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The Manager Companies
ASX Limited
20 Bridge Street
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(4 pages by email)

AGREEMENT EXECUTED FOR THE ACQUISITION OF 70% OF THE ANGEL NICKEL PROJECT

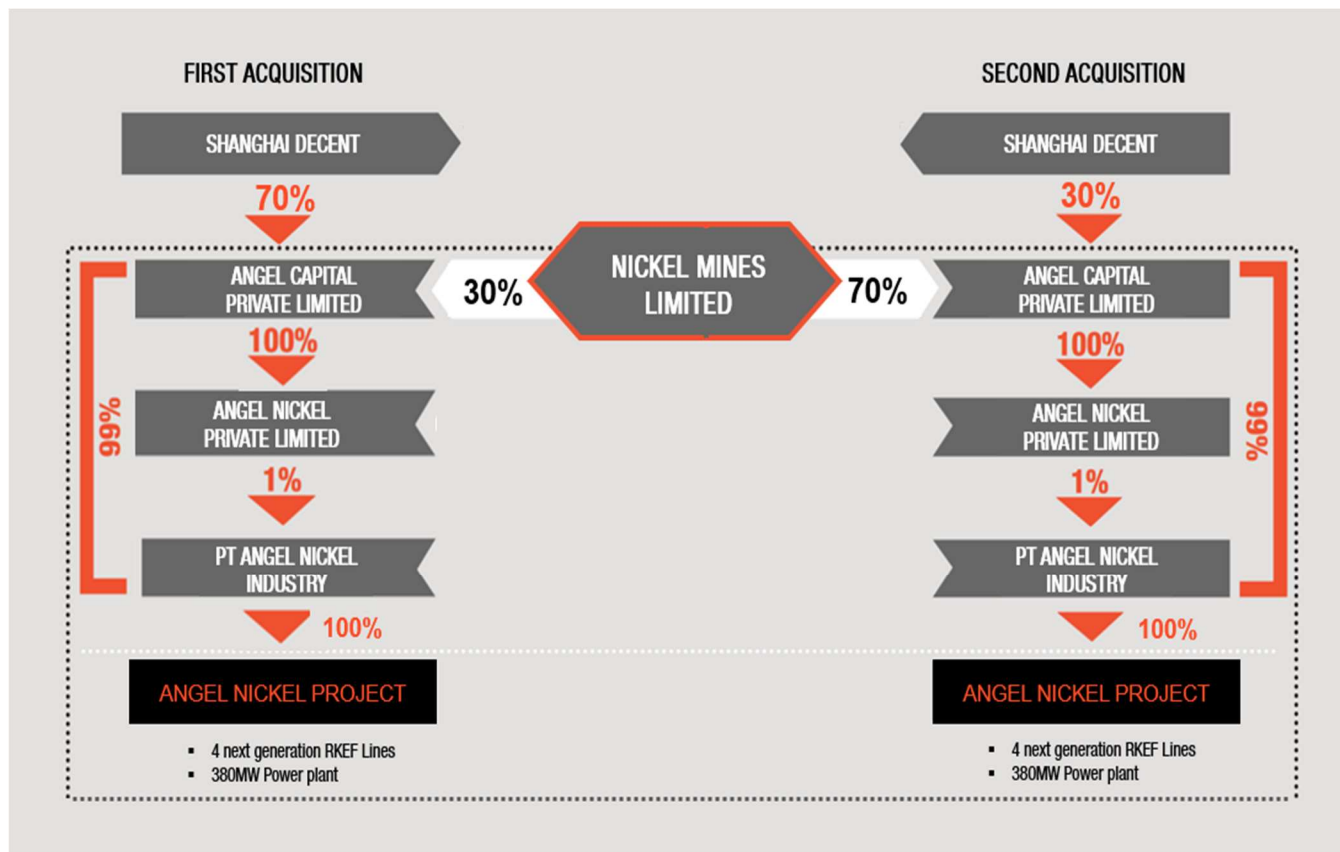
The Directors of Nickel Mines Limited ('Nickel Mines' or 'the Company') are pleased to advise that the Company has executed a binding Definitive Agreement ('Agreement') with its partner Shanghai Decent Investment (Group) Co., Ltd ('Shanghai Decent') to acquire a 70% equity interest in the Angel Nickel Project ('Angel Nickel'), a development project comprising four RKEF lines and a captive 380MW power station currently under construction within the Indonesia Weda Bay Industrial Park ('IWIP') on Halmahera Island in Indonesia's North Maluku province.

Further to the Company's ASX release on 16 October 2020 announcing a Memorandum of Understanding ('MoU') with Shanghai Decent for the Company to participate in Angel Nickel, the signing of this contractually binding Agreement formalises the Company's investment opportunity.

The Company's investment in Angel Nickel will be undertaken under a replica structure to its Hengjaya Nickel and Ranger Nickel investments, with Nickel Mines acquiring its interest in Angel Nickel through two Singaporean incorporated holding companies that will wholly own an Indonesian incorporated PMA operating company, PT Angel Nickel Industry ('PT ANI'), that will wholly own Angel Nickel's RKEF lines and its captive power plant.

The Agreement provides for Nickel Mines to acquire its 70% interest in Angel Nickel in two tranches:

- (i) An initial acquisition, the 'First Acquisition', whereby Nickel Mines will acquire an initial interest of 30% in Angel Nickel and 30% of all shareholder loans due to Shanghai Decent (and its affiliates) at cost of US\$210M (based on a valuation of US\$700M) with this initial acquisition to be finalised by no later than 31 March 2021.
- (ii) Under the 'Second Acquisition' Nickel Mines will acquire an additional 40% in Angel Nickel and 40% of all shareholder loans due to Shanghai Decent (and its affiliates) at cost of US\$280M (based on a valuation of US\$700M) with this second acquisition to be finalised by no later than 31 December 2021.



The proposed Angel Nickel ownership structure.

The terms of the Agreement provide for Shanghai Decent to take a lead role in the design and construction of Angel Nickel with commissioning no later than 16 October 2022 (subject to any force majeure event). The Angel Nickel project comprises:

- (i) four RKEF lines, with an annual nameplate production capacity of 36,000 tonnes of equivalent contained nickel in nickel pig iron ('NPI');
- (ii) a captive 380MW power plant; and
- (iii) ancillary facilities required for the operation of each of the RKEF lines and the power plant.

Actual construction costs for Angel Nickel shall not exceed US\$700M with Shanghai Decent undertaking to indemnify PT ANI for any construction costs exceeding US\$700M.

In addition to the standard suite of representations and warranties for an agreement of this type, notable commercial parameters in the Agreement include:

- (i) **Deposit Amounts:** Nickel Mines will make a US\$20M 'down payment' to Shanghai Decent which, together with the US\$10M 'good faith payment' paid on the execution of the MoU, results in Nickel Mines having a funding requirement of US\$180M to complete the First Acquisition and secure its initial 30% interest.
- (ii) **Shareholder Approval:** Completion of the transaction is subject to shareholder approval. An Independent Expert Valuation Report, which forms part of the Notice of Meeting, is nearing completion, with a General Meeting of Shareholders to approve the transaction expected to be held in late December 2020 or early January 2021.

(iii) Off-Take of NPI: Shanghai Decent irrevocably and unconditionally undertakes to procure all of the NPI product from PT ANI at market price for NPI in China and shall indemnify PT ANI for all and any losses, costs or damages should it fail to fulfil this obligation.

(iv) Acquisition Funding: It is agreed that the acquisition consideration may be funded by debt funding and equity funding (or a combination of both) at Nickel Mines' sole discretion.

The Company is pleased to advise that discussions with banks and other financial institutions are well progressed with acquisition consideration currently proposed to be 50% debt funding and 50% equity funding although these percentages may, depending on market conditions, vary at Nickel Mines' sole discretion. Further details on these arrangements will be announced in the near future when available.

Commenting on the signing of the Agreement to secure its participation in Angel Nickel, Managing Director Justin Werner said:

"We are extremely pleased to have converted our initial MoU into a binding Agreement with Shanghai Decent and to have secured our equity participation in the Angel Nickel development project currently under way within the Indonesia Weda Bay Industrial Park. This transaction is transformative for the Company in that it will essentially double the Company's NPI production capacity and provide us with operational footprints within what will be the two largest nickel production centres globally over the next decade. Additionally, this Weda Bay collaboration cements and further extends our excellent relationship with Shanghai Decent who have continued to deliver both exceptional operational performance across our existing shared projects and valued shareholder support to the Nickel Mines executive team. With construction of Angel Nickel already underway we look forward to providing regular updates to the market on the progress of this exciting new development project".

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

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About Weda Bay

In a similar manner to the Indonesia Morowali Industrial Park ('IMIP') where the Company's existing Hengjaya Nickel and Ranger Nickel RKEF projects are located, the Tsingshan group is rapidly developing the IWIP as a new nickel production frontier, with growing nickel pig iron supply from Indonesia set to increasingly displace higher cost production from China. As with the IMIP, Tsingshan is collaborating with a number of different partners (who currently include Eramet, Zhejiang Huayou Cobalt and Zhenshi Holding Group) across a range of projects within the IWIP. Presently within the IWIP there are 8 commissioned RKEF lines, with power, port capacity and other ancillary services continuing to be progressively established.



Aerial photo of the IWIP.

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, 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.

Completion of the acquisition of 70% of the Angel Nickel project will more than double Nickel Mines' attributable nickel metal production based on nameplate capacities of its RKEF projects.