Financial Officer (appointed 12 September 2007).

Mr Nightingale graduated with a Bachelor of Economics degree from the University of Sydney and is a member of the Institute of Chartered Accountants in Australia. He has worked as a chartered accountant in both Australia and the USA.

As a director or company secretary Mr Nightingale has, for more than 30 years, been responsible for the financial control, administration, secretarial and in-house legal functions of a number of private and public listed companies in Australia, the USA and Europe including Pangea Resources Limited, Timberline Minerals Inc., Perseverance Corporation Limited, Valdora Minerals N.L., Mogul Mining N.L., Bolnisi Gold N.L and Cockatoo Coal Limited.

Mr Nightingale is currently a director of ASX Listed Collerina Cobalt Limited, Planet Gas Limited and unlisted public company Prospech Limited.

Independence or affiliations Peter Nightingale is not independent.

Interests and remuneration

- Mr Nightingale has an interest in 22,265,654 Shares held indirectly as at the date of this Prospectus; and
- Mr Nightingale receives $200,000 per annum in remuneration under the terms of an executive consultancy agreement between the Company and a company associated with Mr Nightingale. Refer to Section 7.4 for more information.

Legal or disciplinary action - Nil.

Insolvent companies - Nil.

JAMES CROMBIE

Non-Executive Director (appointed 23 May 2008).

Mr Crombie graduated from the Royal School of Mines, London, in 1980 with a B.Sc. (Hons) in Mining Engineering, having been awarded an Anglo American Scholarship. Between 1980 and 1986 Mr Crombie held various positions with DeBeers Consolidated Mines and the Anglo American Corporation in South Africa and Angola. 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 to May 2002 and President and CEO of Ariane Gold Corporation 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 in December 2007. He was a director of Sherwood Copper Corporation until its business combination with Capstone Mining Corporation in November 2008.

Currently, Mr Crombie is President and CEO of Odyssey Resources Corporation and a director of Arian Silver Corporation and Torex Gold Resources Inc.

Independence or affiliations James Crombie is independent.

Interests and remuneration

- Mr Crombie has an interest in 6,580,000 Shares held indirectly as at the date of this Prospectus; and
- Mr Crombie receives $50,000 per annum in the form of Director fees.

Legal or disciplinary action - Nil.

Insolvent companies - Nil.

WEIFENG HUANG

Non-Executive Director (appointed 26 April 2018).

Mr Huang graduated with a Bachelor of Engineering degree from Zhejiang University in 1982 and obtained a Masters of Business Administration from Zhejiang University in 1998.

Mr Huang began his career in several industrial enterprises and has broad management experience 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.

Mr Huang is currently the Chairman of Shanghai Decent Investment (Group) Co., Ltd, (Shanghai Decent) a flagship company within the Tsingshan group and the President Director of PT Indonesia Morowali Industrial Park. Under his leadership, Shanghai Decent has led in the investments of over US$5 billion in the Indonesia Morowali Industrial Park (IMIP), an industrial park covering 2,000 hectares, and making IMIP an industry recognised ferronickel and stainless steel complex.

Independence or affiliations Mr Huang is not independent. He is currently the Chairman of Shanghai Decent and the President Director of PT Indonesia Morowali Industrial Park and is the nominee director for Shanghai Decent.

Interests and remuneration

- Mr Huang receives $50,000 per annum as Director fees.

Legal or disciplinary action - Nil.

Insolvent companies - Nil.

MARK LOCHTENBERG

Non-Executive Director (appointed 10 March 2017).

Mr Lochtenberg graduated with a Bachelor of Law (Hons) degree from Liverpool University, U.K. and has been actively involved in the resources industry for more than 25 years. He was the Executive Chairman and founding Managing Director of ASX-listed Cockatoo Coal Limited. Mr Lochtenberg was a principal architect of Cockatoo's inception and growth from an early-stage grassroots explorer through to coal producer.

Mr Lochtenberg was formerly the co-head of Glencore International AG's worldwide coal division, where he spent 13 years overseeing a range of trading activities including the identification, due diligence, negotiation, acquisition and aggregation of the coal project portfolio that would become Xstrata Coal. 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 the Chairman of ASX listed Equus Resources Limited, a minerals exploration company with operations in Chile and a Director of Australian Transport Energy Corridor Pty Ltd.

Independence or affiliations Mr Lochtenberg is independent.

Interests and remuneration

- Mr Lochtenberg has an interest in 11,693,333 Shares held indirectly as at the date of this Prospectus; and
- Mr Lochtenberg receives $50,000 per annum as Director fees.

Legal or disciplinary action - Nil.

Insolvent companies - Nil.

YUANYUAN XU

Non-Executive Director (appointed 26 April 2018).

Ms Yuanyuan Xu graduated with a Bachelor's Degree in Fashion Business & Fashion Design from Instituto Marangoni.

Since graduation, Ms Xu has honed her business acumen, participating in the Shanghai Fashion Week with a focus on marketing, public relations and procurement activities.

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

Ms Xu has not sat on the board of any publicly listed companies.

Independence or affiliations Ms Xu is not independent. She is currently an Executive Director and sole shareholder of Shanghai Wanlu Investment Co., Ltd and is the nominee director for Wanlu.

Interests and remuneration

- Ms Xu has an interest in 149,258,258 Shares held indirectly (representing the shareholding of Wanlu) as at the date of this Prospectus.
- Ms Xu receives $50,000 per annum as Director fees.

Legal or disciplinary action - Nil.

Insolvent companies - Nil.

7 KEY PEOPLE, INTERESTS & BENEFITS

7.3 INTERESTS OF DIRECTORS

Other than as set out below or elsewhere in the Prospectus, no Director:

- has or had at any time during the two years preceding the date of this Prospectus an interest in the formation or promotion of the Company, or in any property acquired or proposed to be acquired by the Company or in the Offer; and
- has been paid or agreed to be paid any amount, or has been given or agreed to be given any other benefit, either to induce him or her to become, or to qualify him or her as, a Director or otherwise for services rendered by him or her in connection with the formation or promotion of the Company or the Offer.

7.4 EXECUTIVE DIRECTORS' FEES & REMUNERATION

Consultancy Agreement – Deputy Chairman and Executive Director

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 Deputy Chairman and Executive Director. The consultancy company currently receives a monthly fee of $8,500 per month (exclusive of GST) and will receive a monthly fee of $8,333 (exclusive of GST) upon successful listing of the Company upon the ASX.

The consultancy agreement may be terminated by the Company or the consultancy company by either party giving three months' notice. The Company may terminate the consultancy agreement without notice in certain circumstances, including but not limited to a breach of contract, criminal activity or serious misconduct by the consultancy company or Mr Seckold.

The consultancy agreement commenced on 1 May 2018 and continues until terminated in accordance with its terms.

Consultancy Agreement – Managing Director

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. The consultancy company currently receives a monthly fee of $12,500 per month (exclusive of GST) and will receive a monthly fee of $25,833 (exclusive of GST) upon successful listing of the Company on the ASX.

The consultancy agreement may be terminated by the Company or the consultancy company by either party giving three months' notice. The Company may terminate the consultancy agreement without notice in certain circumstances, including but not limited to a breach of contract, criminal activity or serious misconduct by the consultancy company or Mr Werner.

The consultancy agreement commenced on 1 April 2018 and continues until terminated in accordance with its terms.

Consultancy Agreement – Chief Financial Officer and Executive Director

The Company has entered into an executive consultancy agreement with a company associated with Peter Nightingale. Under this executive consultancy agreement, the consultancy company of Mr Nightingale agrees to make Mr Nightingale available to perform the duties and responsibilities of the position of Chief Financial Officer and Executive Director. The consultancy company currently receives a monthly fee of $8,500 per month (exclusive of GST) and will receive a monthly fee of $16,667 (exclusive of GST) upon successful listing of the Company upon the ASX.

The consultancy agreement may be terminated by the Company or the consultancy company be either party giving three months' notice. The Company may terminate the consultancy agreement without notice in certain circumstances, including but not limited to a breach of contract, criminal activity or serious misconduct by the consultancy company or Mr Nightingale.

The consultancy agreement commenced on 1 April 2018 and continues until terminated in accordance with its terms.

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.

7.5 NON-EXECUTIVE DIRECTOR COMPENSATION

Letters of Appointment – Non-Executive Directors

Each of the Company's Non-Executive Directors have entered into Letters of Appointment with the Company to serve as Non-Executive Directors. Each of the Letters of Appointment provide that amongst other things, in consideration for their services, the Company will pay the following fees to the Non-Executive Directors.

NAME	POSITION	AMOUNT PER ANNUM $
Robert Neale	Non-Executive Chairman	150,000
James Crombie	Non-Executive Director	50,000
Weifeng Huang	Non-Executive Director	50,000
Mark Lochtenberg	Non-Executive Director	50,000
Yuanyuan Xu	Non-Executive Director	50,000

7.6 DIRECTORS' INTERESTS IN SHARES

The tables below set out the interests of the Directors in Shares as at the date of this Prospectus and the date following completion of the Offer.

	SHARES AS AT THE DATE OF THE PROSPECTUS			SHARES FOLLOWING COMPLETION OF THE OFFER		
SHAREHOLDER	NUMBER OF SHARES HELD DIRECTLY	NUMBER OF SHARES HELD INDIRECTLY	%	NUMBER OF SHARES HELD DIRECTLY	NUMBER OF SHARES HELD INDIRECTLY	%[1]
Robert Neale	Nil	500,000	0.06%		500,000	0.04%
Norman Seckold	Nil	123,715,661	15.30%	Nil	123,715,661	8.91%
Justin Werner	Nil	25,016,297	3.09%	Nil	25,016,297	1.80%
Peter Nightingale	Nil	22,265,654	2.75%	Nil	22,265,654	1.60%
James Crombie	6,580,000	Nil	0.81%	6,580,000	Nil	0.47%
Weifeng Huang	Nil	Nil	-		Nil	-
Mark Lochtenberg	Nil	11,693,333	1.45%	Nil	11,693,333	0.84%
Yuanyuan Xu	Nil	149,258,258[2]	18.46%	Nil	149,258,258	10.75%

[1]. This calculation is based on the total number of Shares following completion of the Offer and 8,084,822 additional Shares (outside of the Shares to be issued under the Offer) to be issued to CO2 Capital Pte Ltd upon successful completion of the Offer. See Section 5.5.

[2]. Ms Xu's Shares held indirectly represents Shares held by Wanlu, of which Ms Xu is an Executive Director and the sole shareholder.

7.7 CORPORATE GOVERNANCE

The Board is responsible for the overall governance of the Company. Issues of substance affecting the Company are considered by the Board, with advice from external advisers as required. Each Director must bring an independent view and judgment to the Board and must declare all actual or potential conflicts of interest. Any issue concerning a Director's ability to properly act as a director will be discussed at a Board meeting as soon as practicable, and a Director may not participate in discussions or resolutions pertaining to any matter in which the Director has a material personal interest.

Board Charter

The Board's role in risk oversight includes receiving reports from management and the Audit and Risk Management Committee on a regular basis regarding material risks faced by the Company and applicable mitigation strategies and activities. Those reports will detail the effectiveness of the risk management program and identify and address material business risks such as environmental, regulatory and compliance, reputational, strategic, business, operational, financial and human resources risks. The Board and its committees consider these reports, discuss matters with management and identify and evaluate any potential strategic or operational risks including appropriate activity to address those risks.

The responsibilities of the Board are set down in the Company's Board Charter, which has been prepared having regard to ASX Corporate Governance Principles. A copy of the Company's Board Charter is available on the Company's website at **www.nickelmines.com.au**. The Company will also send you a paper copy of its Board Charter, at no cost to you, should you request a copy during the Offer Period.

Board committees

As set out below, the Board has established three standing committees to facilitate and assist the Board in fulfilling its responsibilities. The Board may also establish other committees from time-to-time to assist in the discharge of its responsibilities.

Each committee has the responsibilities described in the committee charter (which has been prepared having regard to ASX Corporate Governance Principles) adopted by the Company. A copy of the charter for the committees is available on the Company's website at **www.nickelmines.com.au**. The Company will also send you a free paper copy of its charter should you request a copy during the Offer Period.

7 KEY PEOPLE, INTERESTS & BENEFITS

BOARD COMMITTEE	OVERVIEW	Initial Composition
Audit and Risk Management Committee	Oversees the Company's corporate accounting and financial reporting, including auditing of the Company's financial statements and the qualifications, independence, performance and terms of engagement of the Company's external auditor, as well as implementing, reviewing and supervising the Company's risk management framework.	Mr Mark Lochtenberg (Chair) Mr James Crombie Mr Weifeng Huang Mr Robert Neale
Nomination Committee	Establish and execute a transparent process for selecting the most appropriate candidates for the Board, having regard to the desired composition of the Board and the mix of skills and experience currently in place.	Mr Robert Neale (Chair) Mr Mark Lochtenberg Mr Norman Seckold
Remuneration Committee	Establishes, amends, reviews and approves the compensation and reviews equity incentive plans with respect to senior management and employees of the Company including reviewing individual elements of total compensation of the Managing Director and other members of senior management.	Mr Robert Neale (Chair) Mr James Crombie Mr Mark Lochtenberg

Corporate governance policies

The Company has also adopted the following policies, each of which has been prepared having regard to the ASX Corporate Governance Principles and is available on the Company's website at **www.nickelmines.com.au**:

a. **Code of conduct** - This policy sets out the standards of ethical behaviour that the Company expects from its Directors, officers and employees.

b. **Continuous Disclosure Policy** - Once listed on the ASX, the Company will need to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act to ensure the Company discloses to the ASX any information concerning the Company which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Shares. As such, this policy sets out certain procedures and measures which are designed to ensure that the Company complies with its continuous disclosure obligations.

c. **Risk Management Policy** - This policy is designed to assist the Company to identify, assess, monitor and manage risks affecting the Company's business.

d. **Securities Trading Policy** - This policy is designed to maintain investor confidence in the integrity of the Company's internal controls and procedures and to provide guidance on avoiding any breach of the insider trading laws.

e. **Shareholder Communications Policy** - This policy sets out practices which the Company will implement to ensure effective communication with its Shareholders.

f. **Diversity Policy** - This policy sets out the Company's objectives for achieving diversity amongst its Board, management and employees.

The Company will send you a copy of any of the above policies, at no cost to you, should you request a copy during the Offer Period.

ASX Corporate Governance Principles and Recommendations

The Board has evaluated the Company's current corporate governance policies and practices in light of the ASX Corporate Governance Principles. A brief summary of the approach currently adopted by the Company is set out below:

A copy of the Company's Corporate Governance Statement can also be seen on on the Company's website at **www.nickelmines.com.au**.

PRINCIPLE 1	
Lay solid foundations for management and oversight	The respective roles and responsibilities of the Board and executives are defined in the Board Charter, a copy of which is available on the Company's website at **www.nickelmines.com.au**. There is a clear delineation between the Chairman's responsibility for the Company and the day-to-day management of operations conferred upon the Managing Director and certain other officers of the Company. The process for selection, appointment and re-appointment of Directors is detailed in the Nomination Committee Charter, a copy of which is available on the Company's website at **www.nickelmines.com.au**. Under the Nomination Committee Charter, Shareholders are required to be provided with all material information relevant to making an informed decision on whether or not to elect or re-elect a Director. The Board is responsible for self-evaluating the performance of the Board and evaluating the performance if individual Directors and executives of the Company. The Company has adopted a Diversity Policy, a copy of which is available on the Company's website at **www.nickelmines.com.au**. The Diversity Policy requires the Board to promote diversity within the Company's culture and, when the Company is of a sufficient size, establish measurable objectives to assist the Company in achieving gender diversity and to review the Company's progress in meeting these objectives.
PRINCIPLE 2	
Structure the Board to add value	The Board is comprised of three Executive Directors and five Non-Executive directors and the roles of Chairman and Managing Director are exercised by two separate individuals. Whilst only three of the eight Directors are considered independent, the Board believes that the size, composition and skills of the Board are appropriate for the Company's business and circumstances, and are in the best interests of the Shareholders as a whole. The Company's Nomination Committee is responsible for regularly reviewing the size, composition and skills of the Board to ensure that the Board is able to discharge its duties and responsibilities effectively, and to identify any gaps in the skills or experience of the Board. The Board Charter provides for an annual self-assessment of the Board's performance.
PRINCIPLE 3	
Act ethically and responsibly	The Company has adopted a Code of Conduct, as well as a Securities Trading Policy and a Diversity Policy. Due to the Company's size and the locations in which it operates, it has elected not to set gender diversity objectives in its Diversity Policy at this time. The Board shall, when the Company has reached the requisite corporate and commercial maturity, amend the Company's Diversity Policy to include set gender diversity objectives against which it will assess its diversity performance annually. The Company acknowledges that it respects the benefits of employment diversity and will employ the best staff available.
PRINCIPLE 4	
Safeguard integrity in financial reporting	The Company has established an Audit and Risk Management Committee which complies with ASX Corporate Governance Principles to oversee the management of financial and internal risk. The Audit and Risk Management Committee will have a minimum of three directors, all of whom are Non-Executive and Independent Directors.
PRINCIPLE 5	
Make timely and balanced disclosure	The Company is committed to providing timely and balanced disclosure to the market in accordance with its Continuous Disclosure Policy, a copy of which is available on the Company's website at **www.nickelmines.com.au**.
PRINCIPLE 6	
Respect the rights of Shareholders	The Company has adopted a Shareholder Communications Policy for Shareholders wishing to communicate with the Board. The Company seeks to recognise numerous modes of communication, including electronic communication, to ensure that its communication with Shareholders is frequent, clear and accessible. All Shareholders are invited to attend the Company's annual general meetings, either in person or by representative. The Board regards the annual general meeting as a forum in which to discuss issues relevant to the Company and accordingly encourages full participation by Shareholders.

7 KEY PEOPLE, INTERESTS & BENEFITS

PRINCIPLE 7	
Recognise and manage risk	In conjunction with the Company's other corporate governance policies, the Company has adopted a Risk Management Policy which is designed to assist the Company to identify, evaluate and mitigate risks affecting the Company. In addition, the Board has established an Audit and Risk Management Committee to provide an independent and objective assessment to the Board regarding the adequacy, effectiveness and efficiency of the Company's risk management and internal control process.
PRINCIPLE 8	
Remunerate fairly and responsibly	The Company has established a Remuneration Committee to oversee the level and composition of remuneration of the Company's Directors and executives. The Remuneration Committee will comprise of a minimum of three directors, a majority of whom are Independent Directors and all of whom are Non-Executive Directors.

7.8 RELATED PARTY INTERESTS

As required by the Corporations Act:

a. a Director with a material personal interest in a matter is required to give notice to the other Directors before such a matter is considered by the Board; and

b. for the Board to consider such a matter, the Director who has a material personal interest is not present while the matter is being considered at the meeting and does not vote on the matter.

The Company has entered into the following agreements with related parties of the Company:

a. Appointment Agreements between the Company and each Non-Executive Director - see Section 7.5;

b. a services agreement between the Company and MIS Corporate Services Pty Limited, a company associated with Peter Nightingale and Norman Seckold - see Section 5.6; and

c. consultancy agreements between the Company and companies associated with Norman Seckold, Justin Werner and Peter Nightingale - see Section 7.4.

8 FINANCIAL INFORMATION

8.1 INTRODUCTION

This Section contains the historical financial information and a pro forma Statement of Financial Position of the Company and its controlled entities (**Financial Information**) that the Directors consider relevant to investors. The Financial Information is presented in an abbreviated form and does not contain all the disclosures that are usually contained in an annual report prepared in accordance with the Corporations Act. The Financial Information has been prepared in accordance with the recognition and measurement principles of applicable Australian Accounting Standards and is presented in the Company's functional currency of US dollars.

The Financial Information in this Section 8 comprises:

- historical financial information, being the Company's:
  - reviewed Consolidated Statement of Financial Position as at 31 December 2017;
  - reviewed Consolidated Statement of Comprehensive Income for the half-year ended 31 December 2017 and audited for the years ended 30 June 2016 and 30 June 2017; and
  - reviewed Consolidated Statement of Cash Flows for the half-year ended 31 December 2017 and audited for the years ended 30 June 2016 and 30 June 2017; and
- a pro forma Statement of Financial Position prepared based on the Company's reviewed Consolidated Statement of Financial Position as at 31 December 2017 and adjusted for certain subsequent events and transactions resulting from the Offer pursuant to this Prospectus.

The information in this Section 8 (Financial Information) should also be read in conjunction with the risk factors set out in Section 6 (Risks) and other information contained in this Prospectus.

8.2 BASIS OF PREPARATION & PRESENTATION OF THE FINANCIAL INFORMATION

The Financial Information has been prepared and presented in accordance with the recognition and measurement principles of the Australian Accounting Standards issued by the Australian Accounting Standards Board, which are consistent with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board.

The Financial Information is presented in an abbreviated form insofar as it does not include all the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

The Historical Financial Information has been extracted from the financial statements of the Company for the half-year ended 31 December 2017, which was reviewed by KPMG in accordance with Australian Auditing Standards and for the years ended 30 June 2016 and 2017, which were audited by KPMG in accordance with Australian Auditing Standards. The audit reports issued for years ended 30 June 2016 and 2017 were both unqualified and in respect of:

- 30 June 2016, included an emphasis of matter regarding the material uncertainty related to going concern; and
- 30 June 2017, included a material uncertainty related to going concern paragraph.

The review statement issued for the half-year ended 31 December 2017 was unmodified.

The Company's key accounting policies are set out in Section 8.7.

The Directors are responsible for the preparation and presentation of the Financial Information.

8.3 HISTORICAL & PRO FORMA STATEMENTS OF FINANCIAL POSITION

The table below sets out the Company's reviewed Consolidated Statement of Financial Position as at 31 December 2017 and the pro forma Statement of Financial Position.

The pro forma Statement of Financial Position is provided for illustrative purposes only and is not represented as being necessarily indicative of the Company's view of its future financial position.

US$	REVIEWED 31 DECEMBER 2017	SUBSEQUENT EVENTS	IMPACT OF OFFER	PRO FORMA
Notes		1	2	
Assets				
Current assets				
Cash and cash equivalents	17,596,748	(17,413,946)	70,230,057	70,412,859
Trade and other receivables	3,219,101	-	-	3,219,101
Inventory	490,969	-	-	490,969
Other	275,218	-	-	275,218
Total current assets	**21,582,036**	**(17,413,946)**	**70,230,057**	**74,398,147**
Non-current assets				
Plant and equipment	26,607,603	-	-	26,607,603
Investment in RKEF Project	-	50,000,025	70,000,035	120,000,060
Total non-current assets	**26,607,603**	**50,000,025**	**70,000,035**	**146,607,663**
Total assets	**48,189,639**	**32,586,079**	**140,230,092**	**221,005,810**
Liabilities				
Current liabilities				
Trade and other payables	16,119,767	(12,674,098)	-	3,445,669
Provision – employee's benefit obligation	270,104	-	-	270,104
Borrowings	12,422,597	(12,422,597)	-	-
Total current liabilities	**28,812,468**	**(25,096,695)**	**-**	**3,715,773**
Non-current liabilities				
Provision - rehabilitation	294,454	-	-	294,454
Total non-current liabilities	**294,454**	**-**	**-**	**294,454**
Total liabilities	**29,106,922**	**(25,096,695)**	**-**	**4,010,227**
Net assets	**19,082,717**	**57,682,773**	**140,230,092**	**216,995,582**
Equity				
Issued capital	44,752,186	58,432,214	141,102,860	244,287,260
Foreign currency translation reserve	(595,498)	-	-	(595,498)
Accumulated losses	(27,156,287)	(749,441)	(872,768)	(28,778,496)
Total equity attributable to equity holders of the Company	**17,000,401**	**57,682,773**	**140,230,092**	**214,913,266**
Non-controlling interest	2,082,316	-	-	2,082,316
Total equity	**19,082,717**	**57,682,773**	**140,230,092**	**216,995,582**

Notes:

Pro forma transactions include:

1. Subsequent events include:
   - **Completion of the Pre-IPO Offer:** reflects the issue of US$5,786,261 of new equity raised via the Pre-IPO Offer post 31 December 2017 through the issue of 34,526,009 Shares.
   - **Repayment of Borrowings:** reflects the full repayment of borrowings from the proceeds of the Pre-IPO Offer and the issue of 10,000,000 Shares to a nominee of the Company's Indonesian partner in PT Hengjaya. 'Nil indebtedness' was a condition precedent to completion of the CSA entered into with Shanghai Decent and Wanlu as detailed in Section 2.4 and 5.1.
   - **Repayment of Trade and other payables:** reflects the repayment of trade and other payables from the proceeds of the Pre-IPO Offer and the issue of 11,138,622 Shares. 'Nil indebtedness' was a condition precedent to completion of the CSA entered into with Shanghai Decent and Wanlu as detailed in Sections 2.4 and 5.1.
   - **Costs of the Pre-IPO Offer:** reflects the transaction costs of US$136,226 associated with the Pre-IPO Offer recognised against equity.
   - **Shanghai Decent/Wanlu Initial Subscriptions:** reflects the issue of US$50 million of new equity raised from the Initial Subscriptions by Shanghai Decent and Wanlu and the resulting issue of 310,954,704 Shares. Transaction costs of US$1.5 million were settled by the payment of US$600,000 in cash and the issue of 5,625,000 Shares.
   - **Investment in RKEF Project:** reflects the subscription by the Company for a 25% interest in the issued capital of Hengjaya Holdings through the acquisition of 25 US$1.00 shares and the provision by the Company of US$50 million to Hengjaya Holdings by way of shareholder loan. Hengjaya Holdings in turn provided the US$50 million received from the Company to Hengjaya Nickel (US$25 million by way of shareholder loan and US$25 million by way of equity[1]), which will be used by Hengjaya Nickel to fund the construction of the RKEF Project.
2. Impact of the Offer reflects the issue of $200.0 million (US$150.0 million) of new equity raised via the Offer through the issue of 571,428,572 Shares at the Offer Price and the exercise by the Company of the Option to move to a 60% interest in the RKEF Project through the subscription by the Company for a 35% interest in the issued capital of Hengjaya Holdings through the acquisition of 35 US$1.00 shares and the payment of US$70 million to Shanghai Decent. Transaction costs of US$11.9 million will be incurred, of which US$2.1 million are non-cash and of which US$0.9 million will be expensed as transaction costs and US$11.0 million will be recognised against equity.

[1]This includes US$24,750,000 provided directly by Hengjaya Holdings and US$250,000 provided through Hengjaya Nickel Private Limited, which is wholly owned by Hengjaya Holdings and is a 1% shareholder in Hengjaya Nickel. Hengjaya Holdings owns the remaining 99% equity in Hengjaya Nickel.

8 FINANCIAL INFORMATION

8.4 HISTORICAL STATEMENTS OF COMPREHENSIVE INCOME

The table below sets out the Company's reviewed Consolidated Statement of Comprehensive Income for the half-year ended 31 December 2017 and the audited Consolidated Statements of Comprehensive Income for the years ended 30 June 2016 and 30 June 2017.

	6 MONTHS ENDED 31 DECEMBER 2017	12 MONTHS ENDED 30 JUNE 2017	12 MONTHS ENDED 30 JUNE 2016
US$	**(REVIEWED)**	**(AUDITED)**	**(AUDITED)**
Nickel laterite sales revenue	9,148,048	8,594,750	4,538,523
Cost of sales	(6,122,781)	(7,683,830)	(4,551,777)
Gross profit/(loss)	3,025,267	910,920	(13,254)
Administration and consultants' expenses	(1,207,287)	(554,740)	(403,823)
Depreciation and amortisation	(43,802)	(50,337)	(40,493)
Inventory write-down	-	-	(805,315)
Tax charges	-	(136,234)	859,278
Agency fee charges	(1,800,000)	(3,300,000)	(900,000)
Other expenses	(125,356)	(245,239)	(143,587)
Results from operating activities	(151,178)	(3,375,630)	(1,447,194)
Financial income	91,466	10,683	12,858
Financial expense	(576,176)	(552,895)	(458,691)
Net financial expense	(484,710)	(542,212)	(445,833)
Loss before income tax	**(635,888)**	**(3,917,842)**	**(1,893,027)**
Income tax benefit	-	179,348	372,300
Loss for the period/year	**(635,888)**	**(3,738,494)**	**(1,520,727)**
Other comprehensive income			
Items that may be classified subsequently to profit or loss			
Total comprehensive loss for the year/period	**(635,888)**	**(3,738,494)**	**(1,520,727)**
Loss attributable to:			
Owners of the Company	(1,195,357)	(3,831,761)	(1,377,084)
Non-controlling interest	559,469	93,267	(143,643)
Loss for the year	**(635,888)**	**(3,738,494)**	**(1,520,727)**
Total comprehensive loss attributable to:			
Owners of the Company	(1,195,357)	(3,831,761)	(1,377,084)
Non-controlling interest	559,469	93,267	(143,643)
Total comprehensive loss for the year	**(635,888)**	**(3,738,494)**	**(1,520,727)**

Investors should note that past results are not a guarantee, nor are they indicative of, future performance.

8 FINANCIAL INFORMATION

8.5 HISTORICAL STATEMENTS OF CASH FLOWS

The table below sets out the Company's reviewed Consolidated Statement of Cash Flows for the half-year ended 31 December 2017 and the audited Consolidated Statements of Cash Flows for the years ended 30 June 2016 and 30 June 2017.

	6 MONTHS ENDED 31 DECEMBER 2017	12 MONTHS ENDED 30 JUNE 2017	12 MONTHS ENDED 30 JUNE 2016
US$	**(REVIEWED)**	**(AUDITED)**	**(AUDITED)**
Cash flows from operating activities			
Cash receipts from customers	6,317,242	9,142,340	3,930,552
Cash payments in the course of operations	(6,904,877)	(8,832,278)	(4,506,127)
Interest received	13,150	10,683	12,858
Research and development refund	(260,703)	(236,066)	487,212
Net cash used in operating activities	**(835,188)**	**84,679**	**(75,505)**
Cash flows from investing activities			
Payments for property, plant and equipment	(515,893)	(111,191)	(472,502)
Net cash used in investing activities	**(515,893)**	**(111,191)**	**(472,502)**
Cash flows from financing activities			
Proceeds from the issue of shares	19,717,064	84,836	411,618
Costs of issue	(1,152,884)	-	(7,526)
Net cash from financing activities	**18,564,180**	**84,836**	**404,092**
Net increase in cash and cash equivalents	**17,213,099**	**58,324**	**(143,915)**
Effect of exchange rate adjustments on cash held	104,874	2,243	(61,909)
Cash and cash equivalents at the beginning of the period/year	**278,775**	**218,207**	**423,731**
Cash and cash equivalents at the end of the period	**17,596,748**	**278,775**	**218,207**

Investors should note that past results are not a guarantee, nor are they indicative of, future performance.

8.6 DIVIDEND POLICY

The Company does not expect to pay dividends in the near future as its focus will primarily be on the development of, and increasing its interest in, the RKEF Project. As detailed in Section 2.5, the Company has also entered into a non-binding Memorandum of Understanding with Shanghai Decent whereby the Company shall have the right, but not the obligation, to acquire an interest of no less than 51% and up to 100% in a new special purpose company which will be the owner of two new RKEF lines. The Directors anticipate that funds raised from the Offer as well as funds raised from operations of the Hengjaya Mine will be used to partially funds these or other acquisition opportunities when, and if, the Company elects to make an acquisition.

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend upon matters such as the availability of distributable earnings, the operating results and financial condition of the Company, future capital requirements, general business and other factors considered relevant by the Directors.

No assurances can be given by the Company as to the payment of future dividends as this will depend on, amongst other things, the general business environment, the Company's level of profitability, the Company's funding requirements and the Company's financial and taxation position at the time.

8.7 SIGNIFICANT ACCOUNTING POLICIES

The following sets out a summary of the Company's significant applicable accounting policies:

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling interest

The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree. Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions.

Transactions eliminated on consolidation

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

Investments in associates

Investments in associates and jointly controlled entities are accounted for under the equity method and are initially recognised at cost. The cost of the investment includes transaction costs.

Sales revenue

Sales revenue is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

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 Australian 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 Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

Financial statements of foreign operations

The assets and liabilities of foreign entities are translated at the foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in the foreign currency translation reserve (FCTR), a separate component of equity.

Foreign exchange gains and losses arising from a monetary item receivable or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in the FCTR.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to United States dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to United States dollars at exchange rates at the dates of the transactions.

When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss as part of the profit or loss on disposal.

Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see below accounting policy Impairment).

Depreciation and amortisation

a. Depreciation is charged to the income statement using a reducing balance method from the date of acquisition.
b. Furniture and fittings and plant and machinery are depreciated at 25%.
c. Land and buildings and infrastructure are depreciated at 5%.
d. Mine infrastructure assets are depreciated at 5%.
e. Mining properties amortisation rate is applied on the basis of units of production over the life of the economically recoverable resources.
f. Office equipment is depreciated at rates of between 25% and 40%.
g. Plant and machinery are depreciated at 25%.

Trade and other payables

Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and are normally settled on 30 day terms.

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.

8 FINANCIAL INFORMATION

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and at call deposits.

Exploration, evaluation and development expenditure

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised at cost or fair value, as exploration and evaluation assets on an area of interest basis. Costs incurred before the consolidated entity has obtained the legal rights to explore an area are recognised in the statement of comprehensive income.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

a. the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
b. 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.

Issued capital

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

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 period, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods. Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for: The initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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

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

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KPMG Transaction Services
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The Directors
Nickel Mines Limited
Level 2, 66 Hunter Street
Sydney NSW 2000

7 August 2018

Dear Directors

Limited Assurance Investigating Accountant's Report and Financial Services Guide

Investigating Accountant's Report

Introduction

KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Transaction Services is a division) ("KPMG Transaction Services") has been engaged by Nickel Mines Limited ("Nickel Mines" or "the Company") to prepare this report for inclusion in the Prospectus to be dated 7 August 2018 ("Prospectus"), and to be issued by Nickel Mines, in respect of the proposed Initial Public Offer of shares in Nickel Mines Limited and listing on the ASX ("Transaction").

Expressions defined in the Prospectus have the same meaning in this report.

This Investigating Accountant's Report should be read in conjunction with the KPMG Transaction Services Financial Services Guide included in the Prospectus.

Scope

You have requested KPMG Transaction Services to perform a limited assurance engagement in relation to the Pro Forma Historical Financial Information described below and disclosed in the Prospectus.

The Pro Forma Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

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Pro Forma Historical Financial Information

You have requested KPMG Transaction Services to perform limited assurance procedures in relation to the Pro Forma Historical Financial Information of Nickel Mines (the responsible party) included in the Prospectus.

The Pro Forma Historical Financial Information has been derived from the Historical Financial Information of Nickel Mines, after adjusting for the effects of pro forma adjustments described in section 8.3 of the Prospectus. The Pro Forma Historical Financial Information consists of Nickel Mines' Pro forma Statement of Financial Position as at 31 December 2017 as set out in section 8.3 of the Prospectus issued by Nickel Mines (the "Pro Forma Historical Financial Information"). The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the Historical Financial Information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in section 8.3 of the Prospectus. Due to its nature, the Pro Forma Historical Financial Information does not represent the Company's actual or prospective financial position.

The Pro Forma Historical Financial Information has been compiled by Nickel Mines to illustrate the impact of the event(s) or transaction(s) described in Notes 1 and 2 on the Company's financial position as at 31 December 2017. As part of this process, information about Nickel Mines' financial position has been extracted by the Company from Nickel Mines' Interim Financial Report for the half-year ended 31 December 2017.

The Interim Financial Report of Nickel Mines for the half-year ended 31 December 2017 was reviewed by KPMG in accordance with Australian Auditing Standards. The review opinion issued to the members of Nickel Mines relating to those financial statements was unmodified.

For the purposes of preparing this report we have performed limited assurance procedures in relation to the Pro Forma Historical Financial Information in order to state whether, on the basis of the procedures described, anything comes to our attention that would cause us to believe that the Pro Forma Historical Financial Information is not prepared or presented fairly, in all material respects, by the directors in accordance with the stated basis of preparation as set out in section 8.2 of the Prospectus.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, an audit. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed an audit. Accordingly, we do not express an audit opinion about whether the Pro Forma Historical Financial Information is prepared, in all material respects, by the directors in accordance with the stated basis of preparation.

Directors' responsibilities

The directors of Nickel Mines are responsible for the preparation of:

- the Pro Forma Historical Financial Information, including the selection and determination of the pro forma transactions and/or adjustments made to the Historical Financial Information and included in the Pro Forma Historical Financial Information.

The directors' responsibility includes establishing and maintaining such internal controls as the directors determine are necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Conclusions

Review statement on the Pro Forma Historical Financial Information

Based on our procedures, which are not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information, as set out in section 8.3 of the Prospectus, comprising:

- the Pro forma Statement of Financial Position of Nickel Mines as at 31 December 2017,

is not prepared or presented fairly, in all material respects, on the basis of the pro forma transactions and/or adjustments described in section 8.3 of the Prospectus, and in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards, and Nickel Mines' accounting policies.

Independence

KPMG Transaction Services does not have any interest in the outcome of the proposed Transaction, other than in connection with the preparation of this report and participation in due diligence procedures for which normal professional fees will be received. KPMG is the auditor of Nickel Mines and from time to time, KPMG also provides Nickel Mines with certain other professional services for which normal professional fees are received.

General advice warning

This report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on the information contained in this report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

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Restriction on use

Without modifying our conclusions, we draw attention to section 8.2 of the Prospectus, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose. We disclaim any assumption of responsibility for any reliance on this report, or on the financial information to which it relates, for any purpose other than that for which it was prepared.

KPMG Transaction Services has consented to the inclusion of this Investigating Accountant's Report in the Prospectus in the form and context in which it is so included, but has not authorised the issue of the Prospectus. Accordingly, KPMG Transaction Services makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Prospectus.

Yours faithfully

Anne-Maree Keane
Authorised Representative

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Financial Services Guide
Dated 7 August 2018

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by **KPMG Financial Advisory Services (Australia) Pty Ltd ABN 43 007 363 215**, Australian Financial Services Licence Number 246901 (of which KPMG Transaction Services is a division) ("**KPMG Transaction Services**"), and Anne-Maree Keane as an authorised representative of KPMG Transaction Services, authorised representative number (1236095) **(Authorised Representative)**.

This FSG includes information about:

- KPMG Transaction Services and its Authorised Representative and how they can be contacted;
- the services KPMG Transaction Services and its Authorised Representative are authorised to provide;
- how KPMG Transaction Services and its Authorised Representative are paid;
- any relevant associations or relationships of KPMG Transaction Services and its Authorised Representative;
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and
- the compensation arrangements that KPMG Transaction Services has in place.

The distribution of this FSG by the Authorised Representative has been authorised by KPMG Transaction Services. This FSG forms part of an Investigating Accountant's Report (Report) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (PDS). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

Financial services that KPMG Transaction Services and the Authorised Representative are authorised to provide

KPMG Transaction Services holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for the following classes of financial products:

- deposit and non-cash payment products;
- derivatives;
- foreign exchange contracts;
- government debentures, stocks or bonds;
- interests in managed investments schemes including investor directed portfolio services;
- securities;

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- superannuation;
- carbon units;
- Australian carbon credit units; and
- eligible international emissions units,

to retail and wholesale clients. We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. The Authorised Representative is authorised by KPMG Transaction Services to provide financial product advice on KPMG Transaction Services' behalf.

KPMG Transaction Services and the Authorised Representative's responsibility to you

KPMG Transaction Services has been engaged by Nickel Mines Limited ("the Client" or "Nickel Mines") to provide general financial product advice in the form of a Report to be included in the Prospectus (Document) prepared by Nickel Mines in relation to the proposed Initial Public Offer of shares in Nickel Mines and listing on the ASX (Transaction).

You have not engaged KPMG Transaction Services or the Authorised Representative directly but have received a copy of the Report because you have been provided with a copy of the Document. Neither KPMG Transaction Services nor the Authorised Representative are acting for any person other than the Client.

KPMG Transaction Services and the Authorised Representative are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General Advice

As KPMG Transaction Services has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Transaction.

Fees KPMG Transaction Services may receive and remuneration or other benefits received by our representatives

KPMG Transaction Services charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay KPMG Transaction Services $30,000 for preparing the Report. KPMG Transaction Services and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report.

KPMG Transaction Services' officers and representatives (including the Authorised Representative) receive a salary or a partnership distribution from KPMG's Australian professional advisory and accounting practice (the KPMG Partnership). KPMG Transaction Services' representatives (including the Authorised Representative) are eligible for bonuses based on overall productivity. Bonuses and other remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.

Further details may be provided on request.

Referrals

Neither KPMG Transaction Services nor the Authorised Representative pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and relationships

Through a variety of corporate and trust structures KPMG Transaction Services is controlled by and operates as part of the KPMG Partnership. KPMG Transaction Services' directors and Authorised Representatives may be partners in the KPMG Partnership. The Authorised Representative is a partner in the KPMG Partnership. The financial product advice in the Report is provided by KPMG Transaction Services and the Authorised Representative and not by the KPMG Partnership.

From time to time KPMG Transaction Services, the KPMG Partnership and related entities (KPMG entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the transaction.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let either KPMG Transaction Services or the Authorised Representative know. Formal complaints should be sent in writing to The Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213. If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 9335 7000 and they will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

External complaints resolution process

If KPMG Transaction Services or the Authorised Representative cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (FOS). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly at:

Address: Financial Ombudsman Service Limited, GPO Box 3, Melbourne Victoria 3001

Telephone: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au

The Australian Securities and Investments Commission also has a freecall infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

KPMG Transaction Services has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

Contact Details

You may contact KPMG Transaction Services or the Authorised Representative:

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10 GEOLOGIST'S REPORT

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TECHNICAL ASSESSMENT REPORT FOR

NICKEL MINES LIMITED (NIC)

ON THE PT HENGJAYA MINERALINDO CONCESSION AREA, KABUPATEN OF MOROWALI, PROVINCE OF SULAWESI TENGAH, INDONESIA

APRIL 2018

REPORT NUMBER: 1141 NIC.TAR.2018.04

Author (s): Brett Gunter

Contributor (s): Krisjna Alimoeddin

Submitted to: Nickel Mines Limited

Date Submitted: 30th April 2018

EXECUTIVE SUMMARY

PT GMT Indonesia was requested by Nickel Mines Limited (NIC) to conduct a review and Resource estimation of the PT Hengjaya Mineralindo (HM) concession area. The prospect area is within the Kabupaten of Morowali, Central Sulawesi, Indonesia, approximately 1,750km northeast from Jakarta.

The HM prospect area has been explored previously by several groups, with the most recent work by HM. The concession has recently produced DSO ("direct shipping ore") between October 2012 and December 2013 and June 2015 until present.

The nickel deposits within the HM concession comprise a lateritic sequence and composed of highly oxidized materials derived by intense weathering of ultramafic rocks. Limonite (LIM) is clayey, red ferrous oxide facies material that overlies and grades into the saprolite facies (SAP). Below the saprolite, the interface is often rocky, with zones of saprolite mixed with boulders and fragments of bedrock (previously CST or rocky saprolite) and occasional boulders higher in the saprolite sequence (previously CST).

The concession area has been the target for several drilling programmes. Therefore, the current data set includes data for 1,402 drill holes for 30,295.74 metres of drilling advance with 1,267 of these holes containing analytical data. The sample database contains information on 26,739 sample intervals with 26,620 sample intervals containing valid Ni (%) analysis data. The drilling has been concentrated in several discrete areas, which have formed the basis of the Resource estimate block boundaries. They are, from east to west, Block A, B, C, Central, Central 2 (enclosed within Central), Bete Bete, West Bete Bete and Far West.

The drill hole database was updated to include recent drilling data in the previously described APL and Bete Bete areas. There has been substantial drilling since March 2012, mostly in the eastern blocks (Block A, Block B and Block C) and the Bete Bete block. In addition, the geological coding was re-defined using discrimination characteristics based on the geochemistry of the sample intervals, providing a more robust geological sequence for interpretation.

The various deposit areas were defined and a geological model constructed for each area. A block model and interpolation were made for each area and the results combined to formulate the Resource estimation. The geological modelling, grade interpolation and block model were completed using Leapfrog Geo V4.2 software. Each block model was interrogated for tonnage and grade of the major components, being Ni (%), Co (%) and Fe (%). The deposit has been classified as 42% moisture for the Bete Bete area and 34% moisture for the APL, Central, Central 2 and West Bete Bete areas for the adjustment from wet tonnages to the dry tonnage estimates.

There is an off-take agreement between HM and PT. Indonesia Tsingshan Stainless Steel (ITSS) to supply mineralised material to the nearby Indonesia Morowali Industrial Park (IMIP). Their requirement is a head grade of >1.80% Ni. At a cut-off grade of 1.50% Ni, there is 37.5M dry tons @ 1.81% Ni that would be suitable for the current agreement, as shown in the below table.

COG (Ni%)	Dry Tonnes	Ni (%)	Co (%)	Fe (%)
1.50	**37,523,000**	**1.81**	**0.06**	**17.52**
1.60	26,308,000	1.91	0.05	16.52
1.70	18,583,000	2.01	0.06	16.20
1.80	13,725,000	2.09	0.06	16.00
1.90	9,609,000	2.17	0.06	15.76
2.00	6,370,000	2.26	0.06	15.25
2.10	4,203,000	2.34	0.07	14.41
2.20	2,622,000	2.43	0.08	14.69
2.30	1,464,000	2.54	0.10	14.46
2.40	838,000	2.65	0.12	13.81
2.50	492,000	2.77	0.15	13.23

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We have chosen a cut-off grade of 1.50% Ni for the depleted Resource statement. We consider that the cut-off grade may vary with a change of market conditions but we believe that a cut-off grade of 1.5% Ni is fair and results in a global grade that conforms with the requirements of the off-take agreement currently in place between HM and the Indonesia Morowali Industrial Park (IMIP) for DSO material.

The current mining depleted and categorised Resource estimate for the HM concession area at a 1.5% Ni cut-off, date stamped 30th January 2018 is:

Category	Block	Dry Tonnes	Ni (%)	Co (%)	Fe (%)
Measured	Block B	18,000	1.70	0.03	16.00
	Block C	690,000	1.80	0.05	16.00
Total Measured		**700,000**	**1.80**	**0.05**	**16.00**
Indicated	Bete Bete	5,500,000	1.90	0.04	15.00
	West Bete Bete	1,200,000	1.80	0.05	6.10
	Central	350,000	1.80	0.07	16.00
	Central 2	6,400,000	1.80	0.08	17.00
	Block A	890,000	1.90	0.09	40.00
	Block B	210,000	1.70	0.03	16.00
Total Indicated		**15,000,000**	**1.90**	**0.06**	**17.00**
Inferred	Bete Bete	300,000	2.00	0.04	17.00
	West Bete Bete	900,000	1.90	0.05	12.00
	Central	17,000,000	1.80	0.05	17.00
	Central 2	2,700,000	1.70	0.08	17.00
	Block A	200,000	1.90	0.09	41.00
	Block B	600,000	2.00	0.03	15.00
	Block C	100,000	1.70	0.04	16.00
Total Inferred		**22,000,000**	**1.80**	**0.05**	**17.00**
Grand Total		**38,000,000**	**1.80**	**0.06**	**17.00**

Therefore, the stated Resources within the PT Hengjaya Mineralindo concession area are 0.7Mt @ 1.80% Ni in the Measured category, 15Mt @ 1.90% Ni in the Indicated category and approximately 22Mt @ 1.80% Ni in the Inferred category.

We consider the Resource estimate a fair representation of the data and the deposit and are confident that the categorisation of the Resources is consistent with the confidence level of the categories assigned.

As is always the case, there is an inherent risk in the conversion of Inferred Resources to higher categories but there is no reason at the current level of knowledge that such a conversion could not be made with further drilling. This is especially relevant when compared to the infill drilling and reconciliation of the Bete Bete deposit area, where wider spaced drilling was infilled and led to a good reconciliation between the block model and the mined tons and grade.

The current DSO operations being conducted are certainly generating revenue for the group but it is only exploiting a small part of the Resource. It is likely that as the nickel price rises there will be a lowering of the economic head grade that will be accepted by IMIP but at current conditions it is set at a minimum grade of 1.80%.

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TERMINOLOGY

All units of measure used in this report are metric, including kilogram or tonne (metric ton, units of mass), hectares (unit of area) and metre, kilometre (unit of distance).

All references of currency are in United States Dollars unless otherwise stated.

NIC: Nickel Mines Limited, the foreign company that holds the majority mining concession rights (IUP, izin usaha pertambangan) subject of this study

HM: PT Hengjaya Mineralindo, the Indonesian entity that holds the mining concession (IUP, izin usaha pertambangan) subject of this study

DSO: Direct shipping ore, not related to the term “ore” in accordance with the JORC Code (2012), an abbreviation relating to the direct shipment of run of mine material with no processing

Province: equivalent to a state area, a province is the Level 1 government area below the central government; head of government is the “Governor”

Kabupaten: Level 2 government, equivalent to a shire or county, the most powerful level of government under regional autonomy, several Kabupaten are grouped under a province, head of government in a Kabupaten is the “Bupati”

Kecamatan: Level 3 government, several Kecamatans are grouped into a Kabupaten, head of government is a “Camat”

Desa: village area, Level 4 government, several Desa make up a Kecamatan, head of government is the “Kepala Desa” (village head); several individual villages may be included in a Desa

Dusun: smaller than a Desa and headed by a “Kadus” (Kepala Dusun or dusun head)

IUP: izin usaha pertambangan, licence issued by the Department of Mines for exploration and exploitation of mineral resources, must be wholly owned through 100% Indonesian national shareholding

Kreung/Sungai : river in Indonesian

Alur: small river or tributary of the Kreung/ Sungai

Kampung: village in Indonesian

PMA: Foreign investment company structure in Indonesia (Penanaman Modal Asing)

IMIP: Integrated Morowali Industrial Park, a development centre in Morowali including ports, smelters and power stations

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1 INTRODUCTION

1.1 Issuer

This report is issued by PT GMT Indonesia (GMT) based on work requested and contracted by Nickel Mines Limited (NIC or "the company").

1.2 Context, Scope and Terms of Reference

NIC intends to list on the Australian Securities Exchange Ltd (ASX) through an initial public offering (IPO), anticipated to occur during the third quarter of 2018.

The company's primary asset is the Hengjaya Nickel Laterite Project held under a mining business licence ("concession area") owned by PT Hengjaya Mineralindo (HM). The concession area is within the Kabupaten of Morowali, Central Sulawesi, Republic of Indonesia.

The HM prospect area has been explored previously by several groups, with the most recent work by HM. The concession has produced direct shipping nickel laterite (DSO operation or "direct shipping ore") on several occasions since 2012.

GMT has been commissioned to complete a Technical Assessment Report (TAR) as part of the listing requirements of the ASX, for inclusion in a prospectus for the proposed IPO.

NIC outlined the general scope for the work as follows:

- Review and compile all available technical and non-technical data on the HM concession area and surrounds if appropriate for discussion in the TAR,
- Compile, check and validate all the available current and historical exploration data on the HM concession area, check and compile the drill hole database, analytical data and other relevant data,
- Compile and validate a geological model for the nickel deposits contained within the HM concession area, investigate the most appropriate interpolation parameters, compile and populate a block model for each of the pre-defined blocks within the concession, analyse the outputs and validate the results of the block model,
- Interrogate the block model for tonnage and grade of the blocks contained within the constraining surfaces of the geological model and report the results. Define the categorisation of the various blocks within the model,
- Review the areas that have been depleted by mining, reconcile actual versus expected production to test the veracity of the Resource estimation, make comment on non-technical issues for the project area, describe various aspects of the current operations, and,
- Compile a depleted current Resource estimation and compile an TAR in accordance with the requirements of the Valmin[1] and JORC[2] Codes.

GMT is being paid approximately USD 25,000 for the completion of this TAR.

[1] Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets, The VALMIN Code, 2015 Edition. Prepared by The VALMIN Committee, a joint committee of the Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists.

[2] Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. The JORC Code, 2012 Edition. Prepared by: The Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC).

1.3 Compliance with the Valmin and JORC Codes

The report has been prepared in accordance with the VALMIN Code (2015), which is binding upon Members of the Australian Institute of Geoscientists (AIG) and the Australasian Institute of Mining and Metallurgy (AusIMM), the Joint Ore Resources Committee (JORC) Code (2012) and the rules and guidelines issued by such bodies as the Australian Securities and Investments Commission (ASIC) and the Australian Securities Exchange (ASX) that pertain to the preparation of a Technical Assessment Report (TAR).

1.4 Authors of the Report

GMT is a privately owned, mining industry consulting company headquartered in Jakarta, Indonesia. GMT provides geological, resource, mining and mineral industry management consulting services to the international resources sector and has done so for more than 15 years.

This Technical Assessment Report (TAR) has been prepared by a team of consultants sourced from GMT's Jakarta, Indonesia office. These consultants have extensive experience in the mining industry and are members in good standing of appropriate professional institutions. The principal author preparing this TAR is a Specialist in the field of geology and exploration, in particular relating to Indonesian projects and bulk commodities.

The following individuals, by virtue of their education, experience, and professional association, are considered Competent Persons, as defined in the JORC Code (2012), for this report. The Competent Persons' individual areas of responsibility are presented below:

- Principal author – Mr Brett Gunter (Principal Consultant of GMT in Jakarta, Indonesia) responsible for the entire report. Mr. Gunter is the Representative Specialist for this report.
- Secondary author – Krisjna Alimoeddin (Consultant Geologist with GMT in Jakarta, Indonesia) responsible for the general assessment of the statutory obligations of mining projects within Indonesia and Indonesian mineral regulations and environmental regulations.

1.5 Relationship with Nickel Mines Limited

Neither GMT nor any of the authors of this report have any material present or contingent interest in the outcome of this report.

GMT has no prior association with Nickel Mines Limited or PT Hengjaya Mineralindo, or its officers, in regard to the mineral assets that are the subject of this report other than acting as a geological services provider in preparing a technical review and resource estimation for the PT Hengjaya Mineralindo concession area in August 2015 (2015 Concession Report). The 2015 Concession Report was prepared by GMT in its capacity as an independent geological services provider to provide a resource estimate that was compliant with the JORC Code (2012) and in anticipation of a potential initial public offering of Nickel Mines Limited shares and GMT did not have any material interest in the outcome of the 2015 Concession Report. GMT received a fee for completing the 2015 Concession Report based on its normal professional rates plus reimbursement of incidental expenses and the payment of that professional fee was not contingent upon the outcome of the 2015 Concession Report. GMT has no beneficial interest in the outcome of the technical assessment .GMT has no present or contingent interest in IPO or any of the assets of the Company or any of its subsidiaries.

GMT's fee for completing this report is based on its normal professional rates plus reimbursement of incidental expenses. The payment of that professional fee is not contingent upon the outcome of the report. There is no formal agreement between GMT and HM or NIC regarding provision of further work for GMT.

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No member or employee of GMT is, or is intended to be, a director, officer or other direct employee of HM or NIC. No member or employee of GMT has, or has had, any shareholding in HM or NIC.

1.6 Statements

1.6.1 Results are estimates and subject to change

The interpretations and conclusions reached in this Report are based on current scientific understanding and best evidence available to the authors at the time of writing. It is the nature of all scientific conclusions that they are founded on an assessment of probabilities and, however high these probabilities might be, they make no claim for absolute certainty.

The ability of any person to achieve forward-looking production and economic targets is dependent on numerous factors that are beyond GMT's control and that GMT cannot anticipate. These factors include, but are not limited to, site-specific mining and geological conditions, management and personnel capabilities, availability of funding to properly operate and capitalize the operation, variations in cost elements and market conditions, developing and operating the mine in an efficient manner, unforeseen changes in legislation and new industry developments. Any of these factors may substantially alter the performance of any mining operation.

1.6.2 Declaration

The information in this report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Brett Gunter, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy.

Brett Gunter has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Brett Gunter consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Technical Assessment of Mineral Assets reflects information compiled and conclusions derived by Mr Brett Gunter, who is a Member of The Australiasian Institute of Mining and Metallurgy. Mr Gunter is a permanent employee of GMT. Mr Gunter has sufficient experience relevant to the Technical Assessment of the Mineral Assets under consideration and to the activity which he is undertaking to quality as a Practitioner as defined in the 2015 edition of the 'Australasian Code for the Public Reporting of Technical Assessments and Valuations of Mineral Assets'.

Brett Gunter has provided a Written Consent Statement to NIC (Appendix 2).

1.7 Sources of Information

Some data provided has been compiled by other consultants including that of Reserva International LLC (2011) and a Gemcom GEMS project database compiled by Mr. B. R. Fleshman, FAusIMM(CP) of Fleshman Geological Services. These data sets include the location and down hole data for 606 drill holes, inclusive of analysis results for a large proportion of holes and geology interval data for a lesser portion. In addition, further recent drilling results, conducted by HM, have been incorporated into the data set with the addition of 62 boreholes compiled into an updated resource model.

The last Resource estimate data was compiled and reported by NickelPhil Consultants (Rob Tolentino, 17th August 2012) in the reported titled "Summary Mineral Resource Report (Based on JORC Code) Nickeliferous laterite deposit of Tangofa Prospect. Regency of Morowali, Province of Central Sulawesi, Sulawesi Island, Indonesia" (**NickelPhil Report**).

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Mr Gunter has visited the HM property in March 2015 to review the project conditions and the exploration works in progress at that time. During the two-day site visit, several mine areas were inspected and reviewed. The exploration protocols were witnessed.

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2 PROJECT DESCRIPTION

2.1 Location and Access

The HM concession area is within the Kabupaten of Morowali, Province of Sulawesi Tengah (Central Sulawesi), Indonesia (Figure 2.1). Geographically the area is in the eastern parts of Sulawesi and the nickel deposits are hosted within a sequence of laterites that has resulted from the weathering of ultramafic bedrock in the area. Deposits of this type are quite common in the area, with some large deposits being exploited by such companies as PT Vale Indonesia Tbk (formerly a subsidiary of Inco) and PT Aneka Tambang Tbk (the Indonesian state-owned mining company).

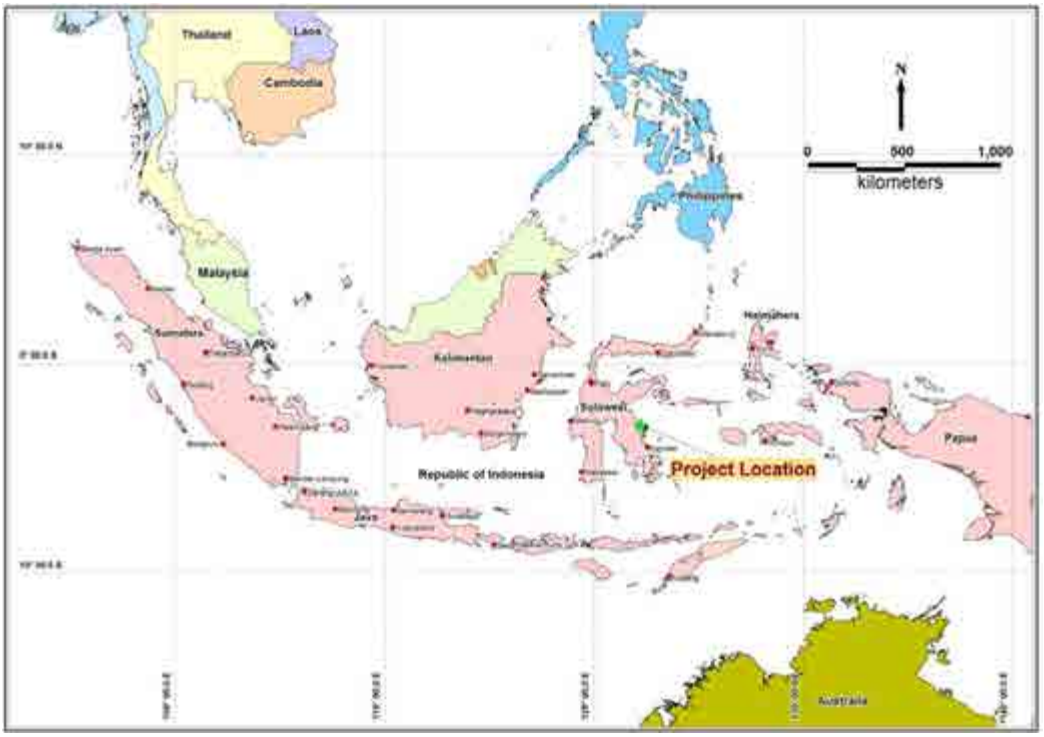

Figure 2.1 General location of the HM concession area, Kabupaten of Morowali, Central Sulawesi.

Administratively, the concession is within the Kecamatan of Bungku Selatan, Kabupaten of Morowali, with the closest village being that of Onete. The project area is located approximately 1,750 kilometres in a straight-line northeast from Jakarta. The centre of the HM concession area is located at approximately E 122º 13' 30" and S 02º 57' 00".

The Kabupaten of Morowali has its capital city at Bungku. The Kabupaten compasses an area of 14,500 km². The Kabupatens of Banggai and Poso border the Kabupaten of Morowali to the north, to the west by Poso and to the south by the Province of Sulawesi Selatan (South Sulawesi). The eastern border is bounded by the Gulf of Tolo. The Kabupaten of Morowali contains thirteen (13) Kecamatan and 238 Desa, with a total population (as recorded in the 2004 census) of 179,649 people with an average population density of 11.6 persons per km².

Access to the area is by air from Jakarta to Kendari with daily commercial flights, taking approximately 2 hours. From Kendari, the concession area can be reached either by speed boat, which takes approximately 3 to 4 hours or by car in approximately 5 hours, for approximately 170 kilometres on sealed provincial roads.

2.2 Description of Tenure and Project History

HM is a foreign investment company incorporated in Indonesia. This type of company, termed a PMA (Penanaman Modal Asing) can be wholly or partially owned by non-Indonesian entiites. The HM is owned 80% by NIC and the remaining 20% is held by Indonesian national entities.

The HM concession area is based on the legality of an IUP Operasi/Produksi (Izin Usaha Pertambangan or mining business licence, Operation/Production) for nickel with the Decree number 540.3/SK.001/DESDM/IV/2011. The concession covers an area of 6,249 hectares and was issued on the 16th of June 2011, valid until the 31st of May 2031.

The coordinates of the concession, as outlined within the statutory documents, are outlined in Table 2.1.

The HM prospect area has been explored previously by several groups with the most recent work completed by HM. The concession has recently produced DSO for export between October 2012 and December 2013, at which time raw export bans were enforced in Indonesia, and June 2015 until present as domestic barge shipments to the nearby IMIP smelter facilities located in the Morowali Industrial Park, adjacent to the town of Bahodopi, approximately 20.7 nautical miles by barge or 15km by sealed road from the HM concession.

2.3 General Project Conditions

2.3.1 Climate

The climate is typically tropical monsoon with a distinct wet and dry season. The wet season is typical from about November to March each year, however is usually less pronounced than in many other parts of Southeast Asia and as a result does not commonly impact exploration or mining activities. The average temperature ranges between 22-37°C with cooler temperatures in the higher mountainous areas of the region.

2.3.2 Demographics and Culture

The dominant flora within the concession area, other than plantation crops, comprises Fernil, Cyprus, Pomia, Resin, Punsi and Rattan accompanied by a variety of clumpy undergrowth and shrubs. The main fauna encountered in the area include snakes, lizards, a variety of birds, buffalo and goat. The flora and fauna characteristics are different from adjacent islands to the west, with the internationally recognised Wallace Line lying between Kalimantan and Sulawesi. This gives rise to a distinct transitional zone of flora and fauna between the Asian continent and the Australian continent. Species found only in this area include the dwarf buffalo (Anoa) and the Maleo Bird

The main indigenous people in the region belong to the Morowali Buginese. The Buginese are traditionally ocean-faring people with a distinctive culture and lifestyle closely tied to fishing. The other major group in the area originates from Java and several generations of Javanese have made a home, subsequent to resettlement, in the area. Balinese are a minority transmigrant community.

2.3.3 Land Use

The predominant land use in the area is small scale plantations by locals, direct shipping nickel operations or natural vegetation. The area has been covered by forestry concessions previously and timber has been harvested in the past.

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2.3.4 Economic Conditions

The concession area is surrounded by generally low to middle class populations, with the majority of the population being subsistence farmers, plantations or forestry. The area has an established infrastructure, with a number of public roads, provincial highways, waterways with small villages in the area.

2.4 Physiography and Morphology

The Kabupaten of Morowali is dominated by hilly terrain with ridgelines cut through by river systems in the concession area. The minimum elevation is approximately 100 metres AMSL maximum elevation is approximately 550 metres AMSL with slopes up to 65°.

The area is generally lower moving from north to south down to an elevation of about 100 to 200 metres AMSL (Figure 2.3). The main area of nickel laterite defined to date occurs on a generally flatter plateau surrounded by steep slopes falling away to the north, south and east. This is easily seen on Figure 5. It is in such flatter areas that nickel laterites will develop more fully, which appears to be the case in the concession area.

2.5 Forestry Status

The forestry zonation of the project area, an important aspect of any mining project in Indonesia, according to Forestry Ministry shows that the concession area consists of Limited Production Forest in the centre and APL (Other Land Use) in the east.

The APL area, by its nature, does not require forestry permits for exploration or production but the remaining areas of the concession do require Forestry Department permits for the exploration and production activities (Figure 2.4).

In accordance with the regulations, HM has received 2 permits from the Indonesian Department of Forestry. These permits are termed "pinjam pakai" (borrowed use) or IPPKH (izin pinjam pakai kawasan hutan or licence for borrowed use of a forestry area). The two pinjam pakai received by HM are shown in Figure 2.4 and comprise the following permits:

- IPPKH Number SK.443/Menhut-II/2013 for 851.22Ha, granted on the 20th June 2013 valid until the 16th June 2031, and,
- IPPKH Number 3/1/IPPKH/PMA/2018 for 994.32Ha, granted on the 6th February 2018 valid until the 26th May 2031.

These permits will allow full access for exploration and mining activities within the Limited Production Forest area (specifically the Central, Central 2, Bete Bete, Bete Bete West and Far West blocks further discussed below).

It should be noted that forestry permitting, such as the application and granting of a "pinjam pakai", is regulated by law in Indonesia and, as such, additional permits can be obtained over areas required for mining outside of those outlined above.

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No	Longitude (E)			Latitude (S)		
	°	'	"	°	'	"
1	122	9	57.11	2	55	0
2	122	11	29.99	2	55	0
3	122	11	29.99	2	55	45.58
4	122	12	43.24	2	55	45.58
5	122	12	43.24	2	55	25.34
6	122	11	36.37	2	55	25.34
7	122	11	36.37	2	55	0
8	122	14	0.47	2	55	0
9	122	14	0.47	2	55	25.18
10	122	15	57.13	2	55	25.18
11	122	15	57.13	2	55	31.55
12	122	16	43.09	2	55	31.55
13	122	16	43.09	2	55	36.02
14	122	17	3.2	2	55	36.02
15	122	17	3.2	2	55	47.17
16	122	17	16.12	2	55	47.17
17	122	17	16.12	2	56	24.78
18	122	17	11.01	2	56	24.78
19	122	17	11.01	2	56	32.75
20	122	16	46.44	2	56	32.75
21	122	16	46.44	2	56	58.73
22	122	18	6.71	2	56	58.73
23	122	18	6.71	2	57	11.48
24	122	17	58.73	2	57	11.48
25	122	17	58.73	2	57	17.38
26	122	17	50.75	2	57	17.38
27	122	17	50.75	2	57	22.8
28	122	16	14.2	2	57	22.8
29	122	16	14.2	2	57	47.18
30	122	17	1.6	2	57	47.18
31	122	17	1.6	2	58	14.43
32	122	15	42.29	2	58	14.43
33	122	15	42.29	2	58	46.15
34	122	14	37.81	2	58	46.15
35	122	14	37.81	2	58	30.21
36	122	13	3.34	2	58	30.21
37	122	13	3.34	2	57	26.14
38	122	11	59.03	2	57	26.14
39	122	11	59.03	2	56	58.25
40	122	11	1.1	2	56	58.25
41	122	11	1.1	2	56	27.81
42	122	9	57.11	2	56	27.81

Table 2.1 Corner coordinates of the HM concession area, summarised in accordance with the reviewed mineral licence documents provided.

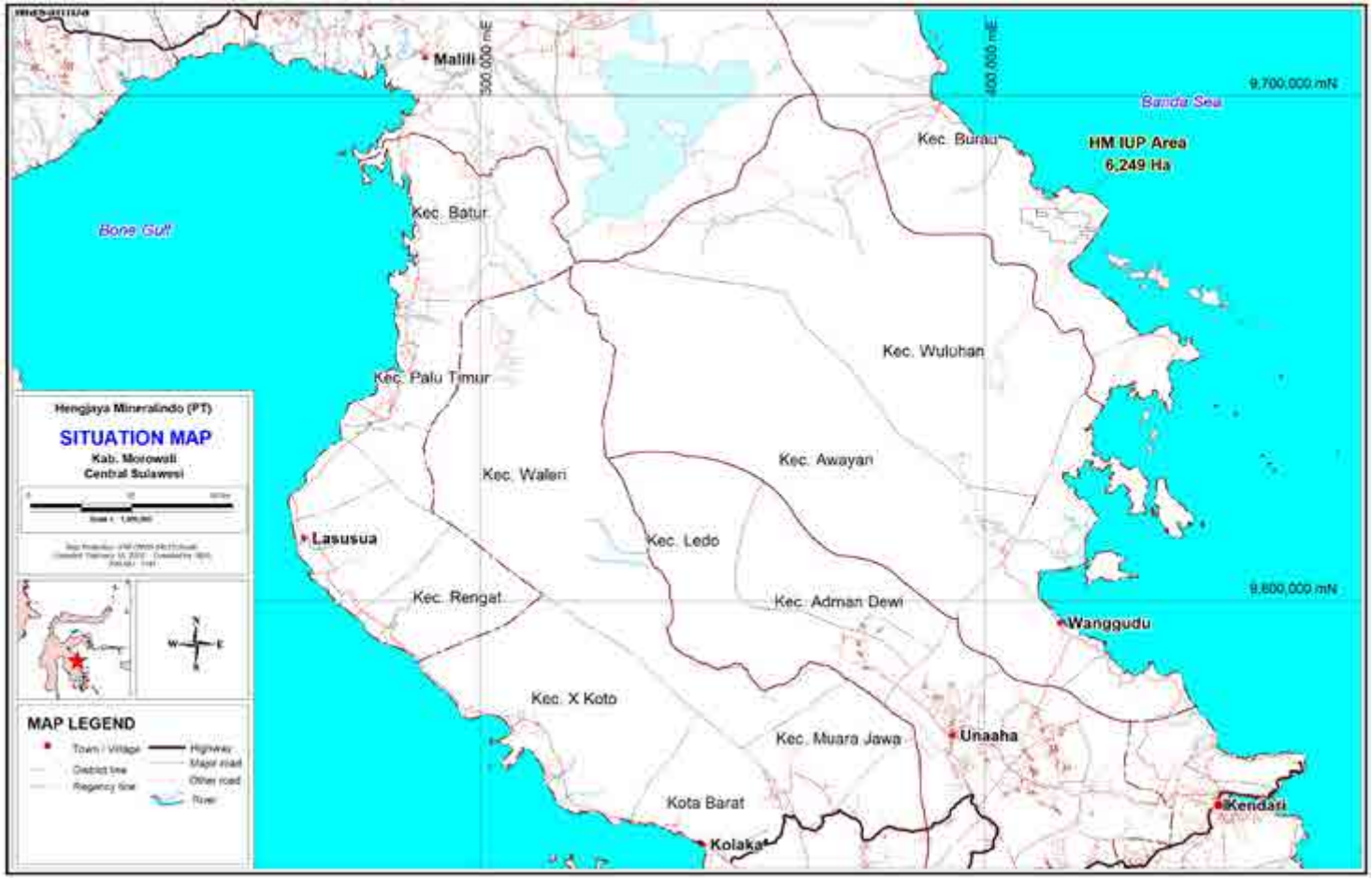

Figure 2.2 Situation map showing the location of the HM concession area in central Sulawesi.

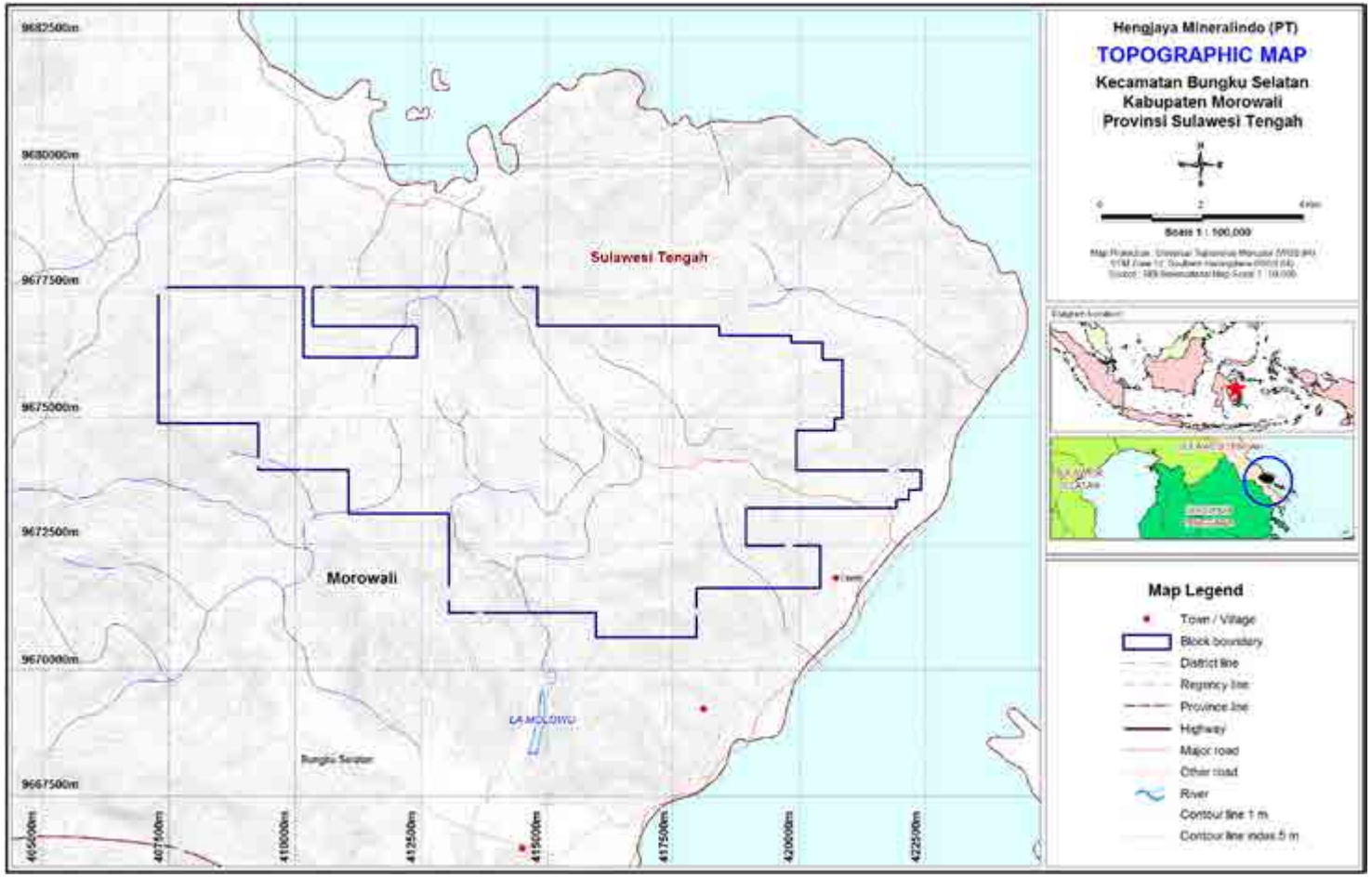

Figure 2.3 Topographic map of the HM concession area.

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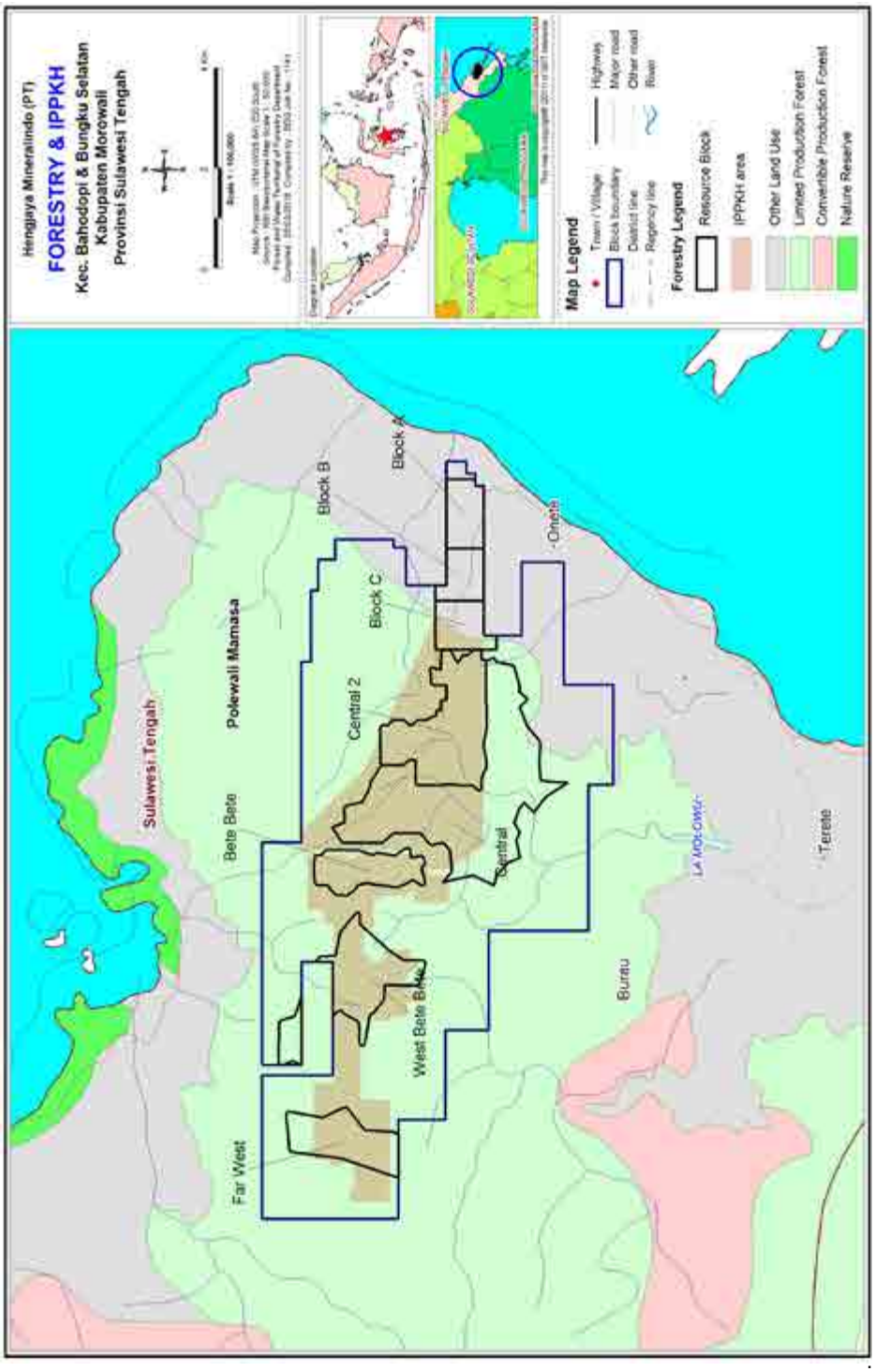

Figure 2.4 Forestry zoning map of the HM concession area.

3 REGIONAL GEOLOGY

3.1 Tectonic Evolution

According to published data, the tectonic development and the depositional history of sedimentary rocks in the area is closely related to the development of the Banggai-Sula Platform which was cratonized by the end of the Paleozoic.

The Tolaka Formation is presumed to be deposited during Triassic time in a continental slope of the Banggai-Sula Platform. By Jurassic time, the Nanaka Formation was deposited unconformably on top of the basement complex in a terrestrial to shallow marine environment. During the Late Jurassic to Early Cretaceous, in a neritic environment, the Tetambahu formation and Masiku Formations were deposited. These formations were formed in a continental margin, which became the present Banggai-Sula Platform (in the Bungku Quadrangle).

In the other portion of the deep-sea basin to the west, pelagic material (Matano Formation) started to be deposited in the Early Cretaceous and continued until the Late Cretaceous. The Matano Formation was deposited in a deep-sea environment on top of the ophiolites, which, at present, form the East Sulawesi Ophiolite Belt.

During the Cretaceous, the westward moving oceanic plate was subducted beneath the continual margin and the volcanic arc of the Sundaland. At present, this subduction zone is represented by flysch, such as the Latimojong Formation, which was deposited during the Upper Cretaceous. This sedimentation was followed by the deposition of the Toraja Formation during the Eocene and submarine volcanic activity during the Oligocene (Lamasi Volcanic), which continued until the Miocene (Rampi and Tineba Volcanics). At present those rock units form the West Sulawesi Geological Province.

During the Middle Miocene the eastern part of the oceanic crust in the Eastern Sulawesi Geological Province was obducted upon the westward moving Banggai-Sula Platform.

3.2 General Geology

The K-shape island of Sulawesi (formerly Celebes) is a headless body consisting of four narrow peninsulas known as ‘arms’, a ‘neck’ and a ‘trunk’ (west-central Sulawesi), which are surrounded by deep gulfs and marginal sea basins. The arms consist of South Arm, North Arm, East Arm and Southeast Arm (Figure 3.1).

Most of Sulawesi is mountainous region (above 500 m), of which 20% of the total area is above 1000 m, mainly in central Sulawesi and the northern part of Southwest Arm. The highest peak is non-volcanic Mount Latimojong (3450 m). Lowland areas are distributed in central part of Southwest arm, near the Gulf of Bone and southern parts of Southeast Arm. Seventeen volcanoes are present in the North Arm and one in Tomini Bay.

The region has been subdivided into four lithotectonic units bounded by large-scale tectonic dislocations and thrust faults. These are from west to east: (i) the west Sulawesi volcano-plutonic Arc, (ii) the central Sulawesi metamorphic belt, (iii) the east Sulawesi ophiolite belt, and (iv) the continental fragments of Banggai-Sula, Tukang Besi and Buton (Figure 3.1).

The most important land structure on Sulawesi is clearly the still-active Palu Fault. It marks the western boundary of the lithosphere plate that is overriding the Sulawesi Sea floor to the north. The Palu Fault is marked by a continuous rift valley, which has a flat floor of about 5-km width in the Gulf of Palu area. To the north, the Palu Fault has been traced all the way up to the North Sulawesi Trench and marks its western extent. To the south, the Palu Fault stops at the northern shore of the Gulf of Bone.

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The West Sulawesi Plutono-Volcanic Arc is divided into a continental margin segment (Southwest Sulawesi) and a Tertiary island arc segment underlain by oceanic crust (Northern Sulawesi). Southwest Sulawesi is believed to be part of Sundaland Margin that continues from southwest of Borneo, while the Northern Sulawesi magmatic arc resulted from subduction of the Celebes Sea plate in the north and the Moluccas Sea plate in the east. The Central Sulawesi Metamorphic Belt is comprised of ophiolite melange or broken formations and metamorphic rocks (Pompangeo Complex). The metamorphic rocks are derived from both continental and oceanic terrains and probably include Australian crust (Parkinson, 1991).

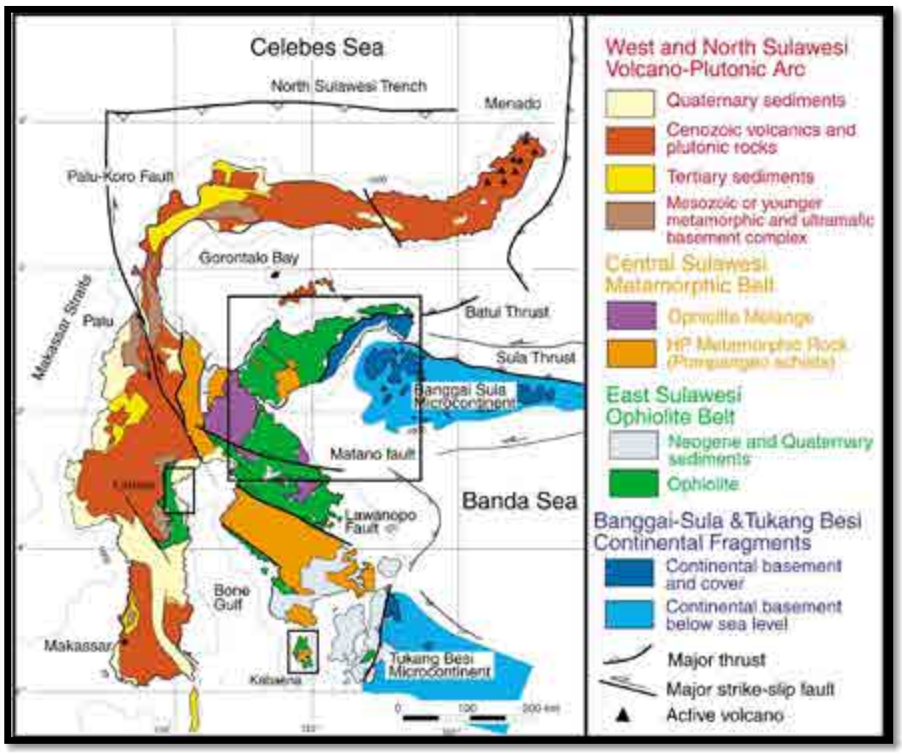

Figure 3.1 Tectonic setting of Sulawesi Region (by Kadarusman,et,al, 2004).

East Sulawesi Ophiolite (ESO) is one of the three largest ophiolites in the world. The ESO is a dismembered ophiolite that is tectonically intercalated with Mesozoic deep-sea sediments, and probably includes Indian Ocean MORB, marginal basin crust, and parts of the Sundaland fore-arc or oceanic plateau of Pacific plate. The origin and age(s) of the ESO is debatable as geochemical and geochronological data is incomplete. It represents a single ophiolite that has undergone a multistage history and consists of slices of ophiolite fragments with different origins (Monnier, 1995; Parkinson, 1998; Kadarusman *et al.*, 2004). It was in part thrust over the eastern periphery of the metamorphic rocks in the middle Oligocene.

The total length of the ESO is some 700 km from Gorontalo Bay, through the East Arm and central Sulawesi toward the Southeast Arm and the islands of Buton and Kabaena; it also extends to the Lamasi complex of the South Arm passing through the Gulf of Bone (the total outcrop area is more than 15,000 km² Figure 3.1). The ophiolites are intercalated and complexly juxtaposed with

Mesozoic and Tertiary sedimentary rocks, as a result of late Oligocene/ early Miocene collision, subsequent contraction, and later strike-slip faulting (Bergman et al., 1996; Parkinson, 1998).

A full suite of ophiolite lithologies (ultramafic and mafic sequences) is present along the northern coast of the East Arm. In the large parts of the ESO, ultramafic sequences dominate in the Southeast Arm, southern part of the East Arm and Kabaena Island, while basaltic volcanic units are exposed in the Lamasi area.

Morowali is located at the west of the south eastern arm along the shoreline of Sulawesi Island. Morowali comprise nickel laterite deposits and they are an eastward continuation of the large nickel laterite resources of the inland Lakes Area that include the Bahodopi, Bulelleng, Petasia.

The terrain in Morowali is generally of rounded hills, terraces, ridges and spurs, in marked contrast to the highly dissected mountainous region east of Towuti Lake and lowlands area at the east part that close to the shoreline of Gulf Tolo. Morowali is part large of Sulawesi Ophiolite belt situated at the south-eastern arm of Sulawesi Island. This block mainly consists of Ultramafic complex, Limestone complex, clastic –limestone deposit and Alluvium deposit.

The ultramafic complex is largely composed of peridotites that have been serpentinised to varying degrees. These rocks can be generally described as green to dark green peridotites (Dunite). Limestone complex occurs at the northeastern parts of the area. This limestone is unconformity in contact with ultramafic complex and bordering with the thrust fault at the east side of the ultramafic rock. The limestone complex consists of crystalline carbonate, wackestone, and grainstone.

Alluvium deposits spread over at the south part of Petasia. This deposit laid at the restricted depression area, derived from eroded material from the high land. Alluvium deposits is grey to black colour and very soft, seem to be marsh deposits, associated with Lantoa lake-depression area.

Major structures are trending in a northwest-southeast direction across Morowali, such as the Matano fault. Minor structures are oriented northeast-southwest trending and could be recognized by rivers and creeks in the area.

3.3 Concession Geology

The following rock formations occur within the HM concession area, in accordance with the published geology maps of Indonesia, with the Tolaka Formation supposedly covering most of the concession area. However, due to the presence of nickel laterite in areas defined by recent exploration, it is clear that the formations mapped in the area are not correct and most of the concession is, in fact, dominated by the Ultramafic Complex (Figure 3.3).

3.3.1.1 Alluvium (Qa)

Quaternary sedimentary deposits comprise unconsolidated mud, clay, sand, silt and coarser fragmentals, depending upon the depositional setting.

3.3.1.2 Tomata Formation (Tmpt)

The Tomata Formation comprises alternations of sandstone with claystone, tuff, conglomerate in addition to lignite intercalations. The formation is believed to have been deposited in the Miocene-Pliocene.

3.3.1.3 Ultramafic Complex (Ku)

This rock unit comprises harzburgite, lherzolite, wehrlite, websterite, serpentinite and dunite.

The harzburgite is green to black, holocrystalline, welded and massive, the minerals are fine to coarse grained consisting of olivine (60%) and pyroxene (40%). In some places the formation

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shows foliation. Hacksaw structures are present and are typical for pyroxene and olivine as a result of re-crystallisation.

The lherzolite is black-green, holocrystalline, welded and massive with olivine (45%), pyroxene (25%) and the remainder comprising epidote, garnet and chlorite. The rock is fine to coarse grained. The wehrlite is black-green, has an aphanitic texture, is welded and massive, principally composed of olivine, serpentine, pyroxene and iddingsite. Serpentine and iddingsite are alteration products of the olivine.

The websterite is black-green, holocrystalline, welded and massive. Mainly composed of olivine and clino-pyroxene and is fine to medium grained. Also present are serpentine, chlorite, sericite and opaque minerals. The rock is sheared and mylonitized in some places, being very fine grained and displaying cataclastic structures.

Serpentinite is dark grey to black, welded and massive, has an aphanitic texture with constituent minerals of antigorite, clay and magnetite. The rock is commonly jointed and sheared showing slickensides of megascopic scale.

The dunite is black, welded and massive with an aphanitic texture. Constituent minerals are olivine, pyroxene, plagioclase, some serpentine and magnetite; the rock is fine to medium grained. Olivine is a principal mineral amounting to 90 % of the rock volume. Deviations and bending of twinning in the pyroxene indicate deformation of rock. In some places the rock is intensively serpentinised, as indicated by remnants of structures such as net and veinlets of olivine and pyroxene, serpentine and talc as replacement minerals.

3.3.1.4 Tolaka Formation (Tjt)

Alternating clastic limestone, lithic sandstone wake, shale, marl, and sandy clay with argillitic intercalations. It is believed to originate from Triassic Jurassic and is overlaying the ultramafic rocks in the area which is the host for the nickel occurrence.

3.4 Regional Structure

The structure of the area survey shows a typical collision complex in an active continental margin. Based on the structure, lithology, stratigraphy and age, the region can be divided into two distinct structure domains, namely the *alloctonous* ophiolites and metamorphic rocks and the *authochonous* Tertiary volcanics and the Sundaland continental margin, as well as the Sulawesi Mollasse Group.

In the Malili quadrangle, as is the case with the remainder of East Sulawesi, the geology exhibits a very intricate structural fabric because of the tectonic movements that affected the area several times during geological history. Of most importance are the faults and folds with minor scale joints and foliations.

Upthrust, over-thrust, thrust faults and normal faults have been formed as early as the Mesozoic. Some of these structures have been re-activated over time. The Matano and Palu-Koro Faults, that trend northwest-southeast, are the most important. Both are left lateral faults and it is assumed that both faults are still active. These two faults have coalesced in the north-western part of the quadrangle and they may have been active since the Oligocene, being connected to the Sorong Fault, which together forms one system of transcurrent faulting. Other minor faults were also formed synchronously or subsequently and, as such, they may be assembled into the collective name of the Matano-Palu-Koro Fault system.

The folds occurring in the area may be subdivided into weak folds (Group 1), closed folds (Group 2) and overlapping folds (Group 3). In the case of the Group 1 folds, the layers are gently dipping, generally less than 30° and may be categorized as open folds. These types of folds are developed in rocks of Miocene age. The Group 2 folds occur as symmetrical folds, with the dips of the bedding ranging between 50° and vertical, also with some over-thrusts (Group 3). This type of folding is found in the Mesozoic sediments, metamorphics and, in some places, in the foliated

serpentines. Both the second and third groups of folds are believed to have been further deformed during the Plio-Pleistocene, with axes trending northwest-southeast, similar to the folding in the younger sediments described in the first group.

3.5 Geology and Alteration

The nickel deposits within the HM concession comprise a lateritic sequence and composed of highly oxidized materials derived by intense weathering of ultramafic rocks. Limonite mineralisation (LIM) is clayey, red ferrous oxide facies material that overlies and grades into the saprolite facies (SAP). Below the saprolite, the interface is often rocky, with zones of saprolite mixed with boulders and fragments of bedrock (previously CST or rocky saprolite) and occasional boulders higher in the saprolite sequence (previously CST). The interface between the saprolite and bedrock is coloured towards yellow-grey before transitioning to solid bedrock (BRK), which is often highly oxidised and fractured with garnierite occurring along fractures in the bedrock interface with the rocky saprolite and saprolite.

Geochemically and mineralogically, the sequence is divided into 3 main units of interest based on its composition of mineral and mineralization (Figure 3.2):

- Limonite (LIM) with typically hosting minerals such as goethite, hematite with high Fe content (>25%), low MgO (<10%), Ni content occasionally high (>0.8%),
- Saprolite (SAP) with goethite, olivine, antigorite, serpentinite, garnierite, silica commonly with lower Fe content (<25%) and higher MgO (>10%), higher Ni content (>1.5%) content, and,
- Bed Rock (BRK), which is unaltered ultramafic rocks typically with lower Ni (<0.5%) and higher MgO content.

Figure 3.2 Typical nickel laterite profile at HM showing the red limonite (top), mottled saprolite (middle) and ultramafic bedrock (bottom).

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The category of "Fresh Rock" noted in the geology map is unclear but may represent exposures of non-Ultramafic Complex rocks belonging to the Tomata Formation. The main area of "Fresh Rock" is exposed outside of the nickel laterite area, west of the Bete-Bete deposit area and in the far west of the concession.

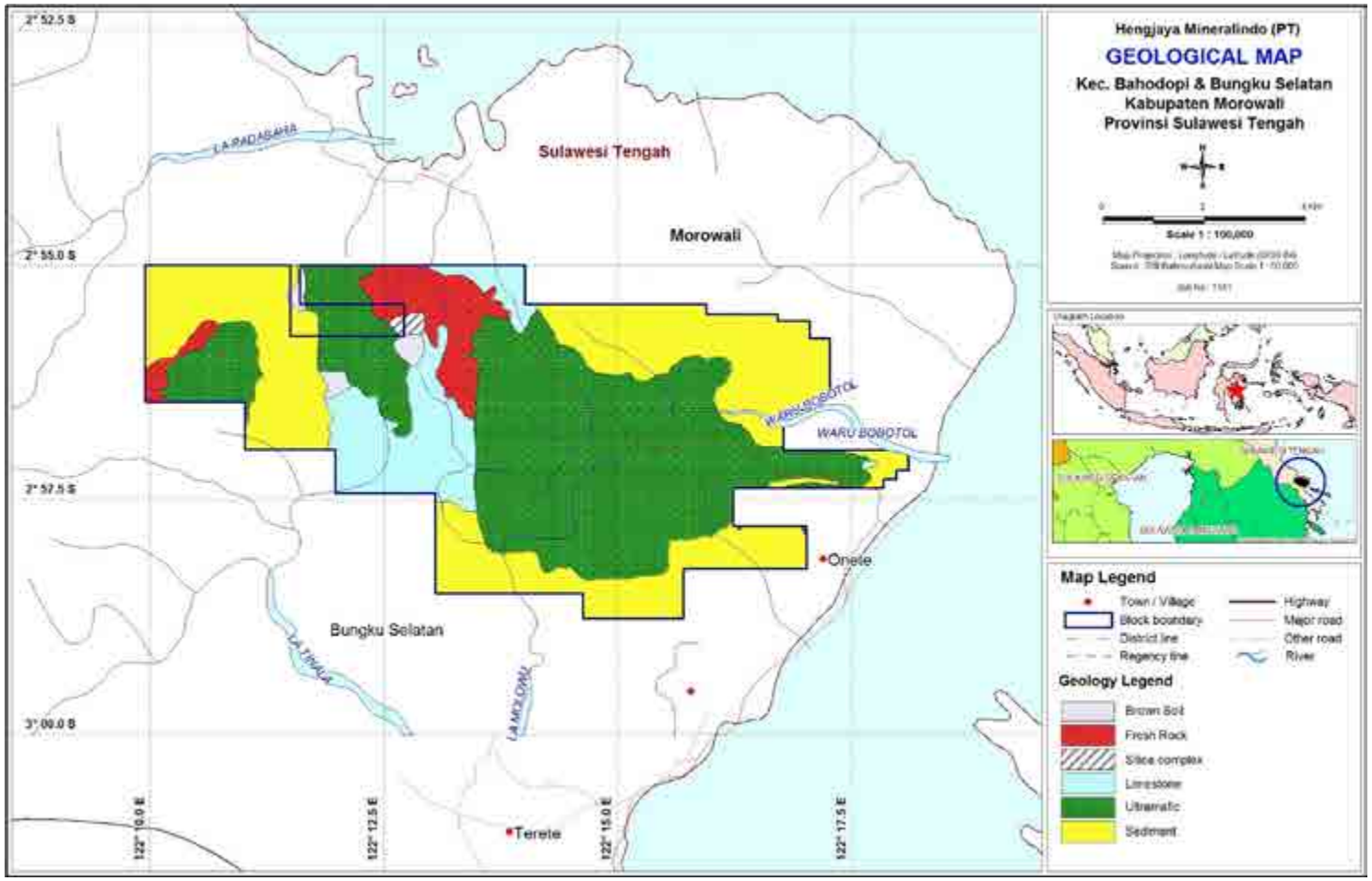

Figure 3.3 Local geology of the concession area according to HM exploration work and mapping.

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4 EXPLORATION

4.1 Mapping

There are geological maps produced for the area by HM geologists and these differ markedly from the published geological maps. The period of mapping and the extent and scale of observations is not known. The geological mapping confirmed that the concession area contained ultramafic rocks and overlying laterite nickel deposits. Much of the area is covered by thick laterite sequences, which makes primary geological mapping difficult apart from exposures in creeks and steep slopes. In addition, the distinction between various ultramafic lithologies in a deeply weathered terrain is also difficult.

4.2 Drilling

The concession area has been the target for several drilling programmes. A summary of the drilling for the area is outlined in Table 4.1. The drilling has been concentrated in several areas, which have formed the basis of the resource estimate blocks (Figure 4.1). They are, from east to west, Block A, B, C, Central, Central 2 (enclosed within Central), Bete Bete, West Bete Bete and Far West.

Prospect	Holes	Total Metres	Drill Hole Information
Block A	51	1,360.30	46
Block B	128	2,552.87	123
Block C	565	13,961.17	556
Central	123	2,318.20	115
Central 2	330	6,796.94	225
Bete Bete	121	2,186.01	118
West Bete Bete	74	1,028.65	73
Far West	11	91.60	11
Total	1,403	30,295.74	1,267

Table 4.1 Summary of drilling and data availability for the HM concession area.

Therefore, the current data set includes data for 1,402 drill holes for 30,295.74 metres of drilling advance with 1,267 of these holes containing analytical data.

The actual drill specifications for the early programs are poorly documented, for example, the type of drill rigs, depth capability and other operational data. However, based on documentation provided by HM, the following procedures were followed in the drilling campaigns by them:

- Jacro drilling with triple tube core barrel and HQ core,
- All drill holes are vertical (both old and new drilling),
- Drill holes are ended after penetrating 3 metres of bedrock,
- Holes are re-drilled if core recovery is <80% within 1 metre intervals,
- Core is transferred to core boxes and a geologist checks the depth, run length and recovery, in addition to logging the various mineralised units,
- Core boxes are transported to the core shed, where the core is split, with one half transferred to Intertek Testing and Inspection Services (Intertek) for sample preparation and analysis, and one half is stored as a backup sample,

- Core is logged and sampled in 1metre intervals unless there are intervening CST zones, which are sampled separately,
- Core sections >5 cm in length are handled separately for sampling purposes, and,
- Samples are weighed, labelled and transferred to PT Intertek Utama Services in Jakarta.

These procedures are standards for exploration drilling/sampling operations but GMT cannot independently verify them as the data has been received as is and has not been observed in the field to confirm the integrity of the sample taking including security and chain of custody. Furthermore, NIC has reported that the drilling has not practised the use of blanks, duplicates or standards in the earlier phases of exploration.

Recent drilling by HM in 2015 has implemented a strict procedural drilling program, with inclusion of standard drilling procedures, logging procedures, sampling procedures and quality assurance routines. The procedures were inspected on site and appear to be adequate for the style of drilling being conducted, with sampling and logging procedures in place. Of significance, full core is collected for analysis and for zones of material greater than 60mm, the sample was sieved on site and the splits of +60mm and -60mm material submitted for analysis.

Analysis of the samples collected from the earlier drilling conducted by HM has been completed at the PT Intertek Utama laboratory in Jakarta. Intertek follows standard laboratory QA/QC procedures (ISO 17025 certified) with respect to sample preparation and analysis of samples. Analyses of the HM drill samples by Intertek were completed using an XRF fused bead method for a standard suite of elements.

In the most recent drilling (2015), samples were submitted to the PT Geoservices Geoassay sample preparation laboratory in Kendari before the prepared pulps are sent to the Jakarta laboratory for analysis. Analysis was by fused bead XRF methods for a standard suite of elements.

Collar positions have been surveyed using a total station for recent HM drilling (2011 onwards). Some old collar positions have been reconciled recently, particularly in the Bete Bete area.

4.3 Standardisation of Lithology

It is readily seen that there are inconsistencies in the original data logging from old drill holes. To allow a sensible categorisation of base lithologies, the geochemistry of the various zones was analysed and simplified.

Various discrimination plots were constructed by HM and the results used to interpolate the basic geology into Limonite (LIM), Saprolite (SAP) and Bedrock (BRK). The results are shown in Figure 4.2. The plots show very distinctive chemical signatures for laterite lithotypes based on MgO, SiO_2 and Fe. Initial response to in-situ chemical weathering is marked by an increase in Ni and coincident decrease in MgO due to breakdown of olivine. Garnierite and other secondary Ni minerals form in the saprolite zone, whilst SiO_2 concentration initially remains stable but then with increased weathering also becomes mobile and is flushed from the system (formation of boxworks and veins). It is considered by HM that this methodology of discrimination is more reliable than the reliance on core logging.

The average raw geochemistry at various nickel grades is outlined in Table 4.2. For the elements considered deleterious, phosphorous ranges up to 0.11% with a decrease in grade for a higher nickel content and P_2O_5 ranges between <0.01 to 0.25% on a global scale. There is an even distribution in P_2O_5 with increasing nickel grades at approximately 0.01%.

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Hengjaya Prospect

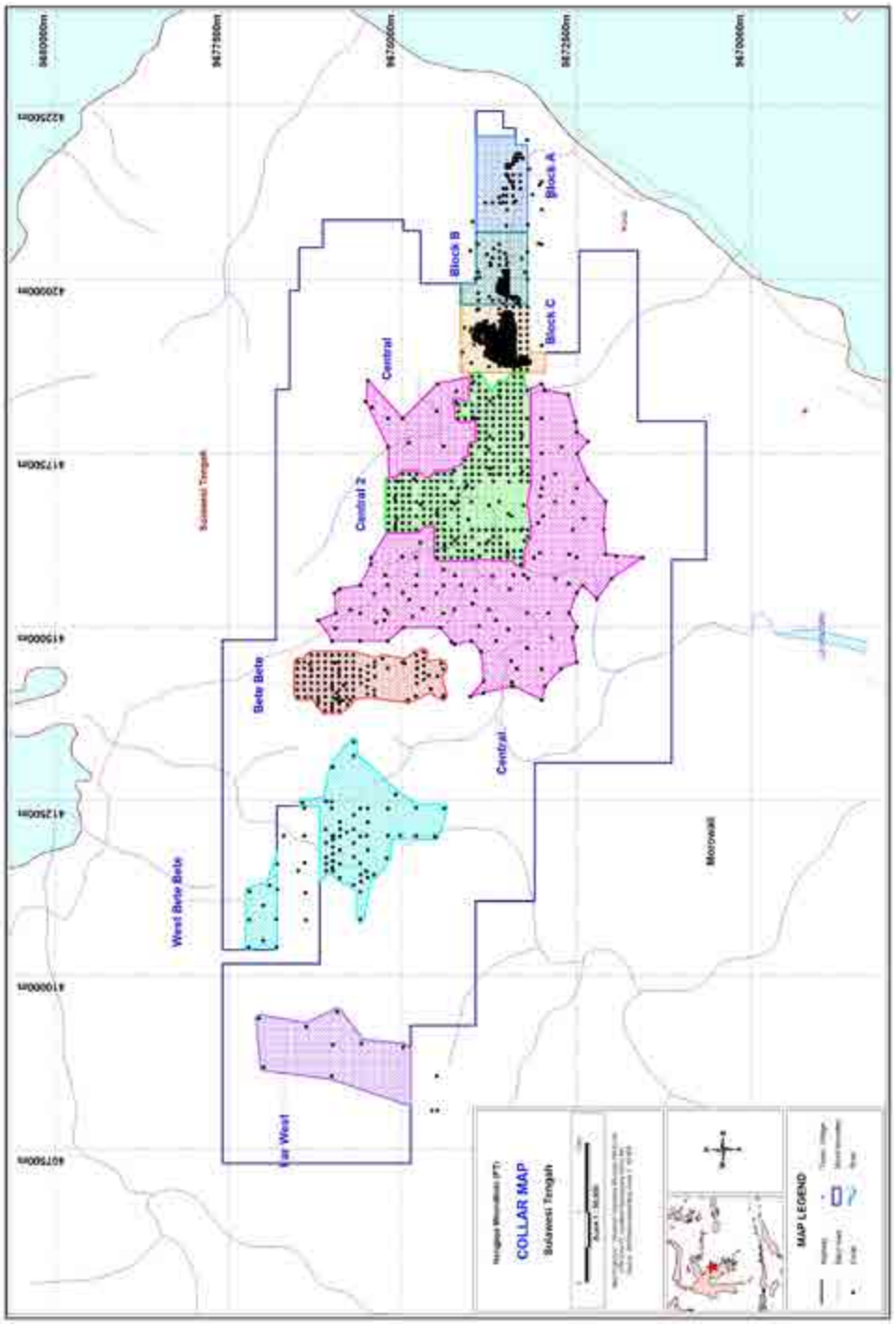

Figure 4.1 Location of the drill holes completed and considered in this Resource estimation.

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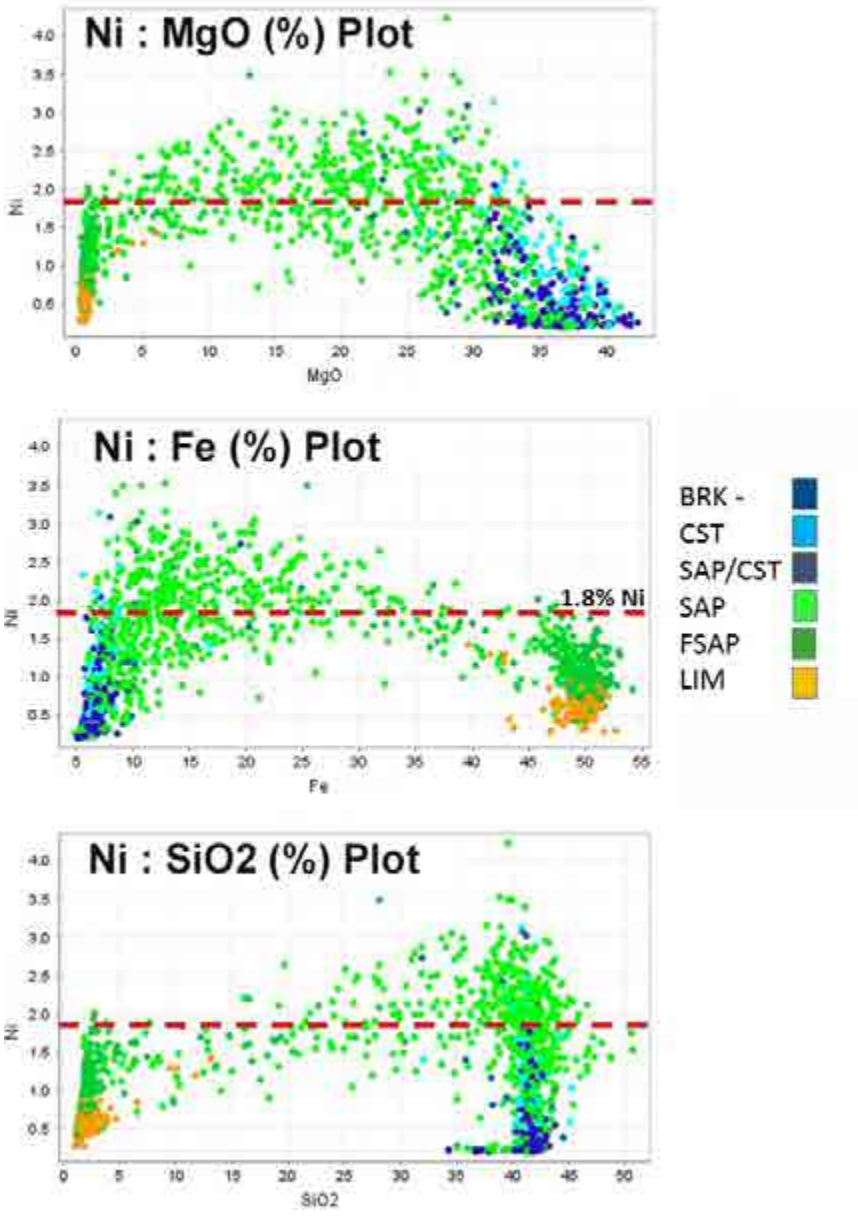

Figure 4.2 Geochemistry discrimination plots for various elements in relation to Ni (%). The plots show distinct clusters of geochemistry that was used to standardise the lithology categories to the 3 types and remove logging errors from the geological model.

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Nickel Cutoff	SiO_2	Co	Fe	Ni	CaO	MgO	TiO_2	P
(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
+1.5	33.54	0.07	20.43	1.95	0.38	17.48	0.05	0.00
+1.6	35.45	0.06	18.66	2.05	0.38	18.68	0.04	0.00
+1.7	36.57	0.06	17.58	2.14	0.36	19.42	0.04	0.00
+1.8	37.70	0.05	16.46	2.23	0.35	20.28	0.04	0.00
+1.9	38.18	0.05	15.89	2.32	0.32	20.74	0.03	0.00
+2.0	38.81	0.05	15.27	2.40	0.30	21.28	0.03	0.00
Min	<0.01	<0.01	0.51	0.01	<0.01	0.01	0.01	<0.01
Max	95.44	1.51	69.80	4.68	50.22	49.11	1.15	0.11

Nickel (%)	P_20_5	Na_2O	MnO	K_2O	Fe_2O_3	Cr_2O_3	Al_2O_3
	(%)	(%)	(%)	(%)	(%)	(%)	(%)
+1.5	0.01	0.03	0.49	0.01	25.93	1.33	2.84
+1.6	0.01	0.03	0.45	0.01	24.41	1.26	2.53
+1.7	0.01	0.03	0.43	0.01	23.56	1.22	2.38
+1.8	0.01	0.03	0.40	0.01	22.61	1.16	2.26
+1.9	0.01	0.03	0.38	0.01	22.13	1.13	2.20
+2.0	0.01	0.03	0.37	0.01	21.66	1.11	2.12
Min	<0.01	0.01	0.02	0.01	0.73	0.01	0.02
Max	0.25	3.42	6.87	2.25	77.61	34.44	21.38

Table 4.2 Average raw geochemistry of various elements in relation to various Ni (%) grades.

Blanks and Standards

During the pre-2012 exploration, a system of introducing blanks and standards into the sample stream to the laboratory was implemented on a limited basis (Table 4.3). Generally, 5% or 1 in 20 samples comprised either a blank or a standard. The standards used are industry commercial standards, whilst the blank sample is locally obtained limestone.

Subsequently, a much wider program of blank and standard submission was made in the post-2012 program. A visual analysis of the blank samples shows no significant variation form the expected value for the un-mineralised limestone.

OREAS	Ni	Ni 1SD	Fe	Fe 1SD	SiO2	SiO2 1SD	MgO	MgO 1SD	Co	Co 1SD
182	0.707	0.006	20.56	0.13	46.77	0.17	9.16	0.03	0.073	0.001
187	1.370	0.020	13.60	0.19	46.66	0.33	17.99	0.20	0.064	0.002
192	1.770	0.030	12.66	0.15	43.58	0.32	21.32	0.24	0.040	0.001
195	2.940	0.050	12.79	0.20	44.00	0.38	19.01	0.24	0.048	0.002

Table 4.3 Values and standard deviation data for the standard samples used in the initial drilling program.

Data from the late 2012 to early 2013 exploration drilling is shown in Figure 4.3 to Figure 4.6. The data for this period shows a general high bias of analyses above the expected value and there is a trend to higher values over a period of time for both OREAS 187 and OREAS 192 standards. The

other trends are less clear but appear to be slightly biased to the high side, often being more than 1SD of the data trend higher than the expected value.

The available QA/QC data for the months of February to March 2013 shows some variation but a larger number of samples fall within the 1SD range with the OREAS 195 standard being analysed below the expected level in all cases and the OREAS 192 standard being generally higher than the expected value but mostly within the 1SD range of the expected value (Figure 4.7 and Figure 4.8).

The blank data for the same period of drilling in the Block B and C areas shows very little variation with the inference being that the sample preparation process was being completed in accordance with procedure.

The global statistics for the critical analyses within the current database is outlined in Table 4.4.

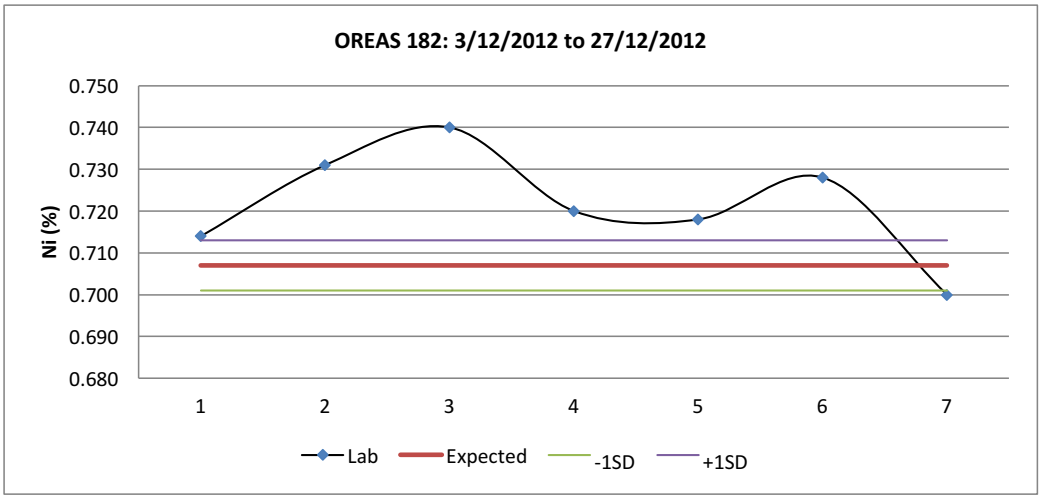

Figure 4.3 QA/QC trend for OREAS 182 sample analyses, late 2012 to early 2013.

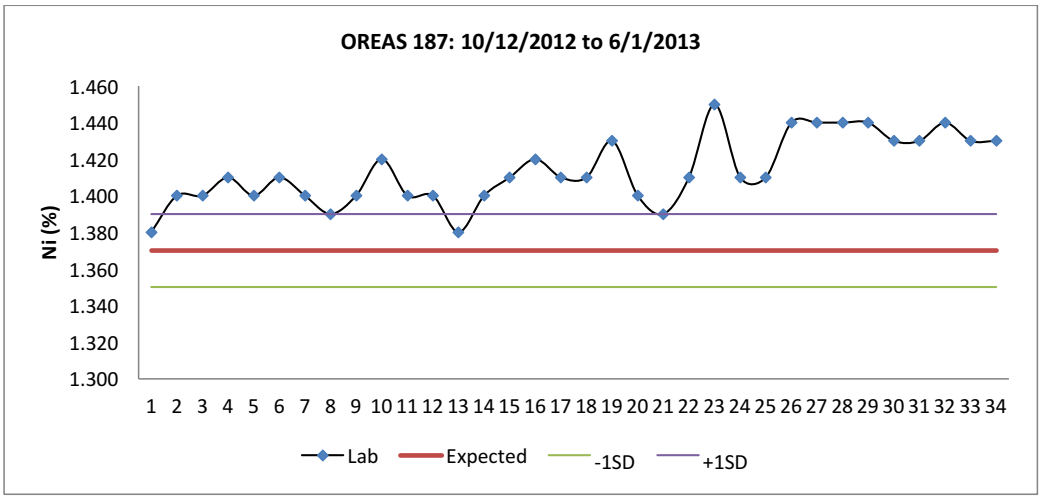

Figure 4.4 QA/QC trend for OREAS 187 sample analyses, late 2012 to early 2013.

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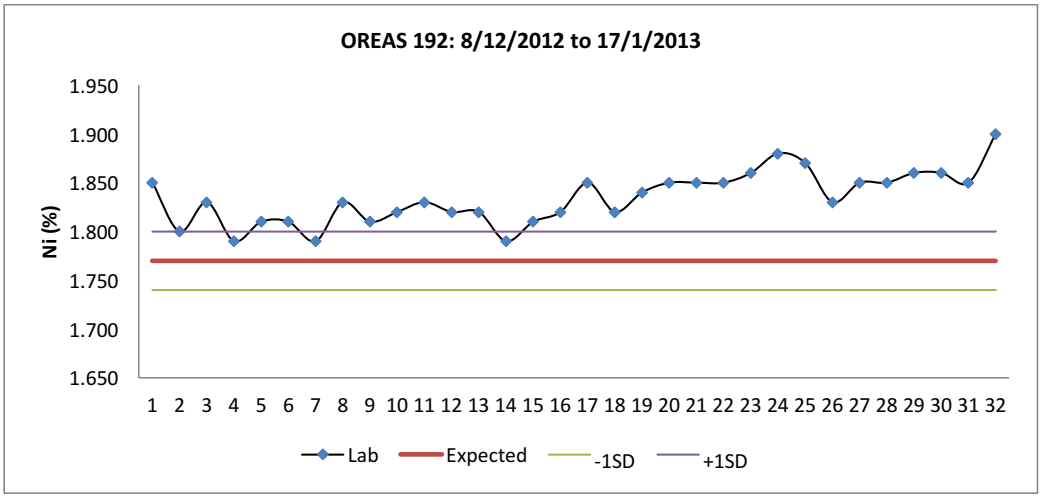

Figure 4.5 QA/QC trend for OREAS 192 sample analyses, late 2012 to early 2013.

Although these variations are noted, the magnitude of potential overestimating of assays in some periods is less than 5%. In this regard, the overall effect on the Resource estimate is in accordance with the categorisation assigned in later sections. The data shows a period in early 2013 where instrumentation appears to be moving out of calibration. Unfortunately, the QA/QC data does not extend over all programs and periods, so valid conclusions cannot be drawn from the life of exploration data. However, the data does demonstrate the need to maintain tight QA/QC controls on future work programs.

There is no indication that the QA/QC results were discussed with the laboratory or actions taken to correct laboratory errors. It is, therefore, difficult to rationalise these possible errors within the Resource estimate for any sample at a given time and we have taken the analytical data at face value with the caveat that there may be some periods of time where the analytical results may vary from the correct value by up to 5% (that is, 0.1% for a grade of 2.0% Ni).

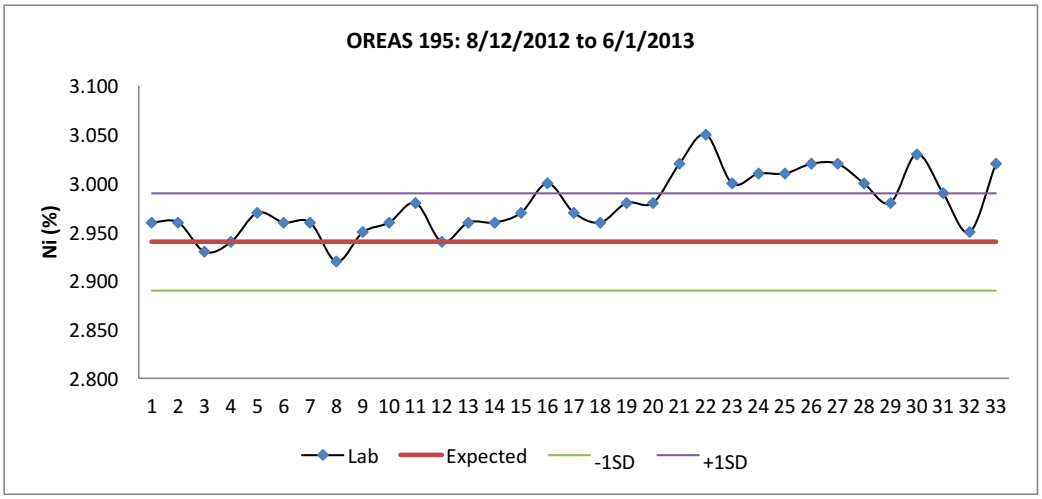

Figure 4.6 QA/QC trend for OREAS 195 sample analyses, late 2012 to early 2013.

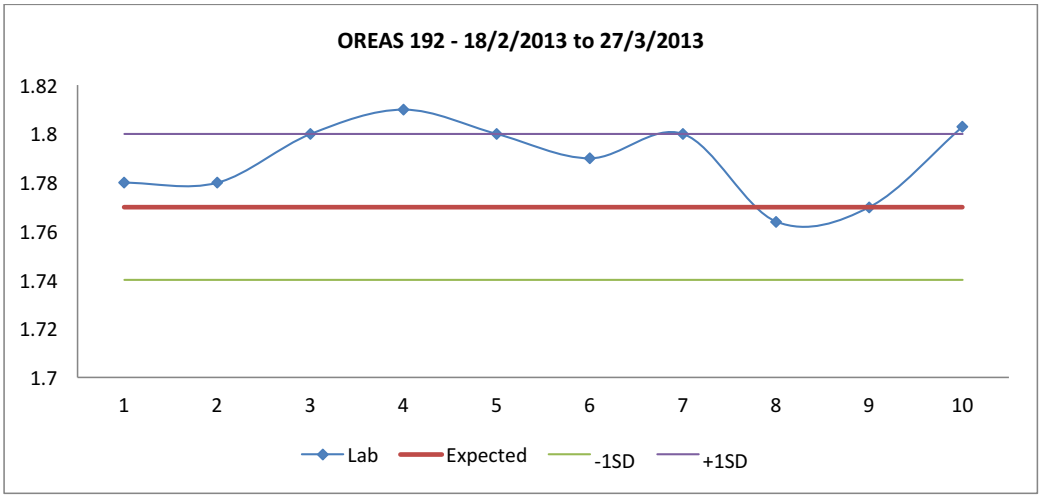

Figure 4.7 QA/QC trend for OREAS 192 sample analyses, February-March 2013.

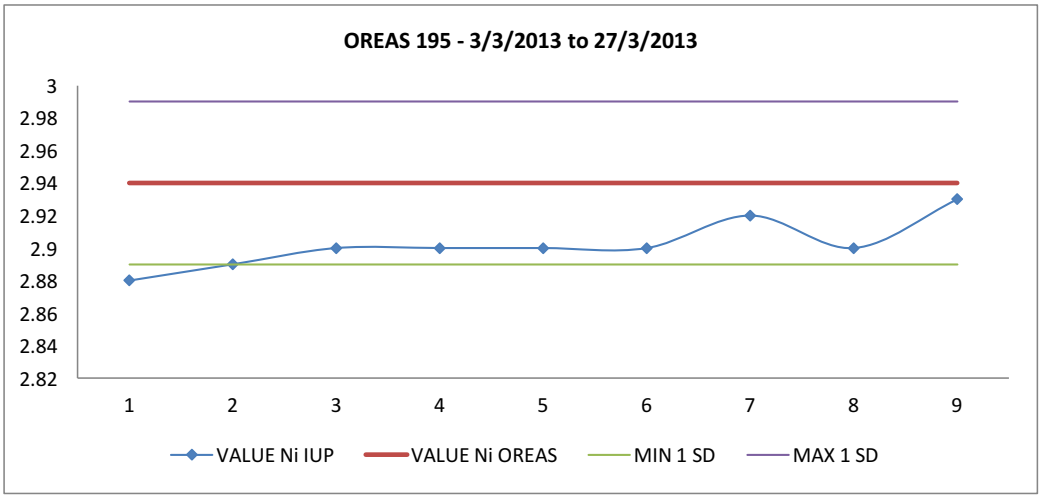

Figure 4.8 QA/QC trend for OREAS 195 sample analyses, February-March 2013.

Normal Statistics : Global Data			
	Ni (%)	Co (%)	Fe (%)
Number of samples	26,620	26,520	26,620
Minimum	0.005	0	0.16
Maximum	8.694	1.78	69.77
Mean	0.991	0.059	23.333
Variance	0.309	0.005	258.978
Standard deviation	0.555	0.07	16.092
Skewness	1.161	4.447	0.414
Curtosis	6.574	51.491	1.611
Coefficient of variation	0.56	1.186	0.689

Table 4.4 Global statistics for the analytical data contained in the current data set for elements of interest.

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5 RESOURCE ESTIMATE

5.1 Data Treatment

The data supplied by HM was organised checked to ensure the collar and down hole information correlated correctly. The use of long and complex drill hole names occasionally confused the checking of the matches, with numerous slashes and underscores contained within some drill hole names. It is positive to see that HM is using a simpler naming convention in the most recent drilling, as opposed to the earlier drilling.

The following points describe the database:

- Data for 1,403 drill holes for 30,295.74m of drilling advance,
- 10,592 analyses attached to the drill holes,
- Downhole lithology data has been provided for a large number of holes but not complete, the drill hole lithology has been categorised on the basis of geochemical signature, with Si:Mg ratios utilised to determine clusters of LIM, SAP and BRK. The category of FSAP noted in old drilling data has been superseded,
- There are 136 drill hole locations with no down hole analysis data, dominantly in the Central 2 block area (126 holes) and the Bete Bete area (10 holes), these have been included in the database for modelling of lithology but due to the lack of analysis data the drill holes cannot be considered as a valid point of observation in the Resource estimate, and,
- There are several scattered drill holes adjacent to the areas selected for Resource estimation that have not been considered in the estimation.

Validation procedures included checks on hole lengths versus assay data and geology data, missing assays, correct transposing of analysis data and collar reconciliations. Some errors detected were rectified and HM personnel also contributed to the final validated database.

5.2 Determination of Zones

The various deposit zones were categorised with an extrapolation of 50 metres past drill holes for the Far West, West Bete Bete, Bete Bete and Central 2 blocks. The Central block has been defined as a boundary encompassing all drill holes with no extrapolation. The Block A, B and C areas have been defined by a simple block over each cluster of drill holes, with an arbitrary boundary chosen between each block.

From the results of this, we have defined the zones as follows:

- The Block A, B and C area lies on the extreme east of the concession area and covers a ridgeline that extends from the Central zone to the edge of the concession, it contains a number of drill holes on 25 x 25m spacing drilled to define production blocks in 2012-2013. In other areas the drilling is wider spaced (up to several hundred metres between holes) and include some holes drilled outside of the concession area. The area of the Block A, B and C is approximately 3km long x 0.75km wide (trimmed to the concession boundary). The drill holes outside of the concession boundary are included in the geological model (but are excluded from the Resource estimate).
- Central Zone, occupies the centre of the concession area and is a mixed zone of clusters of 100 x 100m spaced drill holes (Central 2) surrounded by a broader zone of 200 x 200m to 500 x 500m spaced drilling and some random drilling near the perimeter of the zone, covers an area of approximately 1,200ha. This block was previously within a zone of Protected Forest, that excluded exploration drilling by HM at the time but has now been converted to Limited Production Forest, which will allow further drilling and exploitation once the required permits have been acquired,

- The Bete Bete block, is a block of 100 x 100m drilling immediately northwest of the Central block and the block covers an area of 150 hectares (including the HM block previously termed South Bete Bete),
- The West Bete Bete block lies approximately 2km west of the Bete Bete block and contains variably spaced drilling over an area of approximately 360 hectares. Some of the drilling is very sparse, being more than 1km between holes with a small area in the centre drilled at 200 x 200m, and,
- The Far West block lies approximately 3km west of the West Bete Bete block and contains a few drill holes on a wide spacing of more than 500m with some indications of nickel mineralisation and covering an area of just over 200 hectares.

The layout of the various mineralised zones is shown previously in Figure 4.1.

5.3 Topography

The entire concession area has recently been surveyed using LIDAR (Light detection and ranging) methods, which has produced an accurate topographic data set for the concession area. The LIDAR data is sorted into tiles of information and is provided as both raw data (xyz ascii) and interpreted contour drawings with accompanying high-resolution aerial images. The level of accuracy of a LIDAR topographic survey is high and is suitable for civil engineering and mine design. From the aspect of a Resource estimation, properly collected and processed LIDAR data is the most accurate for construction of a topographic surface.

During the process of validating the database, several drill holes did not conform with the topographic surface generated by the LIDAR survey. In such cases, the drill hole was either re-checked by survey teams (for the Bete Bete area in particular) or draped on the topographic surface for old drill holes. The drill holes within the existing mine areas were not draped on the topographic surface to ensure these voids could be removed from the mineral inventory.

5.4 Moisture Data

A reasonable and widespread amount of moisture sample data has been collected both during some of the exploration programs but also through the DSO operations undertaken in 2012-2013. A compilation of 106 moisture sample readings was average and the results showed a range between 28% to 42% moisture with an average of 33%. At that time, site personnel also outlined a moisture content of 35% being average. It is reasonable to conclude that the moisture level within the APL, Central, Central 2 and West Bete Bete areas is in this range.

Recent shipping data, from June 2015 until January 2018, shows a different profile for moisture within the shipments made. From the barge shipments made, the average moisture content was 44%, ranging from 39-52%. It should be noted that all the mineralisation from this period was sourced solely from the Bete Bete deposit, whilst the 2012-2013 data was sourced from material mined in both Bete Bete and APL areas, supplemented by exploration data. It is known that the Bete Bete deposit contains a higher moisture content than the other areas and the moisture assigned to this deposit is 44% due to the available shipping data, deposit morphology and location.

The moisture data has been assigned on a deposit by deposit basis, with an adjustment to dry tonnage of 44% for the Bete Bete deposit and 34% tonnage adjustment for other deposit areas. GMT considers this assignment both reasonable and accurate from the analysis of all moisture data based on each domain and deposit and is consistent with data from other nickel laterite deposits known to the author in Indonesia.

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5.5 Specific Gravity

The specific gravity used for the conversion of volume to tonnes is outlined in Table 5.1. The density was defaulted to 1.69 tonnes/m^3 for Limonite (LIM) and 1.63 tonnes/m^3 for Saprolite (SAP).

Hole Id	From	To	Unit	Density
B 3.06	3	4.1	FSAP	1.57
B 4.04	9	10	FSAP	1.12
B 4.06	4	5	FSAP	1.65
B 4.07	5	6	FSAP	1.17
B 5.03	2	3	FSAP	1.67
BV G2 5/2	2	3	FSAP	1.34
BV I3 1/25	3	4	FSAP	1.36
BV I3 5/25	24	25	FSAP	1.1
BV I3 9/29	7	8	FSAP	1.02
TF 10.13	5	6	FSAP	1.06
TF 11.09	7	8	FSAP	1.3
TF 9.13	8	9	FSAP	1.09
TF 9.14 RD	2	3	FSAP	1.88
AVERAGE				1.33
B 3.06	1	2	LIM	1.73
B 4.04	2	3	LIM	1.62
B 4.06	1	2.17	LIM	1.75
B 4.07	1	2	LIM	1.68
B 5.03	0	1	LIM	1.67
BV G2 5/2	0	1	LIM	1.75
BV I3 1/25	2	3	LIM	1.71
BV I3 5/25	1	2	LIM	1.83
BV I3 9/29	1	2	LIM	1.82
TF 10.13	1	2	LIM	1.65
TF 10.15	1	2	LIM	1.48
TF 11.09	1	2	LIM	1.78
TF 9.13	0	1	LIM	1.51
TF 9.14 RD	1	2	LIM	1.76
TF 9.15	1	2	LIM	1.61
AVERAGE				1.69
B 3.06	7.69	9.10	SAP	1.63
B 4.04	19	20	SAP	1.09
B 4.06	8	9	SAP	2.53
B 4.07	14	14.5	SAP	1.51
B 5.03	3	4	SAP	2.45
BV G2 5/2	7.3	8	SAP	1.61
BV I3 1/25	7	8	SAP	1.05
BV I3 5/25	25	26	SAP	2.06
BV I3 9/29	12	13	SAP	1.26
TF 10.13	7	8	SAP	1.41
TF 10.15	23	24	SAP	1.25
TF 11.09	9	10	SAP	1.68
TF 9.13	26	27	SAP	1.03
TF 9.14 RD	13	14	SAP	2.01
TF 9.15	12	13	SAP	1.91
AVERAGE				1.63

Table 5.1 Specific gravity data for various rock types from the HM area.

Future drilling, particularly within the Central Block, should include a larger database of specific gravity test work completed on samples. It should be noted that the FSAP lithology has not been included in the current database and, therefore, only the samples of LIM and SAP have been included in the determination of the LIM and SAP density.

There is little data for the density of the bedrock in the project area. A fresh ultramafic rock will have an SG of up to 3.0 tonnes/m^3 but weathered bedrock will be less than this. To ensure no bias on tonnage is applied to mineralised material logged as bedrock a density of 1.63 tonnes/m^3 has been applied globally to ensure incorrectly logged BRK material that contains higher grades of Ni (+1%) will only be assigned a conservative tonnage factor equivalent to SAP material.

5.6 Methodology

5.6.1 Drill Hole Database

The drill hole database was updated to include recent drilling data in the previously described APL and Bete Bete areas. There has been substantial drilling since March 2012 and direct shipping mining operations were undertaken in 2013, ceasing when the Republic of Indonesia banned direct DSO operations in early 2014 and required domestic value adding of all minerals.

The deposit was separated into a number of distinct blocks to define the areas of mineralisation. The deposit is essentially contiguous from the Block A area (eastern end of the previous APL area) to the Far West area (previously termed the ULTRA area) in the extreme west of the concession area. The sub-division of the blocks is arbitrary in some locations, such as the boundary between the Central and the Bete Bete area, which is essentially a single deposit (previously separated by a distinction between Protected Forest areas and Production Forest areas). The Protected Forest area has recently been converted to Production Forest, so the basis of the division has now been made on the area where drilling has been completed in 2015 and the area drilled prior to 2012.

The drill hole database is extremely complex, using a combination of complex hole numbering based on an undefined drilling grid for drill holes prior to 2012. Fortunately, the recent round of drilling has rationalised the numbering system to a simple numeric code. This makes the validation of the database far easier.

HM, mainly for the Bete, Bete West, Block A, B and C areas have validated the drill hole database to a good condition. The lithologies have been recoded utilising a combination of geological logs (where available) and the geochemistry of the drill hole profile (refer to Section 4.3). There is a distinct clustering of values for the main variables of nickel, magnesium, silica and iron, which can be analysed by cluster analysis and the geology re-coded to remove geological errors in logging and consistency between geologists employed at various times on the project.

There remains a number of holes without analyses, dominantly from the important Central Block area. Importantly, there are 118 holes from the Central 2 block, which has impacted on the interpolation between drill holes in that area. If these results were available, there is little doubt that more Resources in the Central Block would be categorised as Indicated, rather than Inferred as there would be better confidence in the continuity of structure and grade between drill holes of the correct spacing for this category of Resource.

5.6.2 Compositing

A review of the raw sample interval statistics was made. The sample database contains information on 26,739 sample intervals. Not all have complete analytical data. Of the 26,620 sample intervals that contain valid Ni (%) analysis data, the sample interval ranges between 0.05 to 1.72m with a mean of 0.962m. The sub-metre intervals are made where CST material (boulders) are included as a subset sample of the main metre interval and the laterite material is sampled as the remaining interval within the 1 metre normal sample interval.

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In reviewing this information, the samples have been composited at 1 metre intervals down hole. No grade cutting has been applied in the compositing.

The samples statistics of both the raw analytical data and the composited data was reviewed to ensure the composites accurately reflected the raw sample data. The summary statistics of both the raw sample and composited sample data is outlined in Table 5.2. It is concluded that the raw data and the composited data is appropriately matched, and the composite interval chosen is appropriate.

Variable	Raw Analysis			Composite		
	Ni (%)	Co (%)	Fe (%)	Ni (%)	Co (%)	Fe (%)
Number of samples	26,620	26,520	26,620	25,652	25,547	25,653
Minimum value	0.005	0	0.16	0.005	0	0.16
Maximum value	8.694	1.78	69.77	8.694	1.00	69.77
	Ungrouped Data					
Mean	0.9917	0.0595	23.3334	0.9948	0.0605	23.8121
Median	0.9360	0.0300	16.9200	0.9410	0.0330	17.9000
Geometric Mean	0.8309	-	17.4031	0.8394	-	17.8996
Variance	0.3092	0.0051	258.9781	0.2988	0.0047	258.6027
Standard Deviation	0.5561	0.0716	16.0928	0.5466	0.0688	16.0811
Coefficient of variation	0.5607	1.2039	0.6897	0.5494	1.1375	0.6753

Table 5.2 Comparison of raw sample analysis and 1 metre composited samples for elements of importance.

5.6.3 Geochemical Distinction of Lithology

The frequency histograms of various elements of importance are presented in Figure 5.1, Figure 5.2 and Figure 5.3. Of interest is the distinct bi-modal population for Fe (%) and SiO_2 (%), which is partly due to chemical enrichment and depletion in the laterite profile in addition to the background levels in bedrock.

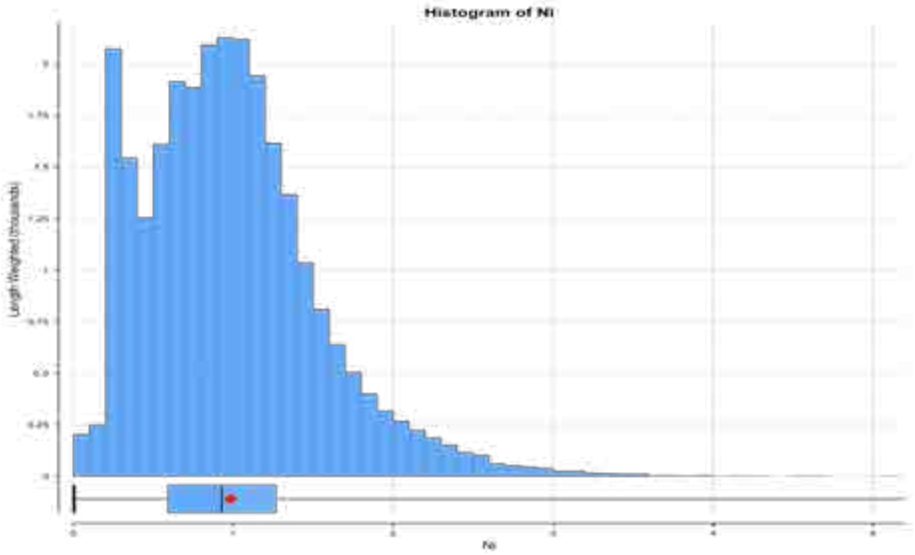

Figure 5.1 Histogram of raw Ni (%) analyses from all areas of the HM deposit showing a normal distribution of nickel grades.

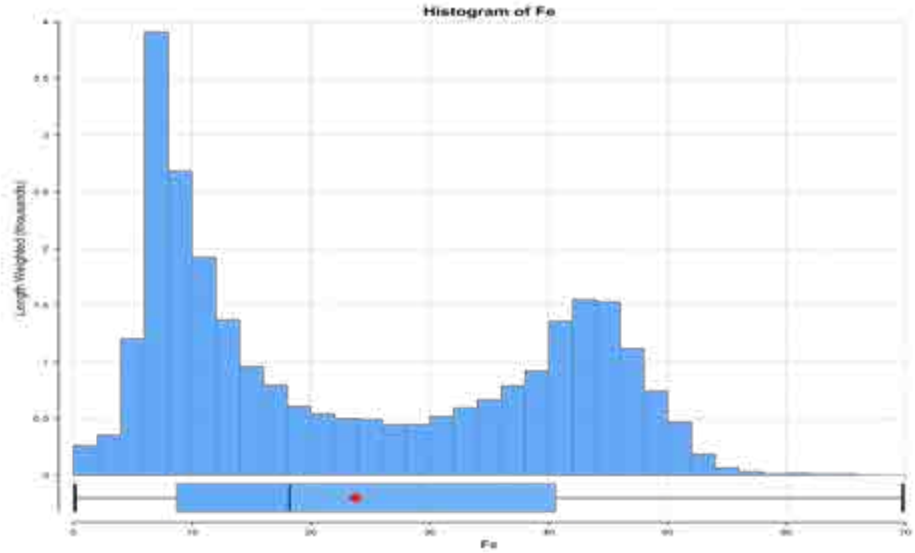

Figure 5.2 Histogram of raw Fe (%) analyses from all area of the HM deposit showing a distinct bi-modal distribution between the low grades of Fe in the saprolite and the higher grade population within the limonite.

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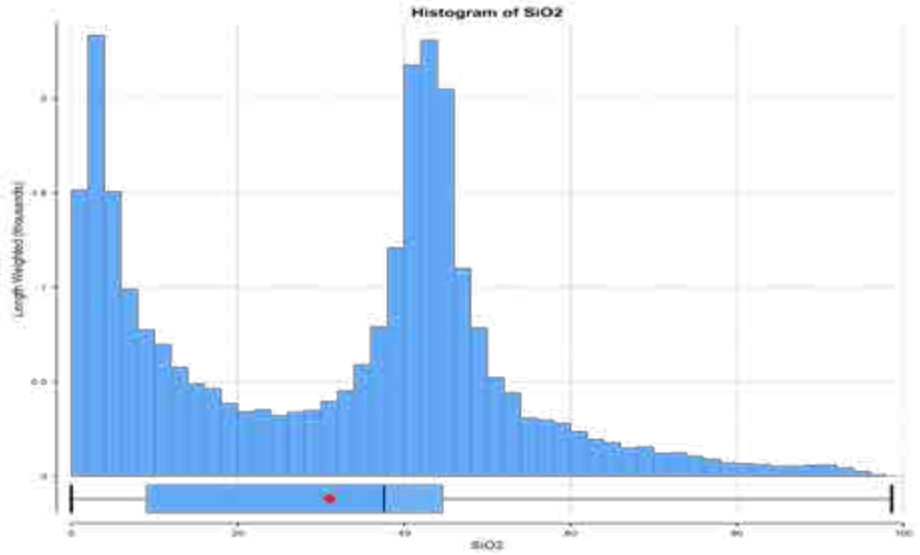

Figure 5.3 Histogram of raw Si (%) analyses from all areas of the HM deposit showing a distinct bi-modal distribution of silica within the deposit related to both saprolite and bedrock analyses.

5.7 Geological Modelling

The data was loaded into Leapfrog Geo v4.2 and the deposit lithologies modelled into LIM (Limonite), SAP (Saprolite) and BRK (bedrock) for each block using a radial basis function (rbf). The geological model was formed as a conformable sequence of layers at a resolution of 10m. The model comprised a LIM-SAP interface and a BRK-SAP/LIM interface as SAP was not always present above the BRK layer, occasionally underlying LIM or breaching the topographic surface on steep slopes.

Each block area was modelled separately with the same schema. A maximum extrapolation of 150m from any drill hole constrained the geological model. For example, a view of the APL geological model is shown in Figure 5.4.

The models were checked by cross section to ensure consistent snapping to lithology codes. Example sections from the Bete Bete deposit are shown in Figure 5.5 and Figure 5.6.

The geological model for each area is summarised in Table 5.3.

The extent of each model was checked against concession boundaries and topography to ensure the drill hole data was being honoured when compared to lateral constraints applied to the model. The estimation of the Resources was constrained to within the concession boundary but, to allow a full extrapolation to all data, the geological model was allowed to extrapolate outside of the concession extents. This is particularly relevant for the West Bete Bete model where an embayment in the concession divides the north and south parts of the deposit in that area but the actual geological model was allowed to cross this embayment.

Geological Model	APL	Central/Central 2	Bete Bete	West Bete Bete
Resolution (m)	10	20	10	20
Minimum (x)	418,650	413,882	413,744	410,245
Minimum (y)	9,672,900	9,671,410	9,674,210	9,674,260
Minimum (z)	-50	143	307	196
Maximum (x)	422,100	418,749	414,831	413,548
Maximum (y)	9,674,200	9,676,230	9,676,700	9,677,370
Maximum (z)	900	630	572	510
Volume LIM (m3)	20,888,000	120,540,000	9,469,400	18,463,000
Volume SAP (m3)	17,567,000	84,692,000	16,719,000	17,334,000

Table 5.3 Geological model attributes for each deposit area.

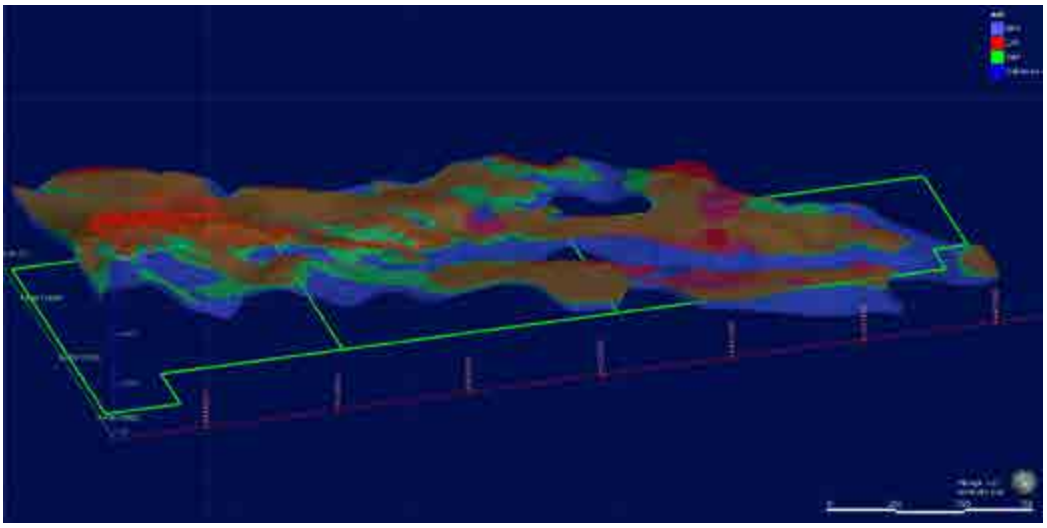

Figure 5.4 View of the geological model for the APL area, view to 016° and a 27° plunge, showing the distribution of the stratigraphy LIM-SAP-BRK in relation to the drill hole collars (red markers).

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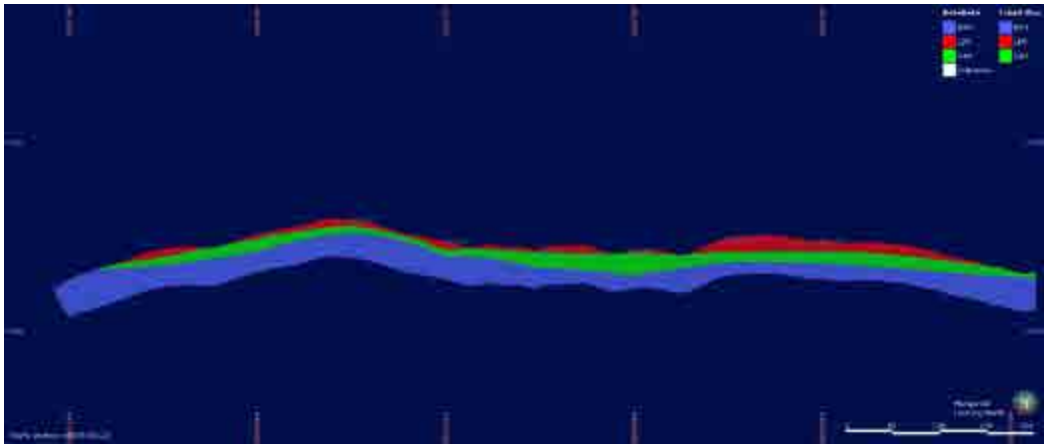

Figure 5.5 Cross section of the Bete Bete deposit at 9675700N, looking north, showing the LIM, SAP and BRK conformable sequence.

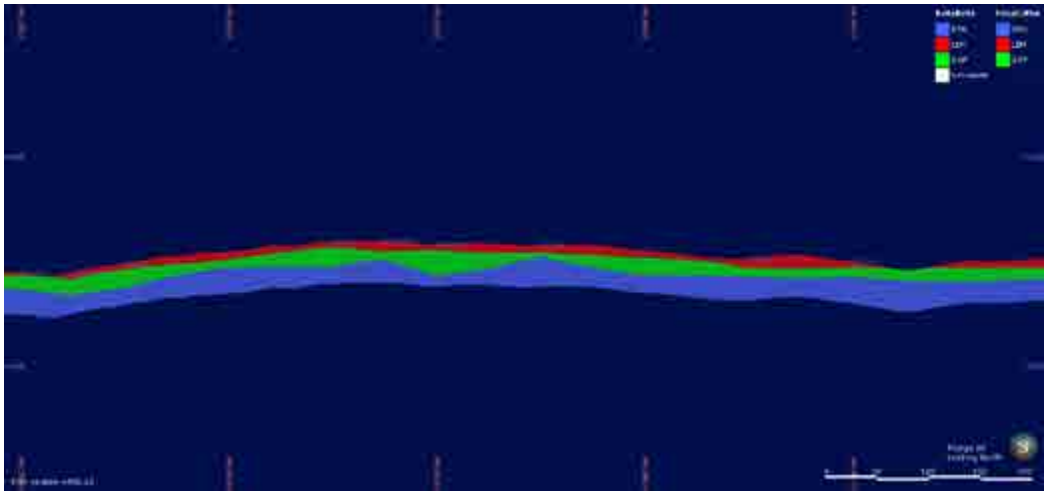

Figure 5.6 Cross section of the Bete Bete deposit at 9676000N, looking north, showing the LIM, SAP and BRK conformable sequence.

5.8 Numeric Modelling and Block Population

The interpolation of composite grade data was made within each geological domain LIM, SAP and BRK. Elements modelled were Ni (%), Fe (%) and Co (%) for the purposes of reporting. The interpolation of the grade distribution was based on a rbf function (Leapfrog Geo default), with a base range of 200m and an anisotropy of 2x2x0.1 (x,y,z) and a decaying structural trend aligned with the interface between LIM and SAP. A spheroidal interpolant with a constant drift resulted in the interpolation of deposit grades across each block at a resolution of 15m.

The block model was checked to ensure the interpolation results reflected the raw data and cross sections checked for block grades and raw drill hole data and composites (for example, Figure 5.7). An example cumulative histogram for the resulting block population for the Bete Bete deposit is shown in Figure 5.8.

We believe that the block model and numerical interpolants fairly represents the distribution of mineralisation in the areas defined.

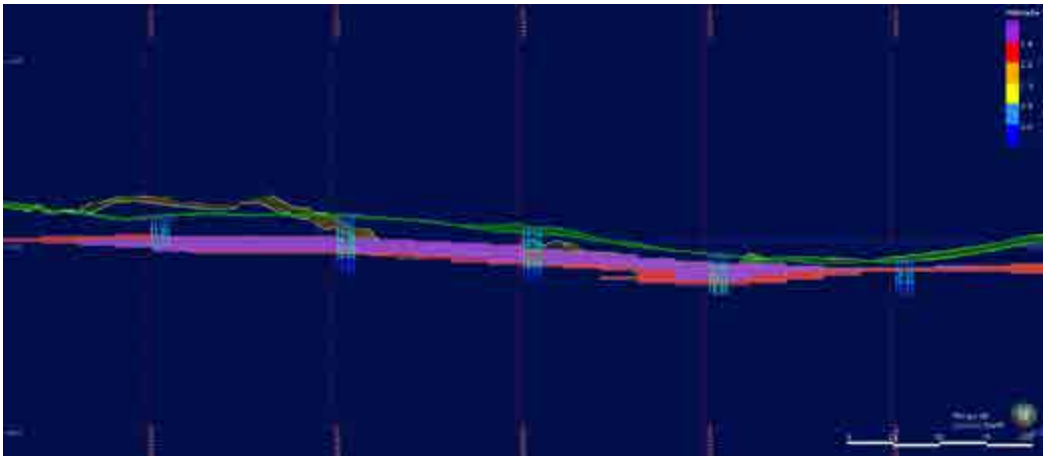

Figure 5.7 Cross section 9676100N showing the distribution of +1.5% Ni blocks within SAP, with pre-mine (green) and current (31 January 2018, brown) topography surfaces.

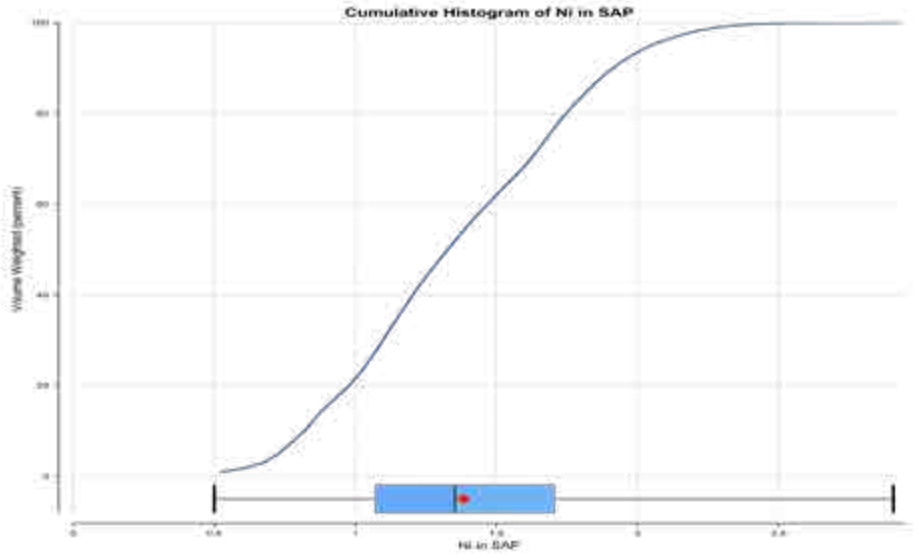

Figure 5.8 Cumulative histogram of Ni (%) blocks within the Bete Bete block model.

5.9 Categorisation of Resources

To determine the category of the Resources contained within each block model, it was assessed that a single polygon should be constructed to define each Resource category. These polygons were constructed in accordance with the following criteria:

- The areas with drilling at a 25 x 25 metre spacing was assigned an area of influence of 37.5 metres around each drill hole to form a solid polygon for Measured Resources
- The areas with drilling at a 50 x 50 metre spacing was assigned an area of influence of 75 metres around each drill hole to form a solid polygon for Indicated Resources
- Areas outside of these polygons but within the geological model range of 150m were assigned as Inferred Resources but still constrained within the drilling area boundary, that is, there is no extrapolation of Inferred Resources past the last/perimeter line of drilling and each point of observation considered for Inferred Resources has a supporting adjacent drill hole.

Each polygon was assessed for shape and continuity and any internal gaps or sharp embayments removed from the boundary. The radius chosen ensured the number of internal mis-closures and unrealistic small gaps in the polygon were minimised. The layout of the Resource category areas for is shown in Figure 5.9.

Each of the blocks within individual models was assigned a Resource category based on the area of influence and the block model interrogated for the Resource estimate in each category. The hard boundary of each prospect area was maintained at the last drill hole to ensure the maximum extrapolation on the edge of the deposit was maintained as being equal to the drilling boundary. Although some extrapolation could be reasonably made, we have decided that the drill spacing on the edge of the defined block is too irregular and we have maintained a conservative boundary only defined by the drilling in each block.

The production reconciliation outlined in Section 5.10 below also adds confidence that the block model is correctly defining the mineralisation and it is reasonable to conclude that the level of confidence of the categorisation is appropriate.

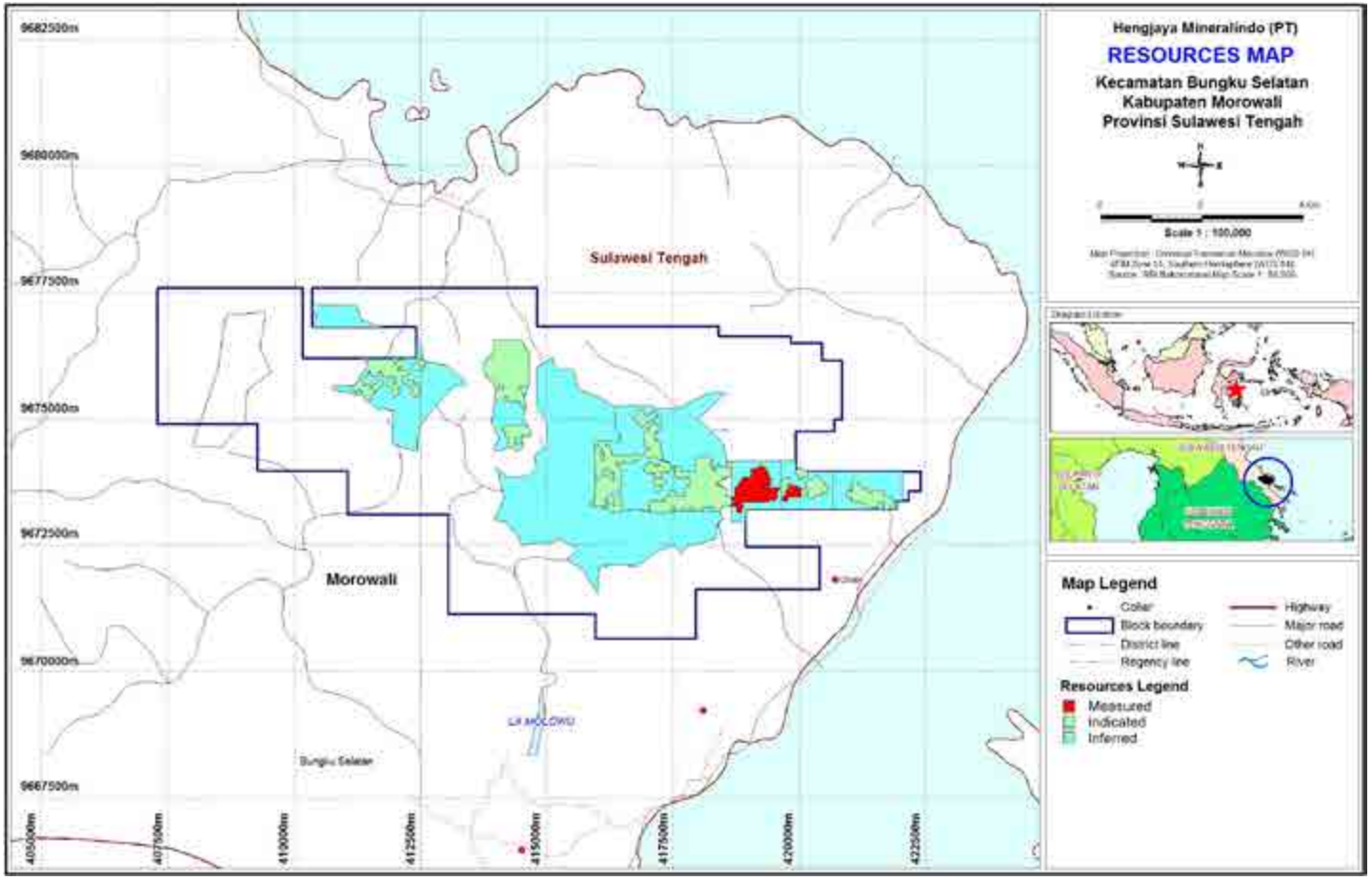

Figure 5.9 Map showing the categorisation of the Resource areas within the HM concession area. The Inferred Resources shows the areas that may contain Inferred Resources but will depend on the extrapolation distance within the block model.

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5.10 Mining Depletion

The concession area was mined for DSO from October 2012, up until the time where Indonesia banned exports of unprocessed material in early 2014. The summary of the depletion for each area is outlined in Table 5.4 for that period. It is clear from the production records that the depleted areas for Block C are from the area defined as Measured Resources, whilst the area mined at the Bete Bete deposit was derived from Indicated Resources. Subsequently, HM commenced domestic DSO operations to IMIP, of which all was sourced from Bete Bete, for the period June 2015 until January 2018.

Monthly reconciliations of the material mined are available and a 31st January pit survey is available as a final mined void. This makes a detailed reconciliation based on material flow to stockpiles and barges not possible on a monthly basis based on the exact area mined within the deposit. However, we have reviewed total shipping data against the expected tonnages from the block model and reconciled the two based on the geological and block model.

To allow for this depletion within the Resource estimate we have taken the equivalent tonnage of the production from the SAP Resources and the overburden from the LIM Resources. The DSO operations were targeting SAP mineralisation as the requirement for the DSO was 1.8% Ni minimum grade. If the LIM Resource was insufficient to fulfil the requirements of the mining depletion, then the remainder was removed from the low-grade SAP Resource.

The final depleted Resource estimate for the HM concession area is outlined in Section 5.13.

Year	Production	Location					TOTAL
		PIT C2 GAL	PITC2 VITA	PIT C2	PIT C1 AMSI	Bete Bete	
2012	OB Removal (BCM)	233,710					233,710
	OB Removal (wet tonnes)	394,970					394,970
	SAP (wet tonnes)	44,770					44,770
2013	OB Removal (BCM)	81,274	78,624		84,939	406,779	651,616
	OB Removal (wet tonnes)	137,353	132,875		143,547	687,457	1,101,232
	SAP (wet tonnes)	12,915		27,198	3,653	299,901	343,667

Table 5.4 Summary of production from the HM concession area from 2012-2013 (export DSO).

From June 2015 until January 2018, there have been an additional 855,800 wmt of material shipped to IMIP at an average grade of 2.06% Ni, 0.06% Co and 18.58% Fe. An analysis of the shipments shows the target of 1.8% Ni is being exceeded since June 2015 and, due to the need to maximise revenue from contained nickel units, some high-grading of the Bete Bete deposit is being carried out.

A reconciliation of the mined area of Bete Bete compared to the block model prediction is outlined in Table 5.5. The results show a reasonable reconciliation of wet metric tons and Ni (%) at a cutoff of 1.90% Ni but the estimation of Fe is approximately 25% higher in practice than predicted. A review and validation of the block model could find no reason for this variance and it is reasoned that the grade interpolation for Fe is correct. This discrepency remains unresolved but fortunately a lower actual Fe grade for the DSO shipments is beneficial in this case and the higher modelled Fe grade is on the conservative side.

	Tons (wmt)	Ni (%, dry basis)	Co (%, dry basis)	Fe (%, dry basis)
Model Predict	1,182,000	2.10	0.06	23.56
Actual Production	1,155,000	2.05	0.06	18.86
Variation	-2%	-2%	0%	-25%

Table 5.5 Reconciliation of global production and block model for the Bete Bete deposit area.

5.11 Stockpile Inventory

There remains a transient stockpile inventory located at the dock site of the HM concession but due to the regular barge shipments, this stockpile remains minimal and is not considered as a Resource at this time. It is estimated that the stockpile contained 20,000t at the end of January 2018 (time stamp of the Resource estimate) but this amount has been shipped at the time of the TAR.

5.12 Tonnage Versus Grade Model

Each block model was interrogated for tonnage and grade of the major components, being Ni (%), Co (%) and Fe (%). The resulting Resource is reported from each block model at various cut-off grades is outlined below. The deposit has been classified as 42% moisture for the Bete Bete area and 34% moisture for the APL, Central, Central 2 and West Bete Bete areas for the adjustment from wet tonnages to the dry tonnage estimates.

No Resources have been assigned to the Far West area at this stage as the drilling is too limited and the distance between holes too far to allow any reliable estimate to be made.

In summary, the adjusted global Resource estimate for the HM concession area at various cut-off grades is outlined in Table 5.6 and the grade tonnage graph for the depleted global resources is shown in Figure 5.10.

COG (Ni%)	Dry Tonnes	Ni (%)	Co (%)	Fe (%)
1.50	**37,523,000**	**1.81**	**0.06**	**17.52**
1.60	26,308,000	1.91	0.05	16.52
1.70	18,583,000	2.01	0.06	16.20
1.80	13,725,000	2.09	0.06	16.00
1.90	9,609,000	2.17	0.06	15.76
2.00	6,370,000	2.26	0.06	15.25
2.10	4,203,000	2.34	0.07	14.41
2.20	2,622,000	2.43	0.08	14.69
2.30	1,464,000	2.54	0.10	14.46
2.40	838,000	2.65	0.12	13.81
2.50	492,000	2.77	0.15	13.23

Table 5.6 Resource at various cut-off grades for Ni (%) bold levels show the Resource statement cut-off grade chosen (1.5% Ni).

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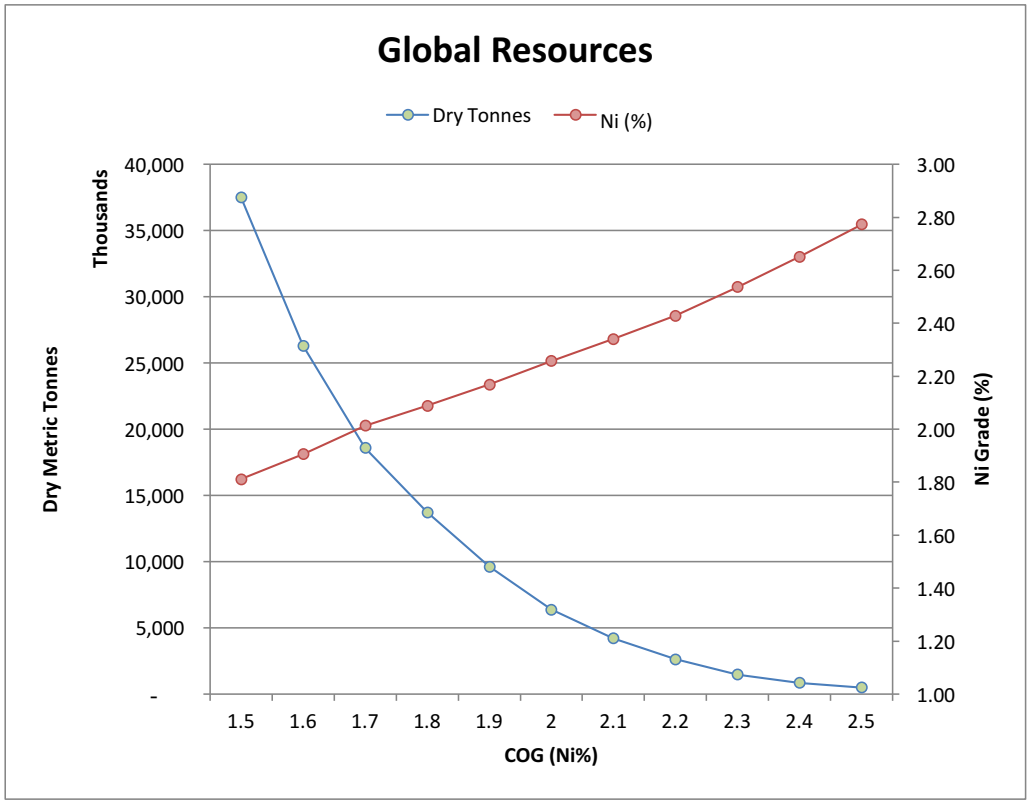

Figure 5.10 Global Resource tonnage and grade curve for the HM concession area.

In considering the Resource estimate, we have considered that there is a reasonable prospect for eventual economic extraction, noting that the HM concession area was mined for DSO from October 2012, up until the time where Indonesia banned exports of unprocessed material in early 2014. Further, since 2014, the HM operation has mined and delivered material domestically to IMIP and there is a continuing off-take agreement between HM and IMIP.

The current off-take agreement requirement is a head grade of 1.80% Ni. From the table above, at a cut-off grade of 1.50% Ni, there is 37Mt @ 1.81% Ni that is suitable for delivery to IMIP.

The current mining operations at HM comprise standard truck and shovel mining operations, with the limonite layer removed to expose the saprolite material. This is then excavated and directly trucked to the HM port facility on the coast, where it is sampled, stockpiled and loaded to barges. It is then barged to the port facility located at IMIP. This mining and shipping process is utilised to mine DSO in several mining operations in the Sulawesi area.

Some dilution may occur during the mining process (considering the variability in grades within any given laterite nickel deposit) with sub-grade material potentially being excavated as part of the normal mining process. However, the amount of dilution is controlled and shipping records indicate that the delivered material fulfils the requirements of IMIP and, therefore, is not material.

The HM operations are fully permitted, having in place an existing AMDAL (Indonesia Environmental Impact Statement) and environmental management plan as required by prevailing legislation. The mining pits are shallow and progressively reclaimed. The area is not an environmentally sensitive area.

The off-take agreement with IMIP clearly indicates the HM mineralisation is amenable to the extraction of nickel using a RKEF (Rotary Kiln Electric Furnace) technology.

At present, there are no known technical impediments for HM to implement a mine plan that would successfully supply the current, and any future, off-take agreement with IMIP.

The current production cost summary for delivering material from HM to IMIP (CIF) is outlined in Table 5.7. The current contract sales price is US$24.00 per wet metric tonne (wmt) delivered to IMIP. Therefore, there is a clear profit for material greater than 1.80% Ni delivered to IMIP of US$2.64/wmt.

Cost Centre	Cost/wmt
Contractors	12.85
Commission	0.68
Dep'n/Amort'n	0.53
Environmental studies	0.13
Fields supplies	0.10
Fuel & Oils	0.37
Housing	0.23
Permitting	0.54
Salaries & Wages	2.09
Other	0.53
Mining Total	***18.05***
Shipping expenses	1.95
Royalty	1.37
Total Costs (CIF)	**21.36**

Table 5.7 Current operating costs for the delivery of material (CIF) to IMIP.

As outlined above, using a cut-off of 1.5%, there is 37Mt @ 1.81% Ni, which conforms with the off-take agreement requirements in place with IMIP. Therefore, there is immediate prospect for the economic extraction of the entire Resource outlined by DSO operations to IMIP.

On the basis of the current nickel market price, forward nickel prices which are in contango and industry consensus long term forecasts for nickel prices to increase, there is a reasonable prospect for eventual economic extraction of the stated Resources based on a 1.50% cut-off grade.

Any future increase in the market price for nickel may see lower grade material having a reasonable prospect for economic extraction but the estimation of a Resource with reasonable prospects for eventual economic extraction on the basis of a cut-off grade of 1.50% is considered appropriate in light of the existing off-take agreement.

5.13 Resource Statement

In consideration of the depletion by mining/DSO operations, the reconciled and depleted Resource statement for the HM concession is outlined in Table 5.8 at a Ni 1.5% cut-off that we consider appropriate for this Resource statement. We have chosen a cut-off grade of 1.50% Ni for the depleted Resource statement. We consider that the cut-off grade may vary later in definitive studies or changes in market conditions but we believe that a cut-off grade of 1.5% Ni is fair and results in a global grade that conforms with the requirements of the current off-take agreement in place between HM and IMIP for DSO. The Resource statement is date stamped the 30th January 2018.

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Mining and shipments continue on the HM concession, with further depletion of the Bete Bete deposit Resource.

We consider the categories and methodology applied to the Resource estimate is appropriate for the deposit type and fairly reflects the current mineral Resources defined by the data. The Classification and reporting schemes for each deposit are robust and suitably conservative, adequately reflecting the concerns which may remain regarding geological interpretations and input data quality.

The Resource estimate outlined is a global estimate. Other parties have not reviewed the Resource estimate. All Resources are quoted on a dry tonne basis.

Category	Block	Dry Tonnes	Ni (%)	Co (%)	Fe (%)
Measured	Block B	18,000	1.70	0.03	16.00
	Block C	690,000	1.80	0.05	16.00
Total Measured		**700,000**	**1.80**	**0.05**	**16.00**
Indicated	Bete Bete	5,500,000	1.90	0.04	15.00
	West Bete Bete	1,200,000	1.80	0.05	6.10
	Central	350,000	1.80	0.07	16.00
	Central 2	6,400,000	1.80	0.08	17.00
	Block A	890,000	1.90	0.09	40.00
	Block B	210,000	1.70	0.03	16.00
Total Indicated		**15,000,000**	**1.90**	**0.06**	**17.00**
Inferred	Bete Bete	300,000	2.00	0.04	17.00
	West Bete Bete	900,000	1.90	0.05	12.00
	Central	17,000,000	1.80	0.05	17.00
	Central 2	2,700,000	1.70	0.08	17.00
	Block A	200,000	1.90	0.09	41.00
	Block B	600,000	2.00	0.03	15.00
	Block C	100,000	1.70	0.04	16.00
Total Inferred		**22,000,000**	**1.80**	**0.05**	**17.00**
Grand Total		**38,000,000**	**1.80**	**0.06**	**17.00**

Table 5.8 Adjusted and categorised Resource estimate, accounting for the stockpiles and mining depletion for the HM concession area at a 1.5% Ni cut-off, date stamped as 30th January 2018. Some numbers may not add correctly due to rounding to reflect Resource category confidence and JORC Code (2012) recommendations on significant figures.

Therefore, the stated Resources within the PT Hengjaya Mineralindo concession area are 0.7Mt @ 1.80% Ni in the Measured category, 15Mt @ 1.90% Ni in the Indicated category and approximately 22Mt @ 1.80% Ni in the Inferred category.

5.14 Discussion of the Resource Estimation

The risk analysis for the resource estimate is outlined in Table 5.9. This table attempts to provide the reader with a qualitative assessment of the risk of each item in relation to the effect on the resource estimation.

In summary, we believe that the Resource estimate is accurate within the limits of the data and that the classification is suitable for the data density and confidence limits imposed by the data available for the project. Inherent risk remains in the conversion of Inferred Resources to higher

categories but there is no reason at the current level of knowledge that such a conversion could not be made with further drilling.

Item	Description	Risk
Location data	Surveyed collars and LIDAR topographic data for the entire concession area. Highly accurate. Old holes may have errors but the categorisation reflects this and redrilling will be required.	Low
Drilling methods	Suitable but poorly documented from the initial drilling, recoveries are noted, no core photographs seen for old holes. New drilling documentation (2015) is excellent.	Low
Sampling	Considered to be suitable and reasonable, collection of wet weights of the sample before dispatch was not documented well in old drilling programs. Latest drilling has routines for this data collection that are best practice.	Low
Analysis	International accredited laboratory with internal QA/QC procedures, standards and blanks indicate no sample stream anomalies but there may be some over-stating of grades during the 2012-early 2013 program.	Low
Geology	Standard geology of a nickel laterite, old data has poor logging information and the characterisation on geochemistry recently has rectified this to some degree. Generally, block modelling has been directed to grade interpolation within constrained zones. There is a possibility that some nickel mineralisation has been assigned incorrectly to the LIM or BRK zones but the effect on the Resource estimate is not material.	Low
Moisture	The moisture content of nickel laterites varies greatly between deposits in different areas and even adjacent deposits in the same area. Intensity of rainfall is one factor that may affect moisture level in a nickel laterite but the greatest effect is due to the geomorphology of the deposit. In the HM concession, the extrapolation of moisture data has been made and assessed in relation to the geomorphology and deposit location. We consider variations in moisture content is adequately reflected in the categorisation of Resources and variations in moisture levels will not have a material effect on the estimate	Low
Security	Low priority for nickel laterites.	Low
Database	Improved and validated database from previous Resource estimate in the 2015 Concession Report, significant progress has been made in identifying and fixing errors in the database. Old drill hole data still has some errors related to drill hole position and down hole data. New drilling will provide backup data for some of these areas. The questionable drill holes have not been included in the estimation.	Low

Table 5.9 General qualitative risk assessment for some of the components used for estimating Resources, more complete information is provided in Appendix 1.

10 GEOLOGIST'S REPORT

6 SUMMARY AND RECOMMENDATIONS

6.1 Summary

PT GMT Indonesia was requested by Nickel Mines Limited (NIC) to conduct a review and Resource estimation of the PT Hengjaya Mineralindo (HM) concession area. The prospect area is within the Kabupaten of Morowali, Central Sulawesi, Indonesia, approximately 1,750km northeast from Jakarta.

The HM prospect area has been explored previously by several groups, with the most recent work by HM. The concession has recently produced DSO between October 2012 and December 2013 and June 2015 until present.

The nickel deposits within the HM concession comprise a lateritic sequence and composed of highly oxidized materials derived by intense weathering of ultramafic rocks. Limonite (LIM) is clayey, red ferrous oxide facies material that overlies and grades into the saprolite facies (SAP). Below the saprolite, the interface is often rocky, with zones of saprolite mixed with boulders and fragments of bedrock (previously CST or rocky saprolite) and occasional boulders higher in the saprolite sequence (previously CST).

The concession area has been the target for several drilling programmes. Therefore, the current data set includes data for 1,402 drill holes for 30,295.74 metres of drilling advance with 1,267 of these holes containing analytical data. The sample database contains information on 26,739 sample intervals with 26,620 sample intervals containing valid Ni (%) analysis data. The drilling has been concentrated in several discrete areas, which have formed the basis of the Resource estimate block boundaries. They are, from east to west, Block A, B, C, Central, Central 2 (enclosed within Central), Bete Bete, West Bete Bete and Far West.

The drill hole database was updated to include recent drilling data in the previously described APL and Bete Bete areas. There has been substantial drilling since March 2012, mostly in the eastern blocks (Block A, Block B and Block C) and the Bete Bete block. In addition, the geological coding was re-defined using discrimination characteristics based on the geochemistry of the sample intervals, providing a more robust geological sequence for interpretation.

The various deposit areas were defined and a geological model constructed for each area. A block model and interpolation were made for each area and the results combined to formulate the Resource estimation. The geological modelling, grade interpolation and block model were completed using Leapfrog Geo V4.2 software. Each block model was interrogated for tonnage and grade of the major components, being Ni (%), Co (%) and Fe (%). The deposit has been classified as 42% moisture for the Bete Bete area and 34% moisture for the APL, Central, Central 2 and West Bete Bete areas for the adjustment from wet tonnages to the dry tonnage estimates.

There is an off-take agreement between HM and IMIP to supply material to the nearby smelter. Their requirement is a head grade of >1.80% Ni. At a cut-off grade of 1.50% Ni, there is 37.5Mt @ 1.81% Ni that would be suitable for the current agreement.

We have chosen a cut-off grade of 1.50% Ni for the depleted Resource statement. We consider that the cut-off grade may vary due to changing market conditions but we believe that a cut-off grade of 1.5% Ni is fair and results in a global grade that conforms with the requirements of the off-take agreement currently in place between HM and IMIP for DSO.

The current mining depleted and categorised Resource estimate for the HM concession area at a 1.5% Ni cut-off, date stamped 30th January 2018 is:

Category	Block	Dry Tonnes	Ni (%)	Co (%)	Fe (%)
Measured	Block B	18,000	1.70	0.03	16.00
	Block C	690,000	1.80	0.05	16.00
Total Measured		**700,000**	**1.80**	**0.05**	**16.00**
Indicated	Bete Bete	5,500,000	1.90	0.04	15.00
	West Bete Bete	1,200,000	1.80	0.05	6.10
	Central	350,000	1.80	0.07	16.00
	Central 2	6,400,000	1.80	0.08	17.00
	Block A	890,000	1.90	0.09	40.00
	Block B	210,000	1.70	0.03	16.00
Total Indicated		**15,000,000**	**1.90**	**0.06**	**17.00**
Inferred	Bete Bete	300,000	2.00	0.04	17.00
	West Bete Bete	900,000	1.90	0.05	12.00
	Central	17,000,000	1.80	0.05	17.00
	Central 2	2,700,000	1.70	0.08	17.00
	Block A	200,000	1.90	0.09	41.00
	Block B	600,000	2.00	0.03	15.00
	Block C	100,000	1.70	0.04	16.00
Total Inferred		**22,000,000**	**1.80**	**0.05**	**17.00**
Grand Total		**38,000,000**	**1.80**	**0.06**	**17.00**

Therefore, the stated Resources within the PT Hengajaya Mineralindo concession area are 0.7Mt @ 1.80% Ni in the Measured category, 15Mt @ 1.90% Ni in the Indicated category and approximately 22Mt @ 1.80% Ni in the Inferred category.

We consider the Resource estimate a fair representation of the data and the deposit and are confident that the categorisation of the Resources is consistent with the confidence level of the categories assigned.

As is always the case, there is an inherent risk in the conversion of Inferred Resources to higher categories but there is no reason at the current level of knowledge that such a conversion could not be made with further drilling. This is especially relevant when compared to the infill drilling and reconciliation of the Bete Bete deposit area, where wider spaced drilling was infilled and led to a good reconciliation between the block model and the mined tons and grade.

6.2 Recommendations

The following is recommended for the advancement of the development of the HM concession area:

- Complete infill drilling in the Central/Central 2 area, in the area covered by the IPPKH, utilising exploration procedures as implemented in 2015, the deposit should be initially drilled at 100 x 100 metre centres, then infilled to Indicated Resource status in areas of demonstrated potential, and,
- Ongoing exploration programs should consider best practice for QA/QC during sampling and analysis, the regime should be consistently practiced.

The current DSO operations being conducted are certainly generating revenue for the group but it is only exploiting a small part of the Resource. It is likely that as the nickel price rises there will be a lowering of the economic head grade that will be accepted by IMIP but at current conditions it is set at a minimum grade of 1.8%. Alternatives for treating the lower grade saprolite material should be an ongoing goal.

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7 REFERENCES

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APPENDIX 1

JORC CODE (2012) RESOURCE ESTIMATE CHECKLIST

Criteria	JORC Code explanation	Commentary
Sampling techniques	• Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling. • Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used. • Aspects of the determination of mineralisation that are Material to the Public Report. • In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.	Diamond drilling with sampling at geological intervals or 1m intervals within geology, whole core sampling and analysis using XRF at an internationally accredited laboratory. Older core drilling (pre-HM) using full core techniques, full core sampling and splitting on site and XRF analysis at an Indonesian accredited laboratory. No specialised measurement tools, e.g. downhole gamma probes, or handheld XRF instruments, etc. were employed. Mineralisation is determined visually based on characteristics of the laterite and confirmed by laboratory analysis.
Drilling techniques	• Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).	Diamond coring, no core orientation, all drilling in vertical holes using Jacro-style drill rigs and HQ coring.
Drill sample recovery	• Method of recording and assessing core and chip sample recoveries and results assessed. • Measures taken to maximise sample recovery and ensure representative nature of the samples. • Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.	Full coring and recovery of intervals noted. Recovery recorded is equivalent to the length of core recovered, as a percentage of the drill run.

Criteria	JORC Code explanation	Commentary
Logging	• Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies. • Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography. • The total length and percentage of the relevant intersections logged.	Core photographed and geologically logged from recent HM drilling, 100% of core logged from all phases of historical exploration. Logging is qualitative in nature and quantitative for percentage of boulders. Previous drilling was geologically logged but no core photos are available.
Sub-sampling techniques and sample preparation	• If core, whether cut or sawn and whether quarter, half or all core taken. • If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry. • For all sample types, the nature, quality and appropriateness of the sample preparation technique. • Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples. • Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling. • Whether sample sizes are appropriate to the grain size of the material being sampled.	Core is sampled whole and split on site with 1 sample retained in case of sample loss in transit. The sample preparation techniques employed are industry practice, with full core samples collected based on geological horizon. The samples are weighed and dispatched to the laboratory. Sampling equipment is cleaned between each sample run split. The sample size is appropriate, with HQ coring ensuring good sample size.
Quality of assay data and laboratory tests	• The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total. • For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc. • Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether	Standard nickel package XRF for HM drilling, internationally accredited laboratory and internal QA/QC procedures. Methods used are total. No on-site analytical tools have been used. HM drilling has standards and limestone blanks inserted into the sample runs but was not implemented in older drilling (or data is not available). No external laboratory checks. Review of the available data shows a minor variance in the expected values in some periods of analysis but we do not consider this material in establishing a

Criteria	JORC Code explanation	Commentary
	acceptable levels of accuracy (ie lack of bias) and precision have been established.	mineralisation grade.
Verification of sampling and assaying	• The verification of significant intersections by either independent or alternative company personnel. • The use of twinned holes. • Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols. • Discuss any adjustment to assay data.	None undertaken, no twin holes drilled. No adjustment to assays made. Checks between analysis sheets and primary database made and company personnel spent a large amount of time in reconciling and checking old drill data and incorporating the data into the new database.
Location of data points	• Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation. • Specification of the grid system used. • Quality and adequacy of topographic control.	Total station survey of drill collars in Block 1, 2 and 3. Total station survey for all Bete Bete collars. GPS for outlying holes and older drilling based on a grid system. All data projected to UTM WGS 84 Zone 51 South. Topography of the entire concession by LIDAR. Topography is detailed and adequate.
Data spacing and distribution	• Data spacing for reporting of Exploration Results. • Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied. • Whether sample compositing has been applied.	Drilling on 25x25m, 50x50m and 100x100m spacing. Some wildcat holes on irregular spacing. Continuity of grade and structure has been demonstrated between drill holes as evidenced in the geological models and numerical interpolants. Analytical data composited on 1m intervals.
Orientation of data in relation to geological structure	• Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type. • If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.	Vertical drill holes in horizontal laterite deposit. Suitable for this type of deposit. No sampling bias has been introduced. Methodology is standard industry practice.

Criteria	JORC Code explanation	Commentary
Sample security	• The measures taken to ensure sample security.	Not applicable for Ni laterite samples. Standard chain of custody for laboratory dispatch.
Audits or reviews	• The results of any audits or reviews of sampling techniques and data.	Standard techniques for sampling, training provided, data reviewed for consistency. The Geoservices sample preparation laboratory in Kendari was inspected by the author. Sampling techniques and administration reviewed on site by the author.
Mineral tenement and land tenure status	• Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings. • The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.	The HM concession area is based on the legality of an IUP Operasi/Produksi (Izin Usaha Pertambangan or mining business licence, Operation/Production) for nickel with the Decree number 540.3/SK.001/DESDM/IV/2011. The concession covers an area of 6,249 hectares and was issued on the 16th of June 2011, valid until the 31st of May 2031. HM is owned 80% by NIC and the remaining 20% is held by Indonesian national entities. Licence is fully operational and in compliance with regulations.
Exploration done by other parties	• Acknowledgment and appraisal of exploration by other parties.	Previous exploration by other parties assessed and incorporated into current data sets.
Geology	• Deposit type, geological setting and style of mineralisation.	Nickel laterite deposit, mineralisation occurs as concentrations of Ni minerals due to the processes of tropical weathering and enrichment. Nickel mineralisation dominated by garnierite.
Drill hole Information	• A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes: o easting and northing of the drill hole collar o elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar o dip and azimuth of the hole o down hole length and interception depth	There are numerous drill holes (1,403 in total). The inclusion of the drill hole collars is not material to the understanding of this report. The drill holes are all drilled vertically to various depths to intersect the nickel-bearing saprolite and depth of limonite overburden. There is no alternative interpretation that can be made from the drilling data.

Criteria	JORC Code explanation	Commentary
	○ hole length. • If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.	
Data aggregation methods	• In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated. • Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail. • The assumptions used for any reporting of metal equivalent values should be clearly stated.	No cutting of high-grade samples. Cut-off grade determined based on current industry trends and an assessment of basic economics of a direct shipping operation and contractor costs. No metal equivalents reported.
Relationship between mineralisation widths and intercept lengths	• These relationships are particularly important in the reporting of Exploration Results. • If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported. • If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known').	The mineralisation is flat-lying and the drill holes are vertical. The mineralised widths are true widths as the intercepts are close to perpendicular to the mineralised horizon.
Diagrams	• Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.	These have been incorporated into the report.
Balanced	• Where comprehensive reporting of all Exploration Results is	Exploration results are not being reported. All relevant drill hole data

Criteria	JORC Code explanation	Commentary
reporting	not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.	is incorporated in the Mineral Resource estimate.
Other substantive exploration data	• Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.	No other exploration data is considered material other than what has already been reported.
Further work	• The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling). • Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.	Recommendations outlined in report for infill drilling to lift Resource categories. The broad boundaries of mineralised zones have been established by previous work.

Criteria	JORC Code explanation	Commentary
Database integrity	• Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between its initial collection and its use for Mineral Resource estimation purposes. • Data validation procedures used.	Validation procedures included checks on hole lengths versus assay data and geology data, missing assays, correct transposing of analysis data and collar reconciliations. Some errors detected were rectified and HM personnel also contributed to the final validated database.
Site visits	• Comment on any site visits undertaken by the Competent Person and the outcome of those visits. • If no site visits have been undertaken indicate why this is the case.	The CP completed a site visit in 2015 during the final phases of the exploration drilling program. He reviewed the mined areas, drilling techniques, core administration and sampling techniques and reviewed the Geoservices sample preparation facility in Kendari. The CP is satisfied the quality of data is suitable for use in estimating

Criteria	JORC Code explanation	Commentary
		Resources.
Geological interpretation	• Confidence in (or conversely, the uncertainty of) the geological interpretation of the mineral deposit. • Nature of the data used and of any assumptions made. • The effect, if any, of alternative interpretations on Mineral Resource estimation. • The use of geology in guiding and controlling Mineral Resource estimation. • The factors affecting continuity both of grade and geology.	The geological interpretation is certain as evidenced in the field and based on numerous similar deposits in the region. All drilling data was utilised in the geological model, assumptions made on the geochemical signature of logged lithologies to standardise the stratigraphy and removal of minor rock codes. The geology is simple and laterite nickel deposits are commonly developed throughout Sulawesi. Geology has been used to constrain the interpolation. The stratigraphic sequence was used to constrain the numerical interpolants and composites. Continuity of grade and geology can be affected by topography, where steep slopes do not allow the accumulation of laterites. Bedrock structures can also affect areas of high-grade accumulations and the process of supergene enrichment.
Dimensions	• The extent and variability of the Mineral Resource expressed as length (along strike or otherwise), plan width, and depth below surface to the upper and lower limits of the Mineral Resource.	The area of the Block A, B and C is approximately 3km long x 0.75km wide. The mineralisation depth ranges between 1-20m and is variable in thickness between 1 and 10m. The Central area covers an area of approximately 1,200ha and is 3.3x4.3km. The mineralisation depth ranges between 1-20m and is variable in thickness between 1 and 10m. The Bete Bete deposit covers an area of 150 hectares and is 2km north-south and 1km east-west. The mineralisation depth ranges between1-15m and thickness up to 10m. The West Bete Bete deposit is poorly defined and covers approximately 360Ha. The deposit is 2.8km by 1.5km, oriented northwest-southeast. The Ni mineralisation is weeakly developed between 1-5m thick and between 1-15m depth.
Estimation and modelling	• The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, domaining, interpolation	Leapfrog Geo used for the modelling and interpolation. The estimation technique uses a radial basis function for interpolation of both geology and numerical interpolants. Nickel laterites have few

Criteria	JORC Code explanation	Commentary
techniques	parameters and maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen include a description of computer software and parameters used. • The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource estimate takes appropriate account of such data. • The assumptions made regarding recovery of by-products. • Estimation of deleterious elements or other non-grade variables of economic significance (eg sulphur for acid mine drainage characterisation). • In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed. • Any assumptions behind modelling of selective mining units. • Any assumptions about correlation between variables. • Description of how the geological interpretation was used to control the resource estimates. • Discussion of basis for using or not using grade cutting or capping. • The process of validation, the checking process used, the comparison of model data to drill hole data, and use of reconciliation data if available.	extreme values. Geological domains were utilised to constrain both geological assignment and grade assignment to each block. Extrapolation distance of 150m from any drill data for the geological model but the block model was categorised according to distance from a valid point of observation. Previous estimates were considered and reviewed (Nickelphil Report in 2012 and the 2015 Concession Report prepared by GMT) during the compilation of this resource estimate. A reconciliation on mined material from the Bete Bete deposit versus shipments shows an acceptable reconciliation. No by products are considered. No deleterious elements considered. DSO has penalties on high moisture and high Fe but these do not preclude economic viability. The model was validated using the following techniques: Visual 3D checking and comparison of informing samples and estimated values. Global statistical comparisons of raw sample and composite grades to the block grades. Block sizes were 10x10x1m (x,y,z) on a drill spacing of 25x25, 50x50 or 100x100m spacing. No rotation or dip was applied to the model. The search used the numerical interpolants to populate the block model. Interpolants based on a 200m search and an isotropy of 2x2x0.1 (x,y,z). Normally, the saprolite is the target mining unit and each interpolant was domained according to the geological horizon. The geological contacts are hard boundaries for compositing and numerical interpolants. No grade cutting or capping was applied. Extreme Ni values are not present. The block model was checked to ensure the interpolation results reflected the raw data and cross sections checked for block grades and raw drill hole data and composites.

Criteria	JORC Code explanation	Commentary
Moisture	• Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content.	Tons estimated on a dry basis. Moisture content reconciled with available moisture data for each deposit area.
Cut-off parameters	• The basis of the adopted cut-off grade(s) or quality parameters applied.	We have chosen a cut-off grade of 1.50% Ni for the depleted Resource statement. We consider that the cut-off grade may vary with a change of market conditions but we believe that a cut-off grade of 1.5% Ni is fair and results in a global grade that conforms with the requirements of the off-take agreement currently in place between HM and IMIP for DSO. The current costs of US$21.36 as opposed to the sales price of US$24.00 demonstrates the cut-off grade chosen is appropriate to deliver profitable material to IMIP.
Mining factors or assumptions	• Assumptions made regarding possible mining methods, minimum mining dimensions and internal (or, if applicable, external) mining dilution. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential mining methods, but the assumptions made regarding mining methods and parameters when estimating Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the mining assumptions made.	Mining by regular open pit truck and shovel operation, direct shipping to the nearby smelter. An off-take agreement is in place. Contractor is currently paid for material delivered to the port.
Metallurgical factors or assumptions	• The basis for assumptions or predictions regarding metallurgical amenability. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential metallurgical methods, but the assumptions regarding metallurgical treatment processes and parameters made when reporting Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the metallurgical assumptions made.	The nickel deposit is typical of a large number of other similar deposits in the region. The processing route may be either through DSO sales domestically (currently the case) or construction of a blast furnace on site.
Environmental	• Assumptions made regarding possible waste and process	Limited environmental concerns, the area is remote and poorly

Criteria	JORC Code explanation	Commentary
factors or assumptions	residue disposal options. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. While at this stage the determination of potential environmental impacts, particularly for a greenfields project, may not always be well advanced, the status of early consideration of these potential environmental impacts should be reported. Where these aspects have not been considered this should be reported with an explanation of the environmental assumptions made.	developed, normal operational procedures will mitigate any environmental impacts. Open pit nickel mining is well established in Sulawesi, with a large number of previous and current operations. Environmental impacts mainly restricted to sediment settling and run-off.
Bulk density	• Whether assumed or determined. If assumed, the basis for the assumptions. If determined, the method used, whether wet or dry, the frequency of the measurements, the nature, size and representativeness of the samples. • The bulk density for bulk material must have been measured by methods that adequately account for void spaces (vugs, porosity, etc), moisture and differences between rock and alteration zones within the deposit. • Discuss assumptions for bulk density estimates used in the evaluation process of the different materials.	SG determinations have been completed in a number of areas using measurement of drill core. The data is limited but within a range considered by GMT as compatible with other locations within the same region. Bulk density determinations classed according to rock types. Geological categorisation based on the estimated bulk density of each material.
Classification	• The basis for the classification of the Mineral Resources into varying confidence categories. • Whether appropriate account has been taken of all relevant factors (ie relative confidence in tonnage/grade estimations, reliability of input data, confidence in continuity of geology and metal values, quality, quantity and distribution of the data). • Whether the result appropriately reflects the Competent Person's view of the deposit.	The areas with drilling at a 25 x 25 metre spacing was assigned an area of influence of 37.5 metres around each drill hole to form a solid polygon for Measured Resources. The areas with drilling at a 50 x 50 metre spacing was assigned an area of influence of 75 metres around each drill hole to form a solid polygon for Indicated Resources. Areas outside of these polygons but within the geological model range of 150m were assigned as Inferred Resources but constrained within the drilled area, that is, no extrapolation past the last line of drilling. Unreliable data was not considered a point of observation for the Resource estimation, including incomplete drill hole data (analyses).

Criteria	JORC Code explanation	Commentary
		The results accurately reflect our view on the deposit.
Audits or reviews	• The results of any audits or reviews of Mineral Resource estimates.	No audits or reviews have been completed.
Discussion of relative accuracy/ confidence	• Where appropriate a statement of the relative accuracy and confidence level in the Mineral Resource estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors that could affect the relative accuracy and confidence of the estimate. • The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used. • These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.	There are few factors that may affect the accuracy of the Resource estimate include the inability to convert Inferred Resources to a higher category due to irregular grade continuity, particularly in the Central area. Other factors that may affect the estimate is variable moisture within each deposit or the determination of a more accurate bulk density of each material. The moisture content of nickel laterites varies greatly between deposits in different areas and even adjacent deposits in the same area. Intensity of rainfall is one factor that may affect moisture level in a nickel laterite but the greatest effect is due to the geomorphology of the deposit. In the HM concession, the extrapolation of moisture data has been made and assessed in relation to the geomorphology and deposit location. In each case we consider this unlikely as the parameters used are consistent with similar deposits in the area and variations in moisture content and bulk density are adequately reflected in the categorisation of Resources and will not have a material effect on the Resource estimate. The estimate is Global. Production reconciliation against the block model is robust.

Table A1. Checklist of compliance with the requirements of the JORC Code (2012)

APPENDIX 2

COMPETENT PERSON LETTER OF CONSENT

10 GEOLOGIST'S REPORT

GMT INDONESIA

PT. GMT INDONESIA
MINING CONSULTANT AND MINERAL INVESTMENT

Competent Person's Consent Form

Pursuant to the requirements of ASX Listing Rules 5.6, 5.22 and 5.24 and Clause 9 of the JORC Code 2012 Edition (Written Consent Statement)

Report name

INDEPENDENT TECHNICAL ASSESSMENT REPORT FOR NICKEL MINES LIMITED (NIC) ON THE PT HENGJAYA MINERALINDO CONCESSION AREA, KABUPATEN OF MOROWALI, PROVINCE OF SULAWESI TENGAH, INDONESIA

(insert name or heading of Report to be publicly released) ('Report')

PT GMT Indonesia

(insert name of company releasing the Report)

PT Hengjaya Mineralindo Laterite Nickel Deposit, Block A, Block B, Block C, Central, Central 2, Bete Bete and West Bete Bete

(insert name of the deposit to which the Report refers)

If there is insufficient space, complete the following sheet and sign it in the same manner as this original sheet.

30th April 2018

(Date of Report)

1141_NIC TAR 2018 04

Statement

I,

Brett Dennis Gunter

(insert full name(s))

confirm that I am the Competent Person for the Report and:

- I have read and understood the requirements of the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2012 Edition)
- I am a Competent Person as defined by the JORC Code, 2012 Edition, having five years experience that is relevant to the style of mineralisation and type of deposit described in the Report, and to the activity for which I am accepting responsibility
- I am a Member or Fellow of *The Australasian Institute of Mining and Metallurgy* or the *Australian Institute of Geoscientists* or a 'Recognised Professional Organisation' (RPO) included in a list promulgated by ASX from time to time.
- I have reviewed the Report to which this Consent Statement applies.

I am a full time employee of

PT GMT Indonesia

(insert company name)

Or

I/We am a consultant working for

(insert company name)

and have been engaged by

Nickel Mines Limited

(insert company name)

to prepare the documentation for

PT Hengjaya Mineralindo Laterite Nickel Deposit, Block A, Block B, Block C, Central, Central 2, Bete Bete and West Bete Bete

(insert deposit name)

on which the Report is based, for the period ended

31st January 2018

(insert date of Resource/Reserve statement)

I have disclosed to the reporting company the full nature of the relationship between myself and the company, including any issue that could be perceived by investors as a conflict of interest.

I verify that the Report is based on and fairly and accurately reflects in the form and context in which it appears, the information in my supporting documentation relating to Exploration Targets, Exploration Results and Mineral Resources.

1141_NIC.TAR.2018.04

10 GEOLOGIST'S REPORT

Consent

I consent to the release of the Report and this Consent Statement by the directors of:

Nickel Mines Limited
(insert reporting company name)

Signature of Competent Person

7th MAY 2018.
Date

AusIMM
Professional Membership
(insert organisation name)

112830
Membership Number

Signature of Witness

Johanna Pulita
Jl. Bangka RT/RW No. 75 Kel. Pela Mampang
Kec. Mampang Prapatan, Jakarta 12720 - INDONESIA
Print Witness Name and Residence
(eg town/suburb)

1141_NIC_TAR_2018_04

11 SOLICITOR'S REPORT ON TENEMENTS

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Oentoeng Suria & Partners

in association with ashurst

To:

Attn.: the Directors
Nickel Mines Limited
Level 2, 66 Hunter Street,
Sydney, Australia

31 May 2018

Dear Sirs,

Mining Tenement Report

This report (the "**Report**") is prepared for inclusion in a prospectus to be issued by Nickel Mines Limited (ACN 127 510 589) (the "**Company**").

On 26 March 2012, the Company acquired an Indonesian mining company namely PT Hengjaya Mineralindo (the "**PTHM**") who holds the mining license over a mining tenement area in Morowali Regency of Central Sulawesi Province, Indonesia (the "**Tenement**").

Scope of this Report

This Report summarises our findings with respect to the Tenement.

We confirm that the information contained in the Schedules is accurate. In this Report, we do not comment on all matters affecting the mining tenement area, including those that may affect enjoyment of the Tenement such as environmental, ground water licensing, programme of works or plans of operations matters.

Schedule 1 sets out the summary of the Tenement, the status of the Tenement, and certain specific terms and conditions of the Tenement.

We conducted title searches of the Tenement with the Indonesian governmental institutions set out in Schedule 2 of this Report. The key results of the searches are set out in section 1.6 of this Report.

The information contained in this Report is based on the documents of PTHM provided to us (the "**Reviewed Documents**") and the title search results, subject to the assumptions and qualifications set out in sections 2 and 3 of this Report.

A reference to the "Schedule" is a reference to the Schedule of this Report.

11 SOLICITOR'S REPORT ON TENEMENTS

1. **INDONESIAN LEGAL OVERVIEW ON THE TENEMENT**

1.1 **Tenement**

Pursuant to PTHM's articles of association, PTHM's purposes and objectives are to undertake business in nickel ore mining. Schedule 1 sets out the summary of the Tenement, the status of the Tenement, and certain specific terms and conditions of the Tenement.

PTHM originally obtained its mining license under the regime of the Law No. 11 of 1967 on Principal Mining Provisions (the "**Old Mining Law**"). Under the Old Mining Law, nickel mining activities were permitted to be carried out under a mining authorisation (known as *Kuasa Pertambangan* or "**KP**") or Contract of Work (known as *Kontrak Karya*). The KPs were granted to the mining companies gradually depending on the phase of their mining operation. PTHM obtained its first KP for the general survey phase under the Decree of the Regent of Morowali No. 540.1/SK.011/DESDM/XII/2008 dated 30 December 2008 (the "**General Survey KP**").

On 12 January 2009, Law No. 4 of 2009 on Mineral and Coal Mining (the "**Mining Law**") came into effect, replacing the Old Mining Law. The Mining Law now provides for new forms of mining rights known as Mining Business Permit (*Izin Usaha Pertambangan* or "**IUP**"), which is a basic permit for conducting a mining enterprise within an area specifically designated as mining area based on IUP (IUP area), and Special Mining Business Permit (*Izin Usaha Pertambangan Khusus* or "**IUPK**"), which is a permit for conducting a mining enterprise within an specifically designated as IUPK area.

The implementing regulations of the Mining Law required all KPs to be converted into IUPs before 1 May 2010. Accordingly, on 9 December 2009, the Regent of Morowali issued an exploration IUP to PTHM replacing the General Survey KP under its Decree No. 540.2/SK.003/DESDM/XII/2009 dated 9 December 2009, which decree was further revised under Decree of the Regent of Morowali No. 540.2/SK.002/DESDM/V/2011 dated 13 May 2011 (the "**Exploration IUP**"). The Exploration IUP in general gave the rights to PTHM in undertaking general survey, exploration and feasibility study activities within its Exploration IUP area.

PTHM submitted an application to the Regent of Morowali for the upgrade of its Exploration IUP to become operation production IUP on 23 May 2014 and further obtained its operation production IUP on 16 June 2011 by virtue of Decree of the Regent of Morowali No. 540.3/SK.001/DESMD/VI/2011, dated 16 June 2011 (the "**Operation Production IUP**"). The Operation Production IUP is valid until 26 May 2031. The Operation Production IUP may be renewed twice, each for a period of 10 years.

The Operation Production IUP gives PTHM the right to mine nickel and its associated minerals in an area measuring 6,249 Ha in Padabaho, Bete-Bete, Pu'ungkeu and Tangofa Villages, Bahodopi and Bungku Districts, Morowali Regency, Central Sulawesi Province, Indonesia.

The Operation Production IUP has been declared "clear and clean" by the Directorate General of Mineral and Coal of the Minister of Energy and Mineral Resources of the Republic of Indonesia (the "**MEMR**"), which is evidenced by a clear and clean certificate No. 008/Min/12/2012 dated 14 May 2012 (the "**Clean and Clear Certificate**"). This Clean and Clear Certificate evidences that the Operation Production IUP (i) is issued in accordance with the correct and valid administrative procedures, and (ii) does not have any overlapping issues with other concession areas, e.g. mining, plantation, oil and gas, land and/or other concessions areas. The Government of Indonesia (the "**GOI**") will only recognize (i) IUPs that are supported by a clean and clear certificate and (ii) export of material from a mining entity that has obtained a clean and clear certificate. Please refer to section 1.6 of this Report for more information.

1.2 **Technical Mining Manager**

For its mining operations, PTHM must appoint a Technical Mining Manager and such appointment shall be approved by the Head of the Mining Investigator Unit (*Kepala Pelaksana Inspeksi Tambang*) of the Mining and Energy Service Office of Central Sulawesi Province (the "**Local Mining Authority**").

PTHM has appointed Roni Syukur, ST. MH. as its Technical Mining Manager from 16 October 2017, which appointment has been approved by the Head of the Local Mining Authority. Roni Syukur, ST. MH. will hold such position until the termination of his employment with PTHM.

1.3 **Payment Obligations under the Operation Production IUP**

In general, mining companies holding operation production IUPs, such as PTHM, are required to pay surety deposit, deadrent, royalty over the sale of their production, reclamation guarantee and post mining guarantee. Failure to comply with these payment obligations may result in (escalating) administrative sanctions in the form of suspension, revocation or cancellation, or refusal of extension of the operation production IUPs.

Please see below for a discussion on PTHM's compliance towards its payment obligations.

(a) **Surety Deposit**

A surety deposit is an amount payable by an IUP applicant to the GOI to provide assurance that the potential IUP holder is financially capable of carrying out the proposed mining project.

Under Article 13(4) (b) of GR 23/2010, the surety deposit is to be paid in cash and deposited to a state-owned bank. The amount of the surety deposit can be as much as 10% of:

(i) the value of the compensation for data and information; or

(ii) the total cost of investment compensation.

We have not sighted the payment evidence of the surety deposit by PTHM. However, since this is one of the requirements for the application of the Operation Production IUP, it can be inferred that PTHM has already paid the surety deposit by virtue of the issuance of the Operation Production IUP.

(b) **Deadrent**

Regulation of the GOI No. 9 of 2012 on Type and Tariff of Non-Tax State Revenues in the MEMR (the "**GR 9/2012**") stipulates that the holder of an operation production IUP (metal mineral) is obliged to pay deadrent in the amount of USD 4.00/hectare each year.

Based on our review of the Reviewed Documents, PTHM has fulfilled its deadrent payment obligation for 2015, 2016 and 2017. The deadrent payment for 2018 shall be payable by 11 July 2018 or a later date determined by the Local Mining Authority.

(c) **Royalty (on Production Sales)**

Under GR 9/2012, royalty on the basis of nickel ore sales shall be paid in the amount of 5% per kilogram from the sale price.

Based on our review of the Reviewed Documents, PTHM has fulfilled its royalty payment obligation for 2015, 2016 and 2017.

We are instructed that PTHM has not conducted any sales from its production in 2018. Hence, royalty payment for 2018 is not yet required.

(d) **Reclamation Guarantee**

Regulation of the MEMR No. 7 of 2014 on the Implementation of Reclamation and Pot-Mining of Coal and Mineral Mining Business Activities (the "**MR 7/2014**") stipulates that PTHM as the holder of the Operation Production IUP must provide reclamation guarantee in a certain amount as stipulated by the relevant authority.

PTHM has paid its reclamation guarantee for the period of 17 May 2018 up to 17 May 2019, as evidenced by a Deposit Certificate No. BD 007238 dated 17 May 2018.

11 SOLICITOR'S REPORT ON TENEMENTS

(e) **Post Mining Guarantee**

In addition to the reclamation guarantee, MR 7/2014 also requires PTHM to provide post mining guarantee in a certain amount as stipulated by the relevant authority.

PTHM has provided a post mining guarantee in the amount of IDR151,468,462, being the amount stipulated by the relevant authority. The beneficiary of the bank guarantee is the Government of Central Sulawesi Province.

1.4 **Reporting Obligations under the Operation Production IUP**

Pursuant to the prevailing regulations and the Operation Production IUP, PTHM is required to submit the following periodical and one-off reports in respect of its activities to the relevant institutions:

(a) Quarterly Report on Mining Activities;

(b) Annual Report on Mining Activities;

(c) Annual Work Plan and Budget Report ("**RKAB**")

(d) Annual Environment and Technical Work Plan Report ("**RKTTL**");

(e) Monthly Production and Sales Report;

(f) Semester Report on the Implementation of Community Development Plan;

(g) Reclamation Plan; and

(h) Post Mining Plan.

1.5 **Divestment Obligation**

Regulation of the GOI No. 23 of 2010 on the Implementation of Mineral and Coal Business Activity, as amended for the fourth time and lastly pursuant to the Regulation of the GOI No. 1 of 2017 (the "**GR 23/2010**") and Regulation of the MEMR No. 09 of 2017 on the Divestment Guideline and Mechanism to Determine Divestment Price on the Mineral and Coal Business Activity (the "**MR 9/2017**") require an operation production IUP holder to divest its shares in stages to domestic investors so that the domestic investors shall hold a certain percentage of the shares in the relevant mining company as follows:

Divestment Schedule	Minimum Divestment/Local Shareholding Percentage
6th year of mining production	20%
7th year of mining production	30%
8th year of mining production	37%
9th year of mining production	44%
10th year of mining production	51%

In complying with the above divestment requirements, divested shares shall be offered to domestic investors in accordance with the procedure detailed in MR 9/2017 pursuant to the following priority:

(a) the central government (which will be represented by the MEMR);

(b) the relevant provincial government, and the relevant regional government;

(c) State-Owned Enterprise and Regional-Owned Enterprise;

(d) 100% domestically-owned Indonesian limited liability company; and

(e) through Indonesia stock exchange.

MR 9/2017 further stipulates that the price for the divested shares offered to the domestic investors shall to be determined based on fair market value without considering the mineral reserve during the offering.

Pursuant to its Operation Production IUP, PTHM's production has been in operation since 17 June 2014, which is 3 years of mine construction period since the issuance date of the Operation Production IUP. Since the local shareholders of PTHM already held 20% shares in PTHM, PTHM must divest its issued shares to domestic investor(s) starting from the 7th year of its mining operation as follows:

Divestment Schedule of PTHM	Minimum Divestment/Local Shareholding Percentage in PTHM	Deadline
7th year of mining production	30%	16 June 2021
8th year of mining production	37%	16 June 2022
9th year of mining production	44%	16 June 2023
10th year of mining production	51%	16 June 2024

1.6 **Title Searches Results**

We have conducted title searches at the relevant government institutions set out in Schedule 2 on PTHM in order to determine whether there is any overlap of the Operation Production IUP area with other areas. Pursuant to the title searches, we found one overlapping area within the Tenement and this is the only key result of our searches.

Overlapping area with third party's plantation area

Pursuant to the Statement Letter No. 98/DPKP/III/2018 dated 16 March 2018, issued by the Head of the Local Agriculture and Plantation Authority, we understand that:

(a) a plantation area measuring 2,681 Ha held by PT Bumi Tenilo Sejahtera ("**PT BTS**") under the Decree of Morowali Regent No. 180/DISHUTBUN/XO/2013 dated 12 November 2013 ("**PTBTS Plantation Area**") surrounds the Operation Production IUP area; and

(b) the Operation Production IUP area overlaps with PTBTS Plantation Area for an area of ±588.47 Ha.

In order to operate within the PTBTS Plantation Area, PT BTS shall hold a land title certificate covering the PTBTS Plantation Area in additional to its plantation business license.

Land title application over part of the overlapped land by PTHM

PTHM confirmed that it is in the process of applying a land title under a Right to Build (*Hak Guna Bangunan* – "**HGB**") in the relevant Land Office for ± 300 of its mining area (including ±100 ha of the above overlapped area. Generally, the processes to obtain a HGB are as follows:

(a) submission of application letter for a location permit and a technical recommendation over the land to the regional government;

(b) submission of application letter for HGB certificate to the Land Office;

(c) after the application documents have been received by the Land Office, the Land Office will examine the application documents and conduct inspection over the relevant land; and

11 SOLICITOR'S REPORT ON TENEMENTS

(d) after the above process is completed and there is no red flag issues related to such land (e.g. there is no any third party's land title over the land), the Head of Land Office will issue the HGB certificate to the applicant.

We understand from PTHM that its application for HGB is still in stage (a). If the Land Office grants the HGB certificate to PTHM, it will give full rights to PTHM over ±100 Ha overlapped land despite of the existence of PT BTS' plantation business license.

Overlapping issue from the perspective of Mining Law and the settlement options

Pursuant to the Mining Law and PTHM's Operation Production IUP, if any part of the mining area overlaps with an area under a land title or a concession right held by a third party, PTHM shall settle such overlapping issue with the concession owner. Consistent with such requirement, the Local Agriculture and Plantation Authority also suggests that PTHM and PT BTS coordinate the operation of each party within such overlapped area.

In this regard, PTHM must settle the overlapping issue with PT BTS. Typically, this may result in, among others, (i) a lease by PT BTS to PTHM, (ii) a release by PT BTS of its land title over the overlapped area in order to be used by PTHM, or (iii) joint use by PTBTS and PTHM of the overlapped area.

Subject to the obtainment of the HGB Certificate over the ±100 Ha overlapped area, if PTHM's future mining plan suggests that it will operate within such area, then PTHM must negotiate and settle the overlapping issue with PT BTS.

In addition, PTHM may also want to consider, with or without the acknowledgement of PT BTS, to submit a request letter to the relevant plantation authority to revise PT BTS' plantation business license so that the overlapped area can be excluded from PT BTS Plantation Area, on the basis that, among others:

(a) PTHM has obtained mining licenses over such overlapped area since 30 December 2008, 5 years before the issuance date of PT BTS' plantation business license that was issued in 2013);

(b) PTHM has obtained the Clean an Clear Certificate over its mining area on 14 May 2012, which certificate was also issued earlier than the issuance date of PT BTS' plantation business license that was issued in 2013; and

(c) PTHM has regularly paid its deadrent obligation for its whole mining area.

However, if PTHM decides not to undertake any operation in such overlapped area, then it will not be an issue for PTHM. In this respect, PTHM may opt to:

(a) apply for a reduction of its mining area to the Governor of Central Sulawesi Province to exclude the overlapped area. This option could reduce the amount of PTHM's future deadrent payment obligation; or

(b) to leave its mining area as it is.

2. **CONFIRMATION ON VALIDITY OF TENEMENT**

PTHM's Operation Production IUP is valid until 26 May 2031, unless revoked earlier by the Governor of Central Sulawesi. Pursuant to the Mining Law, the Governor of Central Sulawesi may revoke the Operation Production IUP due to several factors, among others:

(a) PTHM does not comply with any of its obligations set out under the prevailing regulations and the Operation Production IUP and PTHM does not fix such incompliance after the issuance of several warning letters to and the imposition of temporary administrative sanctions on PTHM by the Governor of Central Sulawesi;

(b) PTHM commits any mining criminal violation under the Mining Law, among others, (i) mine outside the IUP area, (ii) submit incorrect report or data to the government; and (iii) collect, use, process and refine, transport, sell minerals and coal from illegal mining; or

(c) PTHM is declared bankrupt.

During our due diligence exercise on PTHM, we found that there are several reporting obligations of PTHM to the regional government that are still in process to be completed. We understand that PTHM is in the process of fulfilling all of its obligations above and, pursuant to the results of our title searches, we **did not** find any fact that the Governor of Central Sulawesi has issued any warning letter to PTHM that may be escalated to the revocation of PTHM's Operation Production IUP.

We have also conducted litigation searches on PTM in several courts and a dispute resolution institution, and pursuant to such searches, PTHM is not involved in any litigation cases (including mining criminal and bankruptcy cases).

On the basis of our investigations above, provided that PTHM complies with its reporting obligations to the regional government, PTHM's Operation Production IUP is valid.

3. **ASSUMPTIONS**

In rendering this Report, we have assumed:

(a) The Reviewed Documents provided by PTHM contain all relevant information which is material for the purposes of our Report and there is no other agreement, undertaking, representation or warranty (oral or written) and no other arrangement (whether legally binding or not) or any other matter which renders such information inaccurate, incomplete or misleading or which affects the conclusions stated in this Report.

(b) All Reviewed Documents are within the capacity and power and for the corporate benefit of, and have been or will be validly authorised, executed and delivered by, each party to them, and constitute legal, valid and binding obligations of those parties, enforceable in accordance with their terms under all applicable laws;

(c) As to matters of fact material to the analysis expressed herein, we have relied on the Reviewed Documents examined and the accuracy and completeness of the factual representations therein contained.

(d) The signatures in all of the Reviewed Documents given or shown by PTHM are genuine and (i) the original Reviewed Documents given or shown to us are authentic, (ii) the Reviewed Documents given to us as photocopy or other copies are in accordance with the original forms.

(e) No amendments, modification, termination or revocation have been made to the Reviewed Documents.

(f) Reviewed Documents, statements, data, facts, information and explanations as well as confirmations whether orally or in writing that is given by PTHM to us for the purpose of drafting of this Report is true, accurate, complete, not misleading and in accordance with the actual condition.

(g) All Reviewed Documents that should have been stamped, have been or will be duly stamped and will not incur penalties or fines for late or inadequate stamping.

(h) The details revealed by title searches of registers maintained by governmental or other regulatory authorities and other information or responses obtained from the relevant government authorities are up to date at the date of search and have been properly and accurately recorded in those registers by those authorities.

(i) PTHM has not engaged in any conduct that amounts to a breach of any of their respective contractual obligations and the contracts so referred to herein have not been terminated or varied.

(j) Any party that has entered into an agreement with PTHM have the authorization and power to validly enter into and bind itself under such agreement.

(k) Any government official that issues or has issued a license to, registers or makes a record in favour of PTHM: (i) has the authority and power to carry out his/her legal and binding actions, (ii) his/her

11 SOLICITOR'S REPORT ON TENEMENTS

action is in accordance with the prevailing law and each application for a license or registration document has contained each and all requirements required under the relevant prevailing regulations and policy; and

(l) In relation to this Report in general and specifically on licenses elaborated in the body of this Report, we adopt a general materiality principle on general corporation and mining business and pursuant to our professional opinion on key matters that may affect the operation and continuity of the business of PTHM.

4. **QUALIFICATIONS**

This Report is subject to the following qualifications:

(a) None of the analysis expressed herein will be affected by the laws (including public policy) of any jurisdiction outside the Republic of Indonesia.

(b) The Report is based only the information and Reviewed Documents that are described in the Report. There may be additional information and materials (of which we are unaware) which contradict or qualify that which we have described.

(c) PTHM's entitlement to the Tenement can be defective if there were procedural defects in the original grant of the Tenement or in any subsequent dealing with the Tenement. We are unable to confirm whether there is any such defect in the Tenement disclosed in this Report without a detailed review of the Tenement and other matters.

(d) This Report is organized and prepared based on our review of the Reviewed Documents that we received up to 24 May 2018.

(e) We have relied on the Reviewed Documents provided to us by PTHM.

(f) The holding of the Tenement is subject to compliance with the provisions of the Mining Law.

(g) The Report relates to the laws of Indonesia in force at the date of the Report. We do not express or imply any opinion as to the laws of any other jurisdiction.

(h) The information in section 1.6 of the Report is accurate as at the date of the relevant title searches were obtained. We do not comment on whether any changes may have occurred in respect of the Tenements between the date of the searches result and the date of this Report.

(i) We have relied on the results of the title searches of registers maintained by governmental or other regulatory authorities referred to in section 1.6. We have not obtained any other title search results other then as set out above and we have not carried out site inspections. No independent verification of title search results were carried out.

(j) We do not review and comment in respect of any technical, mathematical, accounting, market or economic data or information included in the Reviewed Documents and we do not undertake any risk assessment, environmental audit and compliance audit other than as specifically set out in this Report.

(k) As is usual in Indonesia, legislation may establish broad principles of regulation, leaving details to be stipulated in implementing regulations, and in such cases our Report are based only on the regulations and self-executing provisions of the laws in effect on the date hereof.

(l) Our analysis excludes tax, accounting and financial, anti-bribery, anti-competition and technical environmental/health and safety or commercial matters.

(m) No qualification specified above is limited by reference to any other qualification.

Yours faithfully,

Oentoeng Suria & Partners

11 SOLICITOR'S REPORT ON TENEMENTS

SCHEDULE 1

SUMMARY OF THE OPERATION PRODUCTION IUP

License Document	Operation Production IUP under Decree of Morowali Regent No. 540.3/SK.001/DESDM/VI/2011 dated 23 May 2011, on Operation Production IUP of PTHM
Details of mining concession area	a. Area Code: MW032 b. Location: Padabaho, Bete-Bete, Pu'ungkeu and Tangofa Villages, Bahodopi and Bungku Selatan Districts, Morowali Regency, Central Sulawesi Province c. Mining commodity: Nickel and its associated minerals
Granting Date	23 May 2011
Expiry date	23 May 2031 (twenty years as of the date of the issuance of the Operation and Production IUP)
Area	6,249 Ha
Rights of the license holder	The rights of the Operation Production IUP holder are as follows: 1) enters the WIUP in accordance with the map and coordinate list as attached in this decree; 2) conducts Operation Production IUP activity (construction, production, transportation, sale, processing and refining) in accordance with prevailing laws and regulations. 3) conducts the construction of the Operation Production IUP supporting facilities (construction, production, transportation, sale, processing and refining) inside or outside the WIUP; 4) at any time terminates the Operation Production Activity (construction, production, transportation, sale, processing and refining) if the continuation of the Operation Production Activity (construction, production, transportation, sale, processing and refining) is no longer commercially feasible and practicable or due to any force majeure that has partially or fully terminated the mining activities; 5) submits an application for cultivation of other minerals that is not the main associated mineral within the WIUP; 6) submits a statement stating that it is not interested in the other non-associated mineral within the WIUP; 7) utilizes public facilities and infrastructure for the purpose of Operation Production IUP (construction, production, transportation, sale, processing and refining) after fulfilling provisions of law; 8) enters into cooperation with other companies in relation to the utilisation of other companies' facilities, either affiliated or non-affiliated, in accordance with the prevailing laws and regulations; and 9) conducts construction of facilities and infrastructure within other WIUP after obtaining consent from the IUP holder of such WIUP.
Obligations of the license holder	The obligations of the Operation Production IUP holder are as follows: 1) chooses jurisdiction of the District Court where the WIUP is located; 2) at the latest 6 months as of the issuance of the Operation Production IUP, conducts the Operation Production IUP activity and submitted the area determination report to the relevant Regent; 3) being responsible of the relationship between the Operation Production IUP Holder and other parties;

	4)	submits an Investment Plan Report;
	5)	submits a reclamation plan;
	6)	submits a post mining plan;
	7)	establishes a mining closure guarantee;
	8)	submits RKAB at the latest by November, which comprises of the following year's plans and realisation mining activities within the on-going year to the relevant Regent with copies to the Minister and Governor;
	9)	submits a quarter report on a regular basis to the Regent, with copies to the Minister and Governor;
	10)	submits a production and sale report in accordance with the prevailing laws and regulations;
	11)	submits a Community Development and Empowerment Plan to the Regent;
	12)	submits an Annual Environment and Technical Work Plan Report in each year prior to the submission of RKAB;
	13)	complies with any tax obligations in accordance with the prevailing laws and regulations;
	14)	conducts payment of dead rent and royalty in accordance with the prevailing laws and regulations;
	15)	establishes reclamation guarantee prior to performing production activity and mining closure plan in accordance with the prevailing laws and regulations;
	16)	submits a Mining Closure Plan within two (2) years prior to end of production activity;
	17)	appoints a Technical Mining Manager who will be responsible for Production Operation IUP activity (construction, production, transportation, sale, processing and refining), Mining Work Health and Safety and Mining Environment Management;
	18)	commences production activity once the installed production capacity has reached 70% as planned;
	19)	submits an application for an Extension for Operation Production IUP within two (2) years prior to the expiration of the current license and fulfil all of the applicable requirements;
	20)	provides data and statement at any time as requested by the government;
	21)	permits inspection by the government;
	22)	applies good mining principles;
	23)	manages its accounting in accordance with the applicable accounting system in Indonesia;
	24)	reports the implementation of local community development and empowerment periodically;
	25)	prioritizes the utilization of local workforce and domestic goods and services in accordance with the prevailing laws and regulations;
	26)	prioritizes domestic purchases from local entrepreneur located within the WIUP in accordance with the prevailing laws and regulations;
	27)	prioritizes the utilization of local and/or national mining services company;
	28)	shall not involve its subsidiaries and/or affiliates in mining services business field within its WIP, unless permitted by the Minister;
	29)	submits report on the data and implementation of the utilization of supporting services business;
	30)	submits all data obtained from the implementation of Production Operation IUP activity to the Regent, with copies to Minister and Governor;
	31)	submits a proposal that at least describes the technical, financial, production and marketing as well as the environmental aspects, as a requirement for Production Operation IUP extension application;

11 SOLICITOR'S REPORT ON TENEMENTS

	32) provides compensation to holders of land that are prejudiced by the Production Operation IUP activity; 33) prioritizes the Domestic Market Obligation (DMO) in accordance with the prevailing laws and regulations; 34) refers to market price in setting production sales to affiliates; 35) obtains prior approval from the Minister for any long-term sales contract (3 years minimum); 36) processes its production domestically; 37) establishes facilities and infrastructure, including, among others: a. facilities and mining equipment; b. installation and mineral/coal quality improvement equipment; c. harbour facilities, which may include docks, ports, piers, bridges, barges, water splitters, terminal facilities, workshops, storage areas, warehouses, and unloading equipment; d. transportation and communication facilities, which may include roads, bridges, ships, ferries, airports, rails, aircraft landing spots, hangars, garages, fuel pumps, radio and telecommunication facilities, and telegraph and telephone network facilities; e. cities, which may include residential houses, shops, schools, hospitals, theatres and other buildings, facilities and equipment of contractor employees including their amenabilities; f. electricity, water and waste water facilities, which may include power plants (powered by water, steam, gas or diesel), electricity network, dams, waterways, water supply systems and waste disposal systems (tailing), waste water and domestic waste water factory; g. other facilities, which may include, but are not limited to, engine workshops, casting and reparation workshops; and h. any additional or other facilities, factory and equipment that are deemed to be necessary or fitting for business operation related to WIUP or to provide services or conduct supporting activities or activities that are incidental in nature.

SCHEDULE 2

LIST OF INSTITUTIONS TITLE SEARCHES ON PTHM WERE CONDUCTED

No.	Offices
Mining and Energy Institutions	
1.	Mining and Energy Service Office of Central Sulawesi Province
2.	Directorate General of Mineral and Coal in the MEMR
Forestry Institutions	
3.	Forestry Service Office of Central Sulawesi Province
4.	Directorate General of Forestry Planology and Environmental Management in the MOEF
Plantation Institutions	
5.	Plantation and Livestock Service Office of Central Sulawesi Province
6.	Directorate General of Plantation in the Ministry of Agriculture
Agriculture Institutions	
7.	Agriculture Service Office of Morowali Regency
8.	Agriculture and Horticulture Service Office of Central Sulawesi Province
Public Work Institution	
9.	Public Work Service Office of Morowali Regency
Management of Regional Revenue Institution	
10.	Management of Regional Revenue Office of Morowali Regency

12 ADDITIONAL INFORMATION

12.1 INCORPORATION

The Company was incorporated in New South Wales as a public company limited by shares on 12 September 2007.

12.2 COMPANY TAX STATUS

The Company is, and will be, subject to tax at the Australian corporate tax rate on its taxable income. Nickel Mines financial year ends on 30 June annually.

12.3 BALANCE DATE

The accounts for the Company will be made up to 30 June annually.

12.4 INDEMNIFICATION OF DIRECTORS & OFFICERS

The Company, to the extent permitted by the Corporations Act, indemnifies each Director against any liability incurred by that person as an officer of the Company or its Related Bodies Corporate including as a liability incurred as a result of appointment or nomination by the Company or subsidiary as trustee or as an officer of another corporation, unless the liability arises out of conduct involving a lack of good faith.

The Company, subject to the Corporations Act, may enter into, and pay premiums on, a contract insuring a Director against any liability incurred by that person as an officer of the Company or its Related Bodies Corporate.

12.5 INTERESTS OF EXPERTS & ADVISORS

Other than as set out below, no person named in this Prospectus as providing professional or advisory services in connection with the preparation of this Prospectus or any firm in which any such person is a partner:

a. has or had at any time during the two years preceding the date of the Prospectus, any interest in the formation or promotion of the Company, or in any property acquired or proposed to be acquired by the Company or the Offer; or

b. has been paid or agreed to be paid any amount or given or agreed to be given any other benefit for services rendered by them in connection with the formation or promotion of the Company or the Offer.

Blackpeak Capital Pty Ltd (**Blackpeak**) has acted as Financial Advisor to the Company in respect of the Offer. The Company has paid or agreed to pay an amount of up to $1,100,000 (excluding GST) in respect of these services, inclusive of an IPO success fee.

Bell Potter has acted as the Lead Manager to the Company in respect of the Offer. Details of the agreement with Bell Potter are set out at Section 5.4. The fee is a commission rate of 6% of all Application Monies received from clients or contacts of Bell Potter.

Christian Teo & Partners has acted as the Indonesian legal advisor to the Offer, performing work in relation to due diligence enquiries on Indonesian legal matters in relation to Indonesian land permits. The Company has paid or agreed to pay an amount of US$40,000 (plus disbursements) in respect of these services. Further amounts may be paid to Christian Teo & Partners in accordance with time-based charges.

CO_2 Capital Pte Ltd has acted as Financial Advisor to the Company in respect of the Offer. Details of the agreement with CO_2 Capital Pte Ltd are set out at Section 5.5.

Dentons Da Cheng has acted as the PRC legal advisor to the Offer, performing work in relation to due diligence enquiries on PRC legal matters. The Company has paid or agreed to pay an amount of RMB93,000 (plus disbursements) in respect of these services.

DLA Piper Australia has acted as the Australian legal advisor to the Offer, performing work in relation to due diligence enquiries on Australian legal matters. The Company has paid or agreed to pay an amount of $226,000 (excluding GST plus disbursements) in respect of these services. Further amounts may be paid to DLA Piper Australia in accordance with time-based charges.

Dentons Rodyk & Davidson LLP has acted as the Singaporean legal advisor to the Offer, performing work in relation to due diligence enquiries on Singaporean legal matters. The Company has paid or agreed to pay an amount of S$57,500 (plus disbursements) in respect of these services. Further amounts may be paid to Dentons Rodyk & Davidson LLP in accordance with time-based charges.

KPMG has provided the tax information detailed in Section 12.8. The Company has paid or agreed to pay an amount of up to $15,000 (excluding GST) in respect of these services.

KPMG has acted as the auditor to the Company. The Company has paid or agreed to pay an amount of up to $44,000 (excluding GST) in respect of these services.

KPMG Transaction Services (a division of KPMG Financial Advisory Services (Australia) Pty Ltd), has acted as the Investigating Accountant to the Company and provided the Investigating Accountant's Report under the heading 'Investigating Accountant's Report and Financial Services Guide' in Section 9. The Company has paid or agreed to pay an amount of $30,000 (excluding GST and out of pocket expenses) in respect of these services.

Oentoeng Suria & Partners has acted as the Indonesian legal advisor to the Offer, performing work in relation to due diligence enquiries on Indonesian legal matters. Additionally Oentoeng Suria & Partners has provided the Solicitor's Report on Tenements in Section 11. The Company has paid or agreed to pay an amount of US$47,500 (plus disbursements) in respect of these services. Further amounts may be paid to Oentoeng Suria & Partners in accordance with time-based charges.

PT GMT Indonesia has acted as the geologist to the Company and provided the Geologist's Report in Section 10. The Company has paid or agreed to pay an amount of approximately US$27,000 in respect of these services.

Wood Mackenzie provided the 'Hengjaya Mine and RKEF NPI Project Asset Review and Global Nickel Market Outlook Report' in Section 3. The Company agreed to pay $136,800 (excluding GST and disbursements) in respect of these services.

12.6 CONSENTS

Each of the following parties has given and has not, before the issue of this Prospectus, withdrawn its written consent to being named in the Prospectus and to the inclusion, in the form and context in which it is included, of any information described below as being included with its consent.

Each of the parties referred to below has not caused the issue of this Prospectus and, to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than the reference to its name and any statement or report included in this Prospectus with the consent of that party as described below:

NAME OF ENTITY	NAMED AS	REPORTS OR STATEMENTS
Bell Potter Securities Limited	Lead Manager	No
Blackpeak Capital Pty Ltd	Financial Advisor	No
Christian Teo & Partners	Indonesian legal advisor to the Offer	No
CO_2 Capital Pte Ltd	Financial Advisor	No
Computershare Investor Services	Share Registry for the Company	No
Dentons Da Cheng	PRC legal advisor to the Offer	No
Dentons Rodyk & Davidson LLP	Singaporean legal advisor to the Offer	No
DLA Piper Australia	Australian legal advisor to the Offer	No
KPMG	Auditor of the Company	No*
KPMG Transaction Services	Investigating Accountant	Investigating Accountant's Report in Section 9
Oentoeng Suria & Partners	Indonesian legal advisor to the Offer	Solicitor's Report on Tenements in Section 11
PT GMT Indonesia	Geologist	Geologists' Report in Section 10
Wood Mackenzie Limited	Independent Consultant	Nickel Market Outlook and Asset Review Report in Section 3

* KPMG, the auditor of the Company, has consented to the inclusion of extracted financial information and the reviewed financial information and references to KPMG's:
(a) unqualified audit opinions for the years ended:
- 30 June 2016 (which included an emphasis of matter regarding the material uncertainty related to going concern); and
- 30 June 2017 (which included a material uncertainty related to going concern paragraph); and
(b) unmodified review statement for the half-year ended 31 December 2017,
in the form and context in which they appear in the Prospectus in section 8 (Financial Statement).

12.7 COSTS OF THE OFFER

The Company will pay all of the costs associated with the Offer.

The table below outlines the estimated costs of the Offer.

ESTIMATED COST (EXCLUSIVE OF GST)	
Capital raising costs[1] – cash	$11,250,000
Capital raising costs[2] – non-cash	$2,829,688
ASX and ASIC Fees[3]	$336,763
Accounting, legal and other professional advisor fees[4]	$1,380,662
Printing, design and miscellaneous	$50,000
Total	**$15,856,231**

1. Capital raising fees are payable to the Lead Manager and CO_2 Capital Pte Ltd and such fees are calculated by reference to the amount of capital raised under the IPO.
2. Calculated by reference to the 8,084,822 Shares (outside of the Shares to be issued under the Offer) to be issued to CO_2 Capital Pte Ltd, upon successful completion of the IPO, as detailed in Section 5.5.
3. ASX fees are based on the Offer Price of the shares and the anticipated issued share capital of the Company after allotment of the Shares.
4. Includes an IPO success fee payable to Blackpeak Capital Pty Ltd, the payment of which is at the discretion of the Company.

12 ADDITIONAL INFORMATION

12.8 TAXATION IMPLICATIONS OF INVESTING UNDER THE OFFER

The following summary in Sections 12.8.1 to 12.8.4 provides an overview of the Australian tax implications of the Offer for investors who are residents of Australia for tax purposes and who hold their Shares on capital account, which means for long-term income earning purposes. Refer to Section 6.2 for the risks in relation to changes in taxation laws and policies. This summary is based on the law in effect as at the date of this Prospectus, is general in nature and should not be relied on by potential investors as tax advice. Potential investors should seek specific advice applicable to their own particular circumstances from their own financial or tax advisers.

This Section does not consider the Australian tax consequences for particular types of investors, including those:

a. whose Shares are held as trading stock or otherwise on revenue account; or

b. that may be subject to special tax rules, such as insurance companies, banks, partnerships, tax exempt organisations, trusts (except where expressly stated), superannuation funds (except where expressly stated), or temporary residents; or

c. who are tax residents of any jurisdiction other than Australia; or

d. who are subject to the Australian Taxation of Financial Arrangement rules under Division 230 of the Income Tax Assessment Act 1997 (Cth).

12.8.1 AUSTRALIAN INCOME TAX IMPLICATIONS OF FUTURE SHARE DISPOSALS

Australian tax resident Shareholders who dispose of Shares held on capital account will trigger a Capital Gains Tax (CGT) event. Australian tax resident Shareholders will:

a. make a capital gain if the capital proceeds received on the disposal of their Shares are greater than the cost base of those Shares; or

b. make a capital loss if the capital proceeds received on the disposal of their Shares are less than the reduced cost base of those Shares.

The capital proceeds received on disposal of Shares should generally be equal to the money received in respect of the disposal. The cost base of Shares subscribed for under the Offer should generally be equal to their Offer Price plus any incidental costs (i.e. brokerage). The reduced cost base should be the same as the cost base, subject to some modifications. Refer to Section 12.8.3 in the event returns of capital are made.

Any capital gain on disposal of the Shares in the Company may qualify as a discount capital gain for certain Australian tax resident Shareholders that are individuals, trusts or complying superannuation funds that have held their Shares for more than 12 months. Where the CGT discount applies, the amount of the capital gain may be discounted by 50% for individuals and trusts and 33.33% for complying superannuation funds and life insurance companies in respect of certain investments. Where the Shareholder is a trust to which the CGT discount applies, the CGT discount may flow through to the beneficiaries of the trust to the extent that those beneficiaries are not companies. Shareholders which are trusts should seek specific advice as to the circumstances in which a beneficiary may be entitled to discount capital gains treatment.

Prior to applying the CGT discount Shareholders may offset their capital gain against any available capital losses incurred in the relevant income year or any carry forward net capital losses.

The net capital gain (after applying any losses and the CGT discount) should be included in their assessable income in the relevant income year.

To the extent Shareholders incur a capital loss on disposal of the Shares in the Company, Shareholders may offset their capital loss against any capital gains derived in the relevant income year. Where the capital losses incurred in the relevant income year exceed the capital gains derived in the relevant income year, Shareholders may be entitled to carry forward the excess (referred to as a 'net capital loss') to future income years subject to the application of the loss recoupment rules in certain cases. Shareholders cannot offset their net capital losses against their ordinary income.

12.8.2 AUSTRALIAN INCOME TAX IMPLICATIONS OF PAYMENT OF DIVIDENDS

Dividends will be required to be included in an Australian tax resident Shareholder's assessable income in the income year in which the dividend is received. To the extent that franking credits are attached to the dividend, Australian tax resident Shareholders should also include the franking credits in their assessable income. Where Shareholders include franking credits in their assessable income, Shareholders should be entitled to a corresponding tax offset against their tax payable for the relevant income year.

In order for Shareholders to qualify for franking credits and the corresponding tax offset, Shareholders must satisfy the 'holding period' rules which require Shareholders to hold their Shares 'at risk' for a period of not less than 45 days after the Shares become 'ex dividend', not counting the day of acquisition or disposal. The 'holding period' rules do not apply to Shareholders who are individuals who are entitled to tax offsets (for all franked distributions received by the particular Shareholder in the relevant income year) of not greater than $5,000 for the relevant income year.

Where the holding period rule is satisfied:

- Shareholders that are individuals or complying superannuation funds should be entitled to a tax offset equal to the amount of the franking credits attached to a dividend. Where these Shareholders have franking credits in excess of their income tax liability they may be entitled to a refund equal to the excess.
- Shareholders that are companies should be entitled to a tax offset equal to the amount of the franking credits attached to a dividend. Accordingly, these Shareholders should not pay any additional tax on the dividend to the extent that it is franked. Any excess tax offset may be able to be converted to a carry forward tax loss. A credit should arise in the franking account of these Shareholders equal to the amount of the franking credits attached to the dividend.

Where Shares are held by Australian tax resident trusts or partnerships, and the dividend is passed through to Australian tax resident beneficiaries or partners, the benefit of the franking credit attached to the dividend may also pass through to those Australian tax resident beneficiaries or partners. The income tax treatment of the dividends including any franking credits in the hands of those beneficiaries or partners should depend upon the tax status of the beneficiaries or partners.

12.8.3 AUSTRALIAN INCOME TAX IMPLICATIONS OF RETURNS OF CAPITAL

If a return of capital is made by the Company, to the extent it is not treated as a dividend for income tax purposes, the cost base and reduced cost base of a Shareholder's Shares for CGT purposes should be reduced by the amount of the return of capital, with any excess over the cost base resulting in a capital gain.

12.8.4 OTHER AUSTRALIAN TAX IMPLICATIONS

Goods and Services Tax

No GST is payable in respect of the acquisition of Shares nor should there be any GST liability arising from the receipt of dividends in respect of the Shares. An Australian resident that is registered or required to be registered for GST seeking to claim input tax credits on related transaction costs should seek their own independent tax advice in this regard.

Stamp Duty

No Australian stamp duty should be payable in respect of the subscription for Shares under this Prospectus.

This is on the basis the Company and its subsidiaries do not amount to landholders for the purposes of any Australian duties legislation.

Tax File Number (TFN) Withholding Tax

Shareholders are not required to quote their TFN to the Company. If Shareholders do not quote their TFN or other relevant exemption details, tax may be required to be withheld by the Company from certain distributions at the top marginal rate plus the Medicare levy.

12.9 ASX WAIVERS & CONFIRMATIONS

The Company has applied for and received in-principle confirmation from ASX of a waiver from ASX Listing Rule 10.1 to permit the Company to acquire a further 35% interest in Hengjaya Holdings from Shanghai Decent (and to increase the Company's total interest in Hengjaya Holdings (and therefore the RKEF Project) to 60%) under the CSA, without Shareholder approval.

The Company has not received in-principle confirmation from ASX of a waiver in respect of the call option under the CSA (**Call Option**) for the Company to acquire Shanghai Decent's remaining interest in Hengjaya Holdings and to increase the Company's interest in Hengjaya Holdings to 100%. Should the Company seek to exercise this Call Option, it may be required to seek the approval of the Company's Shareholders to do so at that point in time.

12.10 ELECTRONIC PROSPECTUS

If you have received this Prospectus as an electronic Prospectus please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please contact the Share Registry on 1300 070 723 (from within Australia) or +61 3 9415 4125 (from outside Australia), Monday to Friday, between 8:30 am and 5:00 pm AEST and the Share Registry will send to you, for free, either a hard copy or a further electronic copy of the Prospectus or both.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the Electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered. In such a case, the Application moneys received will be dealt with in accordance with Section 722 of the Corporations Act.

12.11 GOVERNING LAW

This Prospectus and the contracts that arise from the acceptance of the Applications and bids under this Prospectus are governed by the law applicable in New South Wales, Australia and each Applicant under this Prospectus submits to the exclusive jurisdiction of the courts of New South Wales, Australia.

12.12 LEGAL PROCEEDINGS

Nickel Mines, is from time to time, party to various disputes and legal proceedings incidental to the conduct of its business. So far as the Directors are aware, as at the date of this Prospectus, there is no current or threatened civil litigation, arbitration proceeding or administrative appeal, or criminal or governmental prosecution of a material nature in which the Company is directly or indirectly concerned which is likely to have a material adverse effect on the business or financial position of the Company or Nickel Mines.

12.13 STATEMENT OF DIRECTORS

The issue of this Prospectus has been authorised by each Director who has consented to its lodgement with ASIC and its issue has not withdrawn that consent.

12.14 FOREIGN SELLING JURISDICTIONS

This document does not constitute an offer of Shares in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the Shares may not be offered or sold, in any country outside of Australia except to the extent permitted below.

Canada (British Columbia, Ontario and Quebec provinces)

This document constitutes an offering of Shares only in the Provinces of British Columbia, Ontario and Quebec (**Provinces**) and to those persons to whom they may be lawfully distributed in the Provinces, and only by persons permitted to sell such Shares. This document is not, and under no circumstances is to be construed as, an advertisement or a public offering of securities in the Provinces. This document may only be distributed in the Provinces to persons that are 'accredited investors' within the meaning of NI 45-106 – *Prospectus Exemptions*, of the Canadian Securities Administrators.

No securities commission or similar authority in the Provinces has reviewed or in any way passed upon this document, the merits of the Shares or the offering of Shares and any representation to the contrary is an offence.

No prospectus has been, or will be, filed in the Provinces with respect to the offering of Shares or the resale of such securities. Any person in the Provinces lawfully participating in the offer will not receive the information, legal rights or protections that would be afforded had a prospectus been filed and receipted by the securities regulator in the applicable Province. Furthermore, any resale of the Shares in the Provinces must be made in accordance with applicable Canadian securities laws which may require resales to be made in accordance with exemptions from dealer registration and prospectus requirements. These resale restrictions may in some circumstances apply to resales of the Shares outside Canada and, as a result, Canadian purchasers should seek legal advice prior to any resale of the Shares.

12 ADDITIONAL INFORMATION

The Company as well as its Directors and officers may be located outside Canada and, as a result, it may not be possible for purchasers to effect service of process within Canada upon the Company or its Directors or officers. All or a substantial portion of the assets of the Company and such persons may be located outside Canada and, as a result, it may not be possible to satisfy a judgment against the Company or such persons in Canada or to enforce a judgment obtained in Canadian courts against the Company or such persons outside Canada.

Any financial information contained in this document has been prepared in accordance with Australian Accounting Standards and also comply with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board. Unless stated otherwise, all dollar amounts contained in this document are in Australian dollars.

Statutory rights of action for damages and rescission

Securities legislation in certain of the Provinces may provide purchasers with, in addition to any other rights they may have at law, rights of rescission or to damages, or both, when an offering memorandum that is delivered to purchasers contains a misrepresentation. These rights and remedies must be exercised within prescribed time limits and are subject to the defences contained in applicable securities legislation. Prospective purchasers should refer to the applicable provisions of the securities legislation of their respective Province for the particulars of these rights or consult with a legal adviser.

The following is a summary of the statutory rights of rescission or to damages, or both, available to purchasers in Ontario. In Ontario, every purchaser of the Shares purchased pursuant to this document (other than (a) a 'Canadian financial institution' or a 'Schedule III bank' (each as defined in NI 45-106), (b) the Business Development Bank of Canada or (c) a subsidiary of any person referred to in (a) or (b) above, if the person owns all the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of that subsidiary) shall have a statutory right of action for damages and/or rescission against the Company if this document or any amendment thereto contains a misrepresentation. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against the Company. This right of action for rescission or damages is in addition to and without derogation from any other right the purchaser may have at law. In particular, Section 130.1 of the Securities Act (Ontario) provides that, if this document contains a misrepresentation, a purchaser who purchases the Shares during the period of distribution shall be deemed to have relied on the misrepresentation if it was a misrepresentation at the time of purchase and has a right of action for damages or, alternatively, may elect to exercise a right of rescission against the Company, provided that (a) the Company will not be liable if it proves that the purchaser purchased the Shares with knowledge of the misrepresentation; (b) in an action for damages, the Company is not liable for all or any portion of the damages that the Company proves does not represent the depreciation in value of the Shares as a result of the misrepresentation relied upon; and (c) in no case shall the amount recoverable exceed the price at which the Shares were offered.

Section 138 of the *Securities Act* (Ontario) provides that no action shall be commenced to enforce these rights more than (a) in the case of any action for rescission, 180 days after the date of the transaction that gave rise to the cause of action or (b) in the case of any action, other than an action for rescission, the earlier of (i) 180 days after the purchaser first had knowledge of the fact giving rise to the cause of action or (ii) three years after the date of the transaction that gave rise to the cause of action. These rights are in addition to and not in derogation from any other right the purchaser may have.

Certain Canadian income tax considerations

Prospective purchasers of the Shares should consult their own tax adviser with respect to any taxes payable in connection with the acquisition, holding or disposition of the Shares as any discussion of taxation related matters in this document is not a comprehensive description and there are a number of substantive Canadian tax compliance requirements for investors in the Provinces.

Language of documents in Canada

Upon receipt of this document, each investor in Canada hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the Shares (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.*

China

The information in this document does not constitute a public offer of the Shares, whether by way of sale or subscription, in the People's Republic of China (**PRC**) (excluding, for purposes of this paragraph, Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan). The Shares may not be offered or sold directly or indirectly in the PRC to legal or natural persons other than directly to 'qualified domestic institutional investors', sovereign wealth funds and quasi-government investment funds.

Hong Kong

This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (**SFO**). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Shares have not been and will not be offered or sold in Hong Kong other than to 'professional investors' (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

Indonesia

A registration statement with respect to the Shares has not been, and will not be, filed with the Capital Market and Financial Institutions Supervisory Agency (Bapepam-LK) of the Republic of Indonesia. Therefore, the Shares may not be offered or sold or be the subject of an invitation for subscription or purchase. Neither this document nor any other document relating to the offer or sale, or invitation for subscription or purchase, of the Shares may be circulated or distributed, whether directly or indirectly, in the Republic of Indonesia or to Indonesian citizens, corporations or residents, except in a manner that will not be considered as a 'public offer' under the law and regulations in the Republic of Indonesia.

Ireland

The information in this document does not constitute a prospectus under any Irish laws or regulations and this document has not been filed with or approved by any Irish regulatory authority as the information has not been prepared in the context of a public offering of securities in Ireland within the meaning of the Irish Prospectus (Directive 2003/71/EC) Regulations 2005, as amended (**Prospectus Regulations**). The Shares have not been offered or sold, and will not be offered, sold or delivered directly or indirectly in Ireland by way of a public offering, except to 'qualified investors' as defined in Regulation 2(l) of the Prospectus Regulations.

New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (**FMC Act**). The Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

Singapore

This document and any other materials relating to the Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Shares, may not be issued, circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (**SFA**), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company's shares, (ii) an 'institutional investor' (as defined in the SFA) or (iii) a 'relevant person' (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

Switzerland

The Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under the listing rules of any stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the Shares may be publicly distributed or otherwise made publicly available in Switzerland.

The Shares will only be offered to regulated financial intermediaries such as banks, securities dealers, insurance institutions and fund management companies as well as institutional investors with professional treasury operations. This document is personal to the recipient and not for general circulation in Switzerland.

Neither this document nor any other offering or marketing material relating to the Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of Shares will not be supervised by, the Swiss Financial Market Supervisory Authority.

12 ADDITIONAL INFORMATION

United Kingdom

Neither this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (**FSMA**) has been published or is intended to be published in respect of the Shares.

This document is issued on a confidential basis to 'qualified investors' (within the meaning of section 86(7) of the FSMA) in the United Kingdom, and the Shares may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) of the FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (**FPO**), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together 'relevant persons'). The investments to which this document relates are available only to, and any offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

13 STATEMENT OF DIRECTORS

The Directors report that after due enquiries by them, in their opinion, there have not been any circumstances that have arisen or that have materially affected or will materially affect the assets and liabilities, financial position, profits or losses or prospects of the Company, other than as disclosed in this Prospectus.

Each Director has authorised the issue of this Prospectus and has consented to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

Signed for and on behalf of the Company by:

Robert Neale
Chairman, Nickel Mines Limited

14 GLOSSARY

In this Prospectus, the following terms and abbreviations have the following meanings, unless the context otherwise requires:

A$ and AUD	means the Australian dollar.
AEST	means Australian Eastern Standard Time in Australia.
Applicant	means a person who submits a valid Application Form pursuant to this Prospectus.
Application	means a valid application to subscribe for Shares under the Offer pursuant to this Prospectus.
Application Form	means the application form attached to or accompanying this Prospectus for investors.
Application Monies	means money submitted by Applicants under the Offer in respect of their applications for Shares.
Appointment Agreements	means the agreements with each Non-Executive Director setting out details of each Director's appointment, term, duties, responsibilities and remuneration.
ASIC	means the Australian Securities and Investments Commission.
ASX	means ASX Limited (ABN 98 008 624 691) or the securities market it operates, as the context requires.
ASX Corporate Governance Principles	means The ASX Corporate Governance Principles and Recommendations (3rd Edition) of the ASX Corporate Governance Council as at the date of this Prospectus.
ASX Settlement	means ASX Settlement Pty Limited (ABN 49 008 504 532).
ASX Settlement Operating Rules	means the operating rules of ASX Settlement.
Bell Potter	means Bell Potter Securities Limited (ABN 25 006 390 772).
Blackpeak	means Blackpeak Capital Pty Ltd (ABN 52 601 350 841, AFSL 472221).
Board	means the board of Directors of the Company.
Call Option	means the call option granted to the Company under the CSA under which the Company may require Shanghai Decent to sell its remaining equity and shareholder loan interests in Hengjaya Holdings for consideration of US$120 million, from a 60% ownership position, (payable to Shanghai Decent as cash, new Shares in the Company, or a combination of both, at the election of Shanghai Decent), which if exercised will increase the Company's interest in Hengjaya Holdings to 100%.
Canaccord	means Canaccord Genuity (Australia) Limited (ABN 19 075 071 466).
CHESS	means the Clearing House Electronic Sub-Register System of share transfers operated by ASX Settlement.
Closing Date	means the date the Offer closes.
Co-Lead Manager	means Canaccord.
CO_2	means CO_2 Capital Pte Ltd.
Company or **Nickel Mines**	means Nickel Mines Limited (ACN 127 510 589).
Corporations Act	means the Corporations Act 2001 (Cth).
CSA	means the Collaboration and Subscription Agreement between the Company, Shanghai Decent and Wanlu dated 19 September 2017 (as amended by supplemental letter agreements dated 16 April 2018 and 2 July 2018).
Directors	means directors of the Company as at the date of this Prospectus.
dmt	means dry metric tonnes.
DSO ban	means the Indonesian Government's decision to ban the exportation of unprocessed minerals effective from 12 January 2014.
Executive Director	means a Director appointed as an executive director of the Company.
Existing Shareholders	means those persons or entities who are holders of Shares as at the date of this Prospectus.

Financial Information	means Historical Financial Information and Pro Forma Historical Financial Information.
FIRB	means the Foreign Investment Review Board.
FMC Act	means New Zealand's Financial Markets Conduct Act 2013.
FPO	means the United Kingdom's Financial Services and Markets Act 2000 (Financial Promotions) Order 2005.
FSMA	means the United Kingdom's Financial Services and Markets Act 2000.
Group	means the Company and all its subsidiaries.
GST	means the goods and services tax, being a tax charged on the sale of most goods and services in Australia.
Hengjaya Holdings	means Hengjaya Holdings Private Limited, a company incorporated in Singapore.
Hengjaya Mine	means the Hengjaya nickel mine located in Morowali Regency, Central Sulawesi, Indonesia.
Hengjaya Nickel	means PT Hengjaya Nickel Industry, an Indonesian PMA Company.
HGB title	means '*Hak Guna Bangunan*' title, a right to build on land.
Historical Financial Information	means the Company's: - reviewed Historical Statement of Financial Position as at 31 December 2017; - reviewed Consolidated Statement of Comprehensive Income for the half-year ended 31 December 2017 and the audited Consolidated Statements of Comprehensive Income for the years ended 30 June 2016 and 30 June 2017; and - reviewed Consolidated Statement of Cash Flows for the half-year ended 31 December 2017 and the audited Consolidated Statements of Cash Flows for the years ended 30 June 2016 and 30 June 2017.
IMB	means '*Izin Mendirikan Bangunan*', a general construction permit.
IMIP	means the Indonesia Morowali Industrial Park, in Central Sulawesi, Indonesia.
IMIP Land	means land within the IMIP on which the RKEF Project is being constructed.
IPO	the Company's initial public offering of its Shares.
IPPKH	means an '*Ijin Pinjam Pakai*', a borrow and use licence required for certain mining activities in Indonesia.
IUP OP	means an '*Izin Usaha Pertambangan Operasi Produksi*', a Production Operation Mining Business Licence required in Indonesia for to carry out certain construction, mining, processing and refining, and transportation and sales activities of minerals.
Land Sale Agreement	means the preliminary land sale agreement between Hengjaya Nickel and PT IMIP dated 7 June 2018 which sets out (among other things), the terms on which the IMIP Land is being sold to Hengjaya Nickel, the process by which the IMIP Land will registered and certificated as HGB title land, registered in the name of PT IMIP, the transfer of HGB title of the IMIP Land from PT IMIP to Hengjaya Nickel and Hengjaya Nickel's rights to control, occupy and construct on the IMIP Land pending completion of the registration and certification and transfer HGB title of the IMIP Land to Hengjaya Nickel.
Letters of Appointment	means the letter of appointment entered into by each of the Non-Executive Directors.
Listing Rules	means the official Listing Rules of the ASX as amended from time to time.
MEMR	means the Indonesian Minister of Mineral and Energy Resources.
MIS	means MIS Corporate Pty Ltd.
Mt pa	means a million tonnes per annum.
Non-Executive Director	means a Director appointed as a non-executive director of the Company.
NPI	means nickel pig iron, a beneficiated form of nickel metal.
Offer	means the invitation in this Prospectus to subscribe for 571,428,572 Shares at $0.35 per Share to raise $200.0 million.

14 GLOSSARY

Offer Information Line	means the offer information line operated by the Share Registry being 1300 070 723 (from within Australia) or +61 3 9415 4125 (from outside Australia), Monday to Friday, between 8:30 am and 5:00 pm AEST.
Offer Period	means the period during which investors may subscribe for Shares under the Offer.
Offer Price	means $0.35 per Share.
Opening Date	means the date the Offer opens.
Original Prospectus	means the Prospectus issued by the Company dated 5 July 2018 which was lodged with ASIC on that date and is replaced by this Prospectus.
PMA Company	means a '*Penanaman Modal Asing*', an Indonesian foreign direct ownership company in which foreign share ownership of up to 100% is allowed.
PT Hengjaya	means PT Hengjaya Mineralindo, an Indonesian PMA Company.
PT IMIP	means PT Indonesia Morowali Industrial Park, an Indonesian limited liability company.
PRC	means the People's Republic of China.
Pro Forma Historical Financial Information	means the Company's Pro forma Statement of Financial Position as at 31 December 2017.
Prospectus	means this Prospectus, dated 7 August 2018 for the issue of 571,428,572 Shares.
Prospectus Date	means 5 July 2018, being the Original Prospectus was lodged with ASIC.
Prospectus Regulations	means the Irish Prospectus (Directive 2003/71/EC) Regulations 2005.
RKEF	means rotary kiln electric furnace.
RKEF Project	means the 2-line RKEF plant the Company is building in the IMIP in collaboration with Shanghai Decent.
RMB	means Renminbi, the official currency of China.
S$	means the Singaporean dollar.
SFA	means Singapore's Securities and Futures Act.
SFO	means Hong Kong's Securities and Futures Ordinance.
Shanghai Decent	means Shanghai Decent Investment (Group) Co., Ltd., a Tsingshan group company.
Shareholder	means a holder of Shares.
Shares	means fully paid ordinary shares in capital of the Company.
Share Registry	means Computershare Investor Services Pty Limited of Level 4, 60 Carrington Street, Sydney NSW 2000 Australia.
Solicitor's Report on Tenements	means the report set out in Section 11 (Solicitor's Report on Tenements).
Tsingshan	means Tsingshan group of companies.
US$	means the United States dollar.
Wanlu	means Shanghai Wanlu Investment Co., Ltd.
Wijoyo Family	means the four members of the Wijoyo family who each hold shares in PT Hengjaya.
wmt	means wet metric tonnes.

For an explanation of technical and industry terminology used in this Prospectus please refer to the glossary at the end of Section 10 (Geologist's Report).

APPLICATION FORM

Nickel Mines Limited

ACN 127 510 589

For all enquiries:
(within Australia) 1300 070 723
(outside Australia) +61 3 9415 4125

Online Applications:
https://nickelminesoffer.thereachagency.com

Offer closes at 5.00pm (AEST) on Thursday, 9 August 2018.

General Offer Application Form

This Application Form is important. If you are in doubt as to how to deal with it, please contact your stockbroker or professional advisor without delay.
You should read the Nickel Mines Limited Prospectus dated 7 August 2018 and any relevant Supplementary Prospectus (if applicable), carefully before completing this Application Form. The Corporations Act prohibits any person from passing on this Application Form (whether in paper or electronic form) unless it is attached to or accompanies a complete and unaltered copy of the Prospectus and any relevant Supplementary Prospectus (whether in paper or electronic form).

A **I/we apply for**

Number of Shares in Nickel Mines Limited at $0.35 per Share or such lesser number of Shares which may be allocated to me/us.

B **I/we lodge full Application Money**

A$.

C **Individual/Joint applications - refer to naming standards overleaf for correct forms of registrable title(s)**

Title or Company Name Given Name(s) Surname

Joint Applicant 2 or Account Designation

Joint Applicant 3 or Account Designation

D **Enter the postal address - include State and Postcode**

Unit Street Number Street Name or PO Box/Other information

City/Suburb/Town State Postcode

E **Enter your contact details**

Contact Name

Telephone Number - Business Hours

( )

F **CHESS Participant**

Holder Identification Number (HIN)

X

Please note that if you supply a CHESS HIN but the name and address details on your form do not correspond exactly with the registration details held at CHESS, your application will be deemed to be made without the CHESS HIN, and any Shares issued as a result of the Offer will be held on the issuer sponsored subregister.

G **Payment details - Please note that funds are unable to be directly debited from your bank account**

Drawer	Cheque Number	BSB Number	Account Number	Amount of cheque
				A$

By submitting this Application Form:

- I/we declare that this Application is complete and lodged according to the Prospectus, and any relevant Supplementary Prospectus, and the declarations/statements on the reverse of this Application Form,
- I/we declare that all details and statements made by me/us (including the declaration on the reverse of this Application Form) are complete and accurate, and
- I/we agree to be bound by the Constitution of Nickel Mines Limited.

See overleaf for completion guidelines ➔

How to complete this Application Form

A **Number of Shares applied for**
Enter the number of Shares you wish to apply for. The Application must be for a minimum of 6,100 Shares ($2,100.00) and thereafter in multiples of 1,000 Shares ($350.00).

B **Application Monies**
Enter the amount of Application Monies. To calculate the amount, multiply the number of Shares applied for in Step A by the Issue Price of $0.35.

C **Applicant Name(s)**
Enter the full name you wish to appear on the statement of shareholding. This must be either your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHESS) participants should complete their name identically to that presently registered in the CHESS system.

D **Postal Address**
Enter your postal address for all correspondence. All communications to you from the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E **Contact Details**
Enter your contact details. These are not compulsory but will assist us if we need to contact you regarding this Application.

F **CHESS**
Nickel Mines Limited will apply to the ASX to participate in CHESS, operated by ASX Settlement Pty Limited, a wholly owned subsidiary of ASX Limited. If you are a CHESS participant (or are sponsored by a CHESS participant) and you wish to hold Shares issued to you under this Application on the CHESS Subregister, enter your CHESS HIN. Otherwise, leave this section blank and on issue, you will be sponsored by Nickel Mines Limited and allocated a Securityholder Reference Number (SRN).

G **Payment**
Payment should be made in accordance with the instructions on the online application form or for clients of the Lead Manager must be lodged in accordance with the instructions from the Lead Manager.

Before completing the Application Form the Applicant(s) should read the Prospectus to which this Application relates. By lodging the Application Form, the Applicant agrees that this Application for Shares in Nickel Mines Limited is upon and subject to the terms of the Prospectus and the Constitution of Nickel Mines Limited, agrees to take any number of Shares that may be issued to the Applicant(s) pursuant to the Prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

Lodgement of Application

Applications and Payment must be made by the closing date or in accordance with the instructions from the Lead Manager.

Neither CIS nor Nickel Mines Limited accepts any responsibility if you lodge the Application Form at any other address or by any other means.

Privacy Notice

The personal information you provide on this form is collected by CIS, as registrar for the securities issuer (the issuer), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. In addition, the issuer may authorise us on their behalf to send you marketing material or include such material in a corporate communication. You may elect not to receive marketing material by contacting CIS using the details provided overleaf or emailing privacy@computershare.com.au. We may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf, to the issuer for whom we maintain securities registers or to third parties upon direction by the issuer where related to the issuer's administration of your securityholding, or as otherwise required or authorised by law. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at privacy@computershare.com.au or see our Privacy Policy at http://www.computershare.com/au.

Correct forms of registrable title(s)

Note that ONLY legal entities are allowed to hold Shares. Application Forms must be in the name(s) of a natural person(s), companies or other legal entities acceptable to Nickel Mines Limited. At least one full given name and the surname is required for each natural person. Application Forms cannot be completed by persons less than 18 years of age. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual – Use given name(s) in full, not initials	Mr John Alfred Smith	J.A. Smith
Joint – Use given name(s) in full, not initials	Mr John Alfred Smith & Mrs Janet Marie Smith	John Alfred & Janet Marie Smith
Company – Use company title, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
Trusts – Use trustee(s) personal name(s) – Do not use the name of the trust	Ms Penny Smith <Penny Smith Family A/C>	Penny Smith Family Trust
Deceased estates – Use executor(s) personal name(s) – Do not use the name of the deceased	Mr Michael Smith <Est John Smith A/C>	Estate of Late John Smith
Minor (a person under the age of 18) – Use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Peter Smith
Partnerships – Use partners' personal name(s) – Do not use the name of the partnership	Mr John Smith & Mr Michael Smith <John Smith & Son A/C>	John Smith & Son
Clubs/Unincorporated Bodies/Business Names – Use office bearer(s)' personal name(s) – Do not use the name of the club etc	Mrs Janet Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds – Use the name of trustee of the fund – Do not use the name of the fund	John Smith Pty Ltd <Super Fund A/C>	John Smith Pty Ltd Superannuation Fund

CORPORATE DIRECTORY

NICKEL MINES LIMITED (ACN 127 510 589)

Level 2, 66 Hunter Street
Sydney NSW 2000 Australia
Phone: +61 (2) 9300 3311
Email: info@nickelmines.com.au

BOARD OF DIRECTORS

Robert Neale (Non-Executive Chairman)
Norman Seckold (Executive Deputy Chairman)
Justin Werner (Managing Director)
Peter Nightingale (Executive Director, CFO)
James Crombie (Non-Executive Director)
Weifeng Huang (Non-Executive Director)
Mark Lochtenberg (Non-Executive Director)
Yuanyuan Xu (Non-Executive Director)

COMPANY SECRETARY

Richard Edwards

SHARE REGISTRY

Computershare Investor Services Pty Limited
Level 4, 60 Carrington Street
Sydney NSW 2000 Australia

LEAD MANAGER

Bell Potter Securities Limited
Level 38, Aurora Place, 88 Phillip Street,
Sydney NSW 2000 Australia

FINANCIAL ADVISOR

Blackpeak Capital Pty Ltd
Level 5, 55 Harrington Street,
The Rocks NSW 2000 Australia

SOLICITORS TO THE OFFER

DLA Piper Australia
Level 22, 1 Martin Place
Sydney NSW 2000 Australia

SOLICITORS REPORTING ON TENEMENTS

Oentoeng Suria & Partners
Level 37, Equity Tower
Jl. Jend. Sudirman Kav. 52-53
Jakarta Selatan 12190 Indonesia

MINING INDUSTRY CONSULTANT

Wood Mackenzie
Level 13, 50 Pitt Street
Sydney NSW 2000 Australia

GEOLOGICAL EXPERT

PT GMT Indonesia
18th Floor, Talavera Office Park
Jl. Letjen. TB. Simatupang Kav. 22-26
Cilandak Barat, Jakarta Selatan 12430 Indonesia

INVESTIGATING ACCOUNTANT

KPMG Financial Advisory Services (Australia) Pty Ltd
Level 16, Riparian Plaza
71 Eagle Street,
Brisbane QLD 4000 Australia

AUDITOR

KPMG
Level 16, Riparian Plaza
71 Eagle Street,
Brisbane QLD 4000 Australia

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