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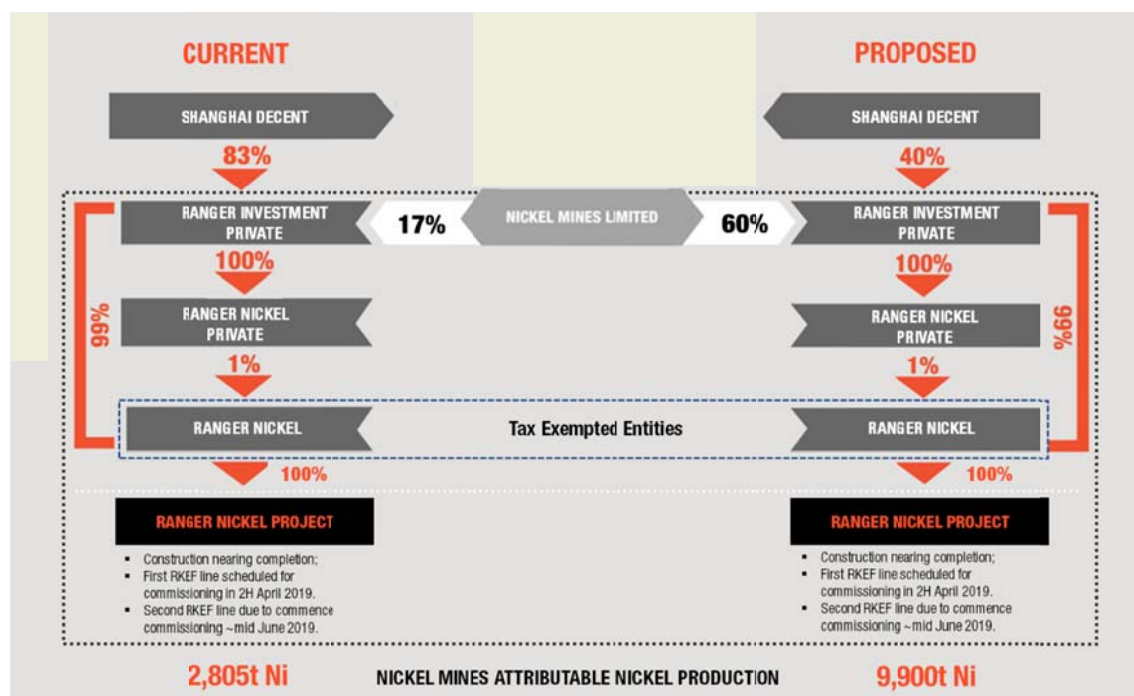
The Manager Companies  
ASX Limited  
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Sydney NSW 2000

(4 pages by email)

## INTENTION TO MOVE TO 60% OF RANGER NICKEL PROJECT AND FINANCING

The Directors of Nickel Mines Limited ('the Company' or 'Nickel Mines') are pleased to advise of the Company's decision to increase its current 17% ownership interest in the Ranger Nickel Project ('Ranger') to 60%. This decision has been made in consultation with the Company's collaboration partner, Shanghai Decent, which currently holds the other 83% interest in Ranger.

In accordance with the Collaboration Agreement ('CA') governing the Ranger project, the Company will increase its holding of Ranger Investment Private Limited, the Singaporean domiciled holding company that wholly owns PT Ranger Nickel Industry, an Indonesian PMA<sup>1</sup> company that owns 100% of the Ranger Nickel Project.



<sup>1</sup> PMA Company means a 'Penanaman Modal Asing', an Indonesian foreign investment company in which foreign share ownership of up to 100% is allowed.

Under the terms of the CA, the Company has until 31 December 2019 to increase its ownership of Ranger to between 51% and 60%. If the Company elects to increase its ownership interest within 60 days of first NPI production, the Company's increased interest will be calculated based on a discounted valuation of US\$280M<sup>2</sup>. On this basis, the cost of increasing the Company's ownership of Ranger to 60% is US\$121.4M.

As Ranger is currently scheduled to begin commissioning its first kiln well ahead of the previous September quarter commissioning target, the decision has been made to expedite the acquisition of this additional 43% interest. Confidence in making this decision has also been in part due to the strong commissioning performance of the Company's 60% owned Hengjaya Nickel Project ('Hengjaya') which is now nearing 100% of nameplate capacity – a mere three months since start-up in late January 2019.

In moving to a 60% interest of Ranger, the Company's attributable share of production, on a steady state basis, will increase from ~2,805 tonnes per annum to ~9,900 tonnes per annum and will result in attributable nickel production from both the Hengjaya and Ranger projects of ~19,800 tonnes<sup>3</sup> per annum.

The Company retains the contractual right to increase its interest of Ranger to 80% within 18 months of first NPI production in addition to its right to increase its interest of Hengjaya to up to 100% within 12 months of first NPI production.

### **Acquisition Funding**

The Company's move to 60% of Ranger will be funded via a US\$160M financing package comprising US\$100M of senior secured debt and US\$60M of equity. The financing package surplus above the Ranger acquisition consideration will be used to facilitate a number of strategic initiatives being undertaken at the Hengjaya Mine and for general working capital purposes.

The Company has mandated Sprott Private Resource Lending II (Collector), L.P. ('Sprott') to finance the US\$100M senior secured debt component of the financing package. Sprott is a Canadian based financier to the mining sector globally focused on providing speed and certainty of execution, maximum flexibility and reduced complexity in completing financing transactions.

The principal terms of the Sprott facility are:

- Completion is subject to a number of conditions precedent including completion of due diligence by the lender and receipt by the Company of all required regulatory and shareholder approvals.
- Facility amount – US\$100M.
- Term – 5 years.
- Repayment – 15 equal quarterly payments starting 30 November 2020, continuing to maturity.
- The Company can prepay or cancel the facility without penalty provided a minimum of one year's interest is paid under the facility.
- Interest rate – LIBOR plus 7.00% and a 2.00% original issue discount.
- Warrants – The Company will issue 45 million warrants, each to acquire one fully paid ordinary share within 5 years at a strike price equal to a 25% premium to the 20 day VWAP of the lesser of the Company's current share price or at the closing of the facility.
- Targeted closing date – 31 May 2019.

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<sup>2</sup> Were the Company to elect to increase its interest in Ranger Nickel more than 60 days after first NPI production from Ranger the acquisition cost for doing so would be calculated based on a US\$300M valuation.

<sup>3</sup> Based on production of 16,500 tonnes of nickel per annum by each project.

Narinder Nagra, Managing Partner of Sprott, commented, *“As one of the largest investors dedicated to the natural resources sector, Sprott is excited to partner with Nickel Mines and assist them with their growth initiatives. Our partnership with the Nickel Mines’ team is consistent with our strategy of providing innovative and flexible capital to maximise the value of exceptional projects.”*

The US\$60M equity component of the finance package will be funded in part by Shanghai Decent increasing its direct investment in Nickel Mines by accepting ~US\$40M of the Ranger acquisition consideration as Nickel Mines’ shares and the balance by placements to a selection of current and/or new professional investors.

Commenting on the Company’s decision to expedite its move to a 60% ownership interest in Ranger and the agreement of an acquisition financing package Nickel Managing Director Justin Werner said:

*“We are extremely pleased to be in a position to fast-track our increased interest in the Ranger nickel project with Ranger now set to commence commissioning well ahead of schedule. This decision will see our attributable nickel production across both Hengjaya and Ranger nearing 20,000 tonnes per annum and see us well on our way to fulfilling our ambition of being a globally significant nickel producer and a tier-1 nickel investment exposure among our global peer group.”*

**For further information please contact**

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## **About Nickel Mines Limited**

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

Under the terms of two separate a Collaboration Agreements with Shanghai Decent, a Tsingshan group company, Nickel Mines will own and operate RKEF processing facilities within the Indonesia Morowali Industrial Park, the world's largest vertically integrated stainless steel facility with a current stainless steel production capacity of 3.0 million tonnes per annum.

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



*Aerial photo of the IMIP.*