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The Manager Companies
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Nickel Mines announces A\$364 million equity raising to fund the initial acquisition of a 30% interest in the Angel Nickel Project

The Directors of Nickel Mines Limited (**'the Company'** or **'Nickel Mines'**) are pleased to launch a A\$364 million fully underwritten, accelerated pro-rata non-renounceable entitlement offer (**'Entitlement Offer'**) to fund the acquisition of its initial 30% interest in the Angel Nickel Project (**'ANI'**) within the Indonesia Weda Bay Industrial Park (**'IWIP'**).

As announced on 24 November 2020, Nickel Mines has executed a binding Definitive Agreement (**'Agreement'**) with its partner Shanghai Decent Investment (Group) Co., Ltd (**'Shanghai Decent'**) and Decent Resource Limited (**'Decent Resource'**) (an affiliate of Shanghai Decent) to acquire a 70% equity interest in ANI (the **'Transaction'**).

Nickel Mines will acquire its 70% interest in ANI through the acquisition of shares in a Singaporean incorporated holding company, Angel Capital Private Limited (**'Angel Capital'**) (which is currently 100% owned by Decent Resource, an affiliate of Shanghai Decent, and shareholder loans due or owing by Angel Capital (and/or its subsidiaries). Angel Capital will wholly own (directly and indirectly) a PMA operating company, PT Angel Nickel Industry, which is to be incorporated in Indonesia and will own the ANI assets.

The ANI structure will replicate the structures used for the existing HNI and RNI investments.

Site preparations and foundation works for construction of ANI are underway, and will comprise:

- Four RKEF lines, with a combined annual nameplate production capacity of 36,000t of equivalent contained nickel in nickel pig iron;
- A captive 380MW power plant; and
- Ancillary facilities required for the operation of each of the RKEF lines and the power plant.

Total consideration payable by Nickel Mines in connection with the Transaction is US\$490 million, which is to be undertaken in two tranches as follows:

- (i) An initial acquisition (**'First Acquisition'**) whereby Nickel Mines will acquire an initial interest of 30% of the shares in Angel Capital and an equivalent proportion of all shareholder loans due or owing by Angel

Capital (and / or its subsidiaries) at a cost of US\$210 million¹, which is to occur by no later than 31 March 2021²; and

- (ii) A second acquisition ('**Second Acquisition**') whereby Nickel Mines will acquire an additional 40% of the shares in Angel Capital and an equivalent proportion of all shareholder loans due or owing by Angel Capital (and / or its subsidiaries) at a cost of US\$280 million, which is to occur by no later than 31 December 2021².

The majority of the proceeds from the Entitlement Offer will be put towards funding the First Acquisition payment. Excess funds will go towards strengthening the balance sheet and will provide additional working capital. The Company is in discussions with Shanghai Decent about the early repayment of the remaining balance of the Ranger Debt Facility.

The First Acquisition payment of US\$210 million is due by the end of Q1 2021. Nickel Mines has already made payments of US\$30 million, reducing the current payable balance for the First Acquisition to US\$180 million³.

A further US\$280 million will be required to fund the Second Acquisition which is due to complete by the end of Q4 2021, to secure a further 40% interest in ANI⁴.

The staged acquisition approach allows for an optimal funding mix from cash reserves, debt and equity.

Nickel Mines has optionality and flexibility around funding sources given its very lowly leveraged pro-forma balance sheet (net cash of US\$112m⁵) and strong cashflows from its existing operations within IMIP (Q3 2020 EBITDA of US\$49 million from the Hengjaya Nickel ('**HNI**') and Ranger Nickel ('**RNI**') RKEF projects on a 100% basis). The Company is progressing potential debt funding options for the Second Acquisition payment.

The Company is aiming to be fully funded for the Second Acquisition as soon as practically possible in 2021.

Transaction transforms Nickel Mines

Nickel Mines' attributable nickel production profile is estimated to approximately double within two years⁶.

Completion of the Transaction will give Nickel Mines a 70% interest in ANI, which represents ~25.2ktpa of attributable nameplate nickel metal production following successful commissioning of ANI. By comparison HNI and RNI each have an annual nameplate capacity of ~15ktpa on a 100% basis. The Company's 80% interest in HNI and RNI combined represents ~24ktpa of attributable nameplate nickel metal production.

The Directors consider that the US\$490 million Transaction price represents an attractive valuation and is highly accretive. The Transaction increases attributed share of estimated nickel production by ~25.2ktpa, at an implied price of ~US\$19,444/t Ni Eq^{7,8}. This compares to a market implied valuation⁹ for HNI and RNI of ~US\$46,289/t Ni Eq based on nameplate capacity and ~US\$32,446/t Ni Eq based on annualised September quarter production^{8,10}.

¹ First Acquisition payment of US\$210m is due by 31 March 2021. Nickel Mines has paid US\$30m in deposits to Shanghai Decent for the First Acquisition as follows: (i) a US\$10m 'good faith deposit' paid on execution of the non-binding memorandum of understanding for the Transaction on 16 October 2020 and (ii) a further US\$20m deposit on execution of the Definitive Agreement for the Transaction. The remaining funding requirement to complete the first acquisition is US\$180m.

² Based on a valuation of US\$700 million on a 100% basis.

³ First Acquisition payment of US\$210m is due by 31 March 2021. Nickel Mines has paid US\$30m in deposits to Shanghai Decent for the First Acquisition as follows: (i) a US\$10m 'good faith deposit' paid on execution of the non-binding memorandum of understanding for the Transaction on 16 October 2020 and (ii) a further US\$20m deposit on execution of the Definitive Agreement for the Transaction. The remaining funding requirement to complete the first acquisition is US\$180m.

⁴ Nickel Mines will acquire the stated interest in ANI by acquiring shares in Angel Capital and an equal proportion of shareholder loans due or owing by Angel Capital (and/or its subsidiaries), based on a valuation of US\$700m on a 100% basis.

⁵ Reflects attributable net cash position based on Nickel Mines' 80% share of the cash held within Singaporean entities that ultimately own HNI and RNI and 80% share of the cash held by the entity that holds Hengjaya Mine.

⁶ Statement assumes Completion of the Transaction and ANI ramp up to annual nameplate capacity.

⁷ ANI has an annual nameplate capacity of 36ktpa of nickel metal (in nickel pig iron) on a 100% basis. Implied valuation for 70% interest in ANI illustratively assumes no portion of the transaction value is attributed to captive 380MW power plant.

⁸ Ni Eq is nickel metal equivalent contained in nickel pig iron (NPI).

⁹ Based on Nickel Mines' Enterprise Value at US\$1,111m as at 15 October 2020 (being the last closing price before the announcement of the MOU to acquire 70% of 4 new RKEF lines at IWIP), based on a market capitalisation of A\$1,639m and net cash of US\$49m, assuming AUD:USD FX rate of 0.7077. Implied valuation multiple illustratively assumes no value is attributed to Hengjaya Mine.

¹⁰ Annualised combined HNI and RNI production run rate, based on September 2020 quarter production, of ~42,800 Ni Eq tonnes per annum on a 100% basis.

Shareholder Approval for the Transaction

The Transaction is subject to the approval of Nickel Mines' shareholders under ASX Listing Rule 10.1 as it involves the acquisition of a substantial asset from an associate of a substantial shareholder. A shareholder vote to approve the Transaction is expected to take place in January 2021. An Independent Expert Report as to whether the Transaction is fair and reasonable to shareholders not associated with Shanghai Decent has been prepared and will be released to the market on the same day as this announcement, and will be included in the Notice of Meeting.

Entitlement Offer overview

To fund the First Acquisition, Nickel Mines is undertaking a fully underwritten 2 for 11 Entitlement Offer to raise A\$364 million (equivalent to approximately US\$268 million¹¹).

The Entitlement Offer is fully underwritten, and comprises:

- An accelerated institutional entitlement offer ('**Institutional Entitlement Offer**'); and
- A retail entitlement offer ('**Retail Entitlement Offer**').

The Entitlement Offer will be conducted at A\$0.94 per New Share ('**Offer Price**'), representing a:

- 10.0% discount to the last traded price of A\$1.045 on Tuesday, 1 December 2020; and
- 8.6% discount to TERP of A\$1.03¹².

The Entitlement Offer will result in approximately 386.9 million new ordinary shares being issued ('**New Shares**'), representing approximately 18.2% of Nickel Mines' existing shares on issue. New Shares issued will rank equally with existing shares.

The Entitlement Offer is non-renounceable and rights are not transferrable and will not be traded on the ASX or any other exchange.

Eligible shareholders who do not take up their entitlement under the Entitlement Offer in full or in part, will not receive any value in respect of those entitlements not taken up.

The Entitlement Offer is conditional on the Company receiving confirmation from the ASX prior to the Institutional Settlement Date that it:

- (i) Does not consider the Transaction to be an acquisition of a classified asset for the purposes of the ASX Listing Rules; and
- (ii) Will not exercise its discretion under Listing Rule 11.1.3 to require the Company to re-comply with ASX's admission and quotation requirements in Chapters 1 and 2 of the Listing Rules.

Institutional Entitlement Offer

Eligible institutional shareholders will be invited to participate in the Institutional Entitlement Offer.

Under the Institutional Entitlement Offer, eligible institutional shareholders can choose to take up all, part or none of their Entitlement. Entitlements not taken up under the Institutional Entitlement Offer will be offered to eligible institutional investors at the Offer Price.

Retail Entitlement Offer

Eligible retail shareholders with a registered address in Australia or New Zealand on the Record Date of 7.00pm (Sydney time), Friday, 4 December 2020, have the opportunity to invest in New Shares at the Offer Price, on the terms and conditions outlined in the Retail Offer Booklet to be sent to eligible retail shareholders on or around 9 December 2020.

¹¹ Based on AUD:USD exchange ratio 0.737 as at 1 December 2020.

¹² TERP is the theoretical ex-rights price at which New Shares should trade immediately after the ex-date for the Entitlement Offer. TERP is a theoretical calculation only and the actual price at which New Shares trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may not equal TERP.

Please note that shareholders with a registered address outside Australia or New Zealand on the Record Date are ineligible to participate in the Retail Entitlement Offer. Further details as to eligibility will be set out in the Retail Offer Booklet.

Under the Retail Entitlement Offer, eligible retail shareholders that take up their full entitlement may also apply for additional New Shares in excess of their Entitlement.

Indicative timetable of the Entitlement Offer

The timetable below is indicative only and subject to change. Nickel Mines reserves the right to alter the dates at its full discretion and without prior notice, subject to the ASX listing rules and the Corporations Act 2001 (Cth).

The quotation of New Shares is subject to confirmation from the ASX.

All times below are based on Sydney, Australia time.

Event	Date
Trading halt and announcement of Entitlement Offer	Wednesday, 2 December 2020
Institutional Entitlement Offer opens	Wednesday, 2 December 2020
Institutional Entitlement Offer closes	Thursday, 3 December 2020
Trading halt lifted and Shares recommence trading	Friday, 4 December 2020
Record Date under Entitlement Offer	7:00pm, Friday, 4 December 2020
Retail Entitlement Offer opens and Retail Offer Booklet and Application and Entitlement Forms dispatched to eligible retail shareholders	Wednesday, 9 December 2020
Settlement of New Shares issued under Institutional Entitlement Offer	Monday, 14 December 2020
Issue and commencement of trading of New Shares under Institutional Entitlement Offer	Tuesday, 15 December 2020
Retail Entitlement Offer closes	5:00pm, Friday, 18 December 2020
Settlement of New Shares issued under Retail Entitlement Offer	Thursday, 24 December 2020
Issue of New Shares under Retail Entitlement Offer	Tuesday, 29 December 2020
Commencement of trading of New Shares issued under Retail Entitlement Offer	Wednesday, 30 December 2020
Holding statements sent to retail shareholders	Thursday, 31 December 2020

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Important notices

The release of this announcement was authorised by the Board of Nickel Mines.

This announcement has been prepared for publication in Australia and may not be released to US wire services or distributed in the United States. This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The New Shares to be offered and sold in the Entitlement Offer have not been, and will not be, registered under the US Securities Act of 1933 (the "US Securities Act") or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold in the United States unless they are offered and sold pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

This announcement contains certain forward looking statements and comments about future events, including about the plans, objectives and strategies of Nickel Mines' management, the industry and the markets in which Nickel Mines operates, Nickel Mines' expectations about the financial and operating performance of its businesses, the timetable and outcome of the Entitlement Offer and the use of proceeds thereof. Forward looking statements can generally be identified by the use of forward looking words such as, "expect", "anticipate", "likely", "intend", "should", "could", "may", "predict", "plan", "propose", "will", "believe", "forecast", "estimate", "target" and other similar expressions within the meaning of securities laws of applicable jurisdictions. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward looking statements.

Forward looking statements involve inherent risks and uncertainties, both general and specific, and there is a risk that such predictions, forecasts, projections and other forward looking statements will not be achieved. A number of important factors could cause Nickel Mines' actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward looking statements and many of these factors are beyond Nickel Mines' control. Refer to the various risks factors in the Appendix under "Risk Factors" of the investor presentation entitled "Equity Raising Presentation" released to the ASX today.

Forward looking statements are provided as a general guide only, and should not be relied on as an indication or guarantee of future performance and involve known and unknown risks, uncertainty and other factors, many of which are outside the control of Nickel Mines. As such, undue reliance should not be placed on any forward looking statement. Past performance information given in this announcement is given for illustrative purposes only and is not necessarily a guide to future performance and no representation or warranty is made by any person as to the likelihood of achievement or reasonableness of any forward looking statements, forecast financial information or other forecast. Nothing contained in this announcement is to be relied upon as, a promise, representation, warranty or guarantee as to the past, present or the future performance of Nickel Mines.

The information contained in this announcement does not constitute investment or financial product advice (nor taxation, accounting or legal advice), is not a recommendation to acquire Nickel Mines shares and is not intended to be used or relied upon as the basis for making an investment decision. This announcement has been prepared without taking into account the investment objectives, financial position or needs of any individuals. Before making any investment decisions, prospective investors should consider the appropriateness of the information having regard to their own investment objectives, financial situation and needs and should seek legal, accounting and taxation advice appropriate to their jurisdiction. Nickel Mines is not licensed to provide investment or financial product advice in respect of Nickel Mines shares. Cooling off rights do not apply to the acquisition of Nickel Mines shares pursuant to the Entitlement Offer.