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The Manager Companies
ASX Limited
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(2 pages by email)

Potential Diversification into the EV Battery Supply Chain

Earlier this week Tsingshan Holding Group Co. ('Tsingshan') announced it had signed a one year contract to supply 60,000 tonnes of nickel matte to Huayou Cobalt and 40,000 tonnes to CNGR Advanced Material Co. Ltd, commencing from October 2021. Tsingshan advised that the trial production of this high grade nickel matte (>75%) had commenced in RKEF facilities within the Indonesia Morowali Industrial Park ('IMIP') in July 2020, with these trials successfully concluding at the end of 2020.

The Directors of Nickel Mines Limited ('Nickel Mines') acknowledge that this development has caused a material disturbance across the global nickel market and has led to significant speculation as to how these developments might impact Nickel Mines and its RKEF operations within the IMIP.

The Directors are pleased to provide the following comments:

- **The ability for Tsingshan to produce a high quality nickel matte within the IMIP suitable for use in the EV battery supply chain is an overwhelming positive development for Nickel Mines.**
- Tsingshan's ability to make the switch of nickel pig iron ('NPI') to an intermediate high grade nickel matte commercially viable using an RKEF is testament to their ongoing, market leading innovation - for which Nickel Mines continues to be a major beneficiary.
- The potential for Nickel Mines to sell a high grade nickel matte into the battery nickel supply chain further transforms the Company into a truly diversified nickel producer of global scale and scope.
- The optionality for Nickel Mines (and its collaboration partner Shanghai Decent) to direct nickel units produced by the Hengjaya Nickel and Ranger Nickel projects into NPI and/or nickel matte according to market demand and prices will enable these businesses to capitalise on any temporary or prolonged disconnections in price between NPI, LME nickel and nickel sulphate, thus ensuring an optimised margin outcome across the Company's operations.
- Tsingshan's trialling of its nickel matte process occurred on other RKEF lines within the IMIP. The Hengjaya Nickel and Ranger Nickel RKEF projects have not yet undergone the minor modifications required to produce a nickel matte so the Company advises there will be no imminent change to normal operations, with both project's NPI continuing to be sold into Tsingshan's stainless steel operations.

As announced on 20 January 2021, the Company's RKEF projects produce NPI which is sold on the basis of third party, arm's length prices at the then current price for NPI in China. The publicly quoted NPI prices have not responded to the Tsingshan announcement to the same extent as the LME nickel price. Further, the Company's NPI operating costs enjoy a partial natural hedge as approximately 40% of the operating cost is the cost of nickel laterite ore which is subject to a benchmark pricing referenced to the LME nickel price.

The Angel Nickel transaction has diversified the Company's geographic operations, establishing a presence in what will be the two largest nickel production centres globally. This Tsingshan achievement enables the Company to diversify its product range, presenting the opportunity for the Company to participate in the battery nickel supply chain.

Commenting on the Tsingshan's announcement from earlier this week, Nickel Mines' Managing Director Justin Werner said:

"The potential for RKEFs to produce a nickel matte for use in the rapidly growing battery supply chain has long been spoken about so it comes as no surprise to us that Tsingshan is now set to establish this as a commercially viable option. For Nickel Mines to potentially be part of this evolution in the nickel market is an exciting development for the Company and our shareholders and will further enhance our standing as a globally significant nickel producer with a unique capability of delivering nickel units for use across a broad spectrum of nickel markets. While these developments are relatively new and will not result in any immediate changes across our operations, we will continue to work with Tsingshan within both the IMIP and IWIP to ensure all of our projects will benefit from this exciting development".

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