

20 January 2021

The Manager Companies
ASX Limited
20 Bridge Street
Sydney NSW 2000

(4 pages by email)

AMENDMENTS TO RKEF PROJECTS COLLABORATION AGREEMENTS

The Directors of Nickel Mines Limited ('Nickel Mines' or 'the Company') are pleased to advise that the Company has negotiated the following amendments to the Collaboration Agreements governing the Hengjaya Nickel, Ranger Nickel and Angel Nickel RKEF projects with the Company's partner, Shanghai Decent Investment Group Co., Ltd ('Shanghai Decent'):

- A revision to the Hengjaya Nickel and Ranger Nickel offtake pricing methodology for those projects' nickel pig iron ('NPI') production.
- A right to acquire an increased 80% equity interest in Angel Nickel (up from 70%).
- A US\$6.0 million discount for an early payment of the second stage acquisition of Angel Nickel.

Revision to Hengjaya Nickel and Ranger Nickel Offtake Pricing Methodology

The pricing methodology for the sale of NPI produced by Hengjaya Nickel and Ranger Nickel has been brought into line with the methodology agreed for Angel Nickel production and current nickel market realities by the removal of a reference to LME nickel prices.

Since the execution of Hengjaya Nickel and Ranger Nickel Collaboration Agreements, the dynamics of the nickel market have changed with the pricing of specific nickel products increasingly driven by their own supply/demand fundamentals. This development is now being progressively acknowledged across the nickel industry with a growing propensity to quote and forecast prices of specific nickel products. With the NPI market being very much 'China-centric' and with NPI not being an LME deliverable product, the continuing reference to the LME nickel price is no longer considered appropriate.

Consistent with the Angel Nickel Collaboration Agreement, Shanghai Decent (itself or through any of its affiliates), continues to be committed to irrevocably and unconditionally purchase all of the NPI product from the Hengjaya Nickel and Ranger Nickel RKEF projects with sales contracts based on third party, arm's length prices 'at the then-current price for NPI in China' with minor adjustments applied for product specification, freight and foreign exchange.

Indicative daily NPI prices in China are available from several third party, publicly available sources including <https://hq.smm.cn/nickel>.

Participation in Angel Nickel Increased to 80%

As announced on 24 November 2020, Nickel Mines has the right to acquire a 70% equity interest in Angel Nickel, a development project comprising four RKEF lines with an annual nameplate production capacity of 36,000 tonnes of equivalent contained nickel in NPI and a 380MW captive power plant currently under construction within the Indonesia Weda Bay Industrial Park ('IWIP') on Halmahera Island in Indonesia's North Maluku province, for US\$490 million (a 100% valuation basis of US\$700 million) in two stages:

- First stage - 30% at a cost of US\$210 million to be finalised by no later than 31 March 2021.
- Second stage - an additional 40% at a cost of US\$280M to be finalised by no later than 31 December 2021.

As announced on 2 December 2020, an Independent Expert Valuation Report opined:

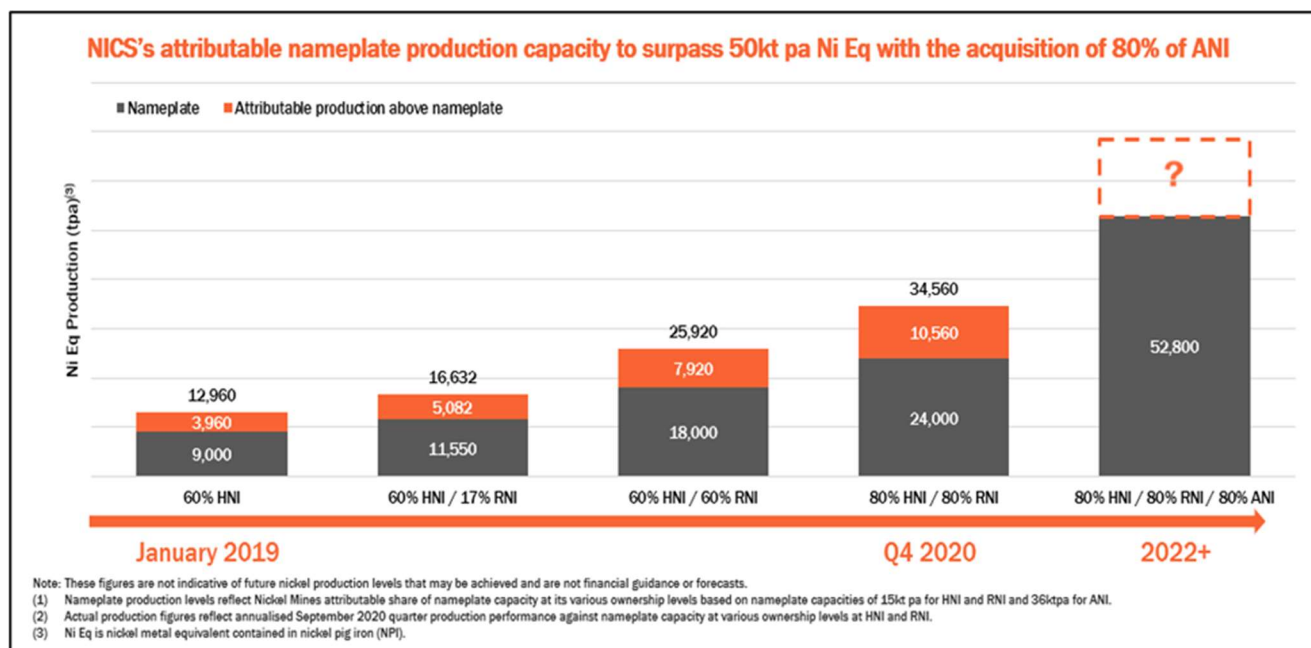
- Based on the assumptions in the Independent Expert Valuation Report, the value of 100% of Angel Nickel ranges from US\$1.4 billion to US\$1.5 billion with the corresponding value of Nickel Mines' 70% interest ranging from US\$1.0 billion to US\$1.1 billion.

As announced on 19 January 2021, Nickel Mines' shareholders overwhelmingly approved the acquisition of the 70% equity interest in Angel Nickel.

The Company is pleased to advise it has negotiated to acquire an additional 10% of Angel Nickel, increasing Nickel Mines' total ownership of Angel Nickel to 80% as follows:

- The additional 10% interest forms part of the second stage acquisition, increasing the second stage acquisition percentage from 40% to 50% of Angel Nickel with the second stage acquisition to be finalised by no later than 31 December 2021.
- The purchase price for the additional 10% interest is, subject to a discount for an early payment detailed below, US\$70 million (a 100% valuation basis of US\$700 million) - the same basis as announced on 24 November 2020.

The additional Angel Nickel acquisition increases Nickel Mines' total attributable nickel metal nameplate production capacity (inclusive of Hengjaya Nickel and Ranger Nickel nameplate capacities) to 52,800t Ni per annum.



US\$6.0 million Discount for Early Payment of Angel Nickel Acquisition

Consideration for the second stage acquisition of 50% of Angel Nickel (including the additional 10% detailed above) increases from US\$280 million to US\$350 million (a 100% valuation basis of US\$700 million) and remains payable by 31 December 2021.

At the Company's election, if the second stage payment is made by 30 June 2021, the acquisition consideration will be reduced to US\$344 million, a discount of US\$6.0 million for early payment.

Commenting on negotiating the amendments to the Collaboration Agreements, Managing Director Justin Werner said:

'Alignment of the Hengjaya Nickel and Ranger Nickel pricing methodology with Angel Nickel is consistent with the market that the Company's NPI is sold into, which is overwhelmingly China-centric and used in the production of stainless steel. NPI is not linked to the LME market or products other than having a good historical price correlation against LME Nickel prices.. Stainless steel markets in China remain strong with NPI prices strengthening over the past few months, Shanghai Decent remains committed to irrevocably and unconditionally purchase all of the NPI product produced by Hengjaya Nickel, Ranger Nickel and Angel Nickel.'

The 100% approval by shareholders for the acquisition of 70% of Angel Nickel is a strong endorsement from shareholders of the recognised value the Angel Nickel transaction will deliver. Nickel Mines is delighted to have the opportunity to acquire an additional 10% in Angel Nickel at the same industry leading capital intensity. An 80% interest aligns the Company's interest in Angel Nickel with the Company's 80% interests in Hengjaya Nickel and Ranger Nickel and will deliver annual nameplate attributable nickel production of 52,800 tonnes of nickel, positioning Nickel Mines as a top 10 global low cost nickel producer.

The opportunity to make an early payment on the second acquisition tranche for Angel Nickel at Nickel Mines' discretion and receive a US\$6.0M discount is appreciated and a testament to the strong collaborative partnership shared with Shanghai Decent and Tsingshan.

Piling works for the Angel Nickel RKEF plants and power plant are progressing well, with key long lead items already being ordered in China. Nickel Mines looks forward to providing shareholders with further updates on Angel Nickel's progress.'

This announcement has been approved for release by the Company's Managing Director.

For further information please contact:

Justin Werner
Managing Director
jwerner@nickelmines.com.au
+62 813 8191 2391

Cameron Peacock
Investor Relations and Business Development
cpeacock@nickelmines.com.au
+61 439 908 732

pjn10656

About Nickel Mines Limited

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

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



Aerial photo of the IMIP.

Completion of the acquisition of 80% of the Angel Nickel RKEF project, located within the Indonesia Weda Bay Industrial Park ('IWIP') will more than double Nickel Mines' attributable nickel metal production based on nameplate capacities of its RKEF projects.



Aerial photo of the IWIP.

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.