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The Manager Companies  
ASX Limited  
20 Bridge Street  
Sydney NSW 2000

(3 pages by email)

## **UPDATE ON HPAL PROJECT AND ADDITIONAL NICKEL MATTE PRODUCTION**

- **Revised terms agreed for Dawn HPAL+ Project including higher nameplate production capacity and lower capital expenditure guarantee**
- **Agreement to switch additional NPI production to nickel matte at Angel Nickel project**

### **Update to Electric Vehicle Battery Supply Chain Strategic Framework Agreement**

The Directors of Nickel Industries Limited ('the Company') are pleased to announce that revised terms have been agreed for the Company's "Dawn HPAL+ Project" as contemplated in the Electric Vehicle Battery Supply Chain Strategic Framework Agreement announced to the ASX on 18 January 2023.

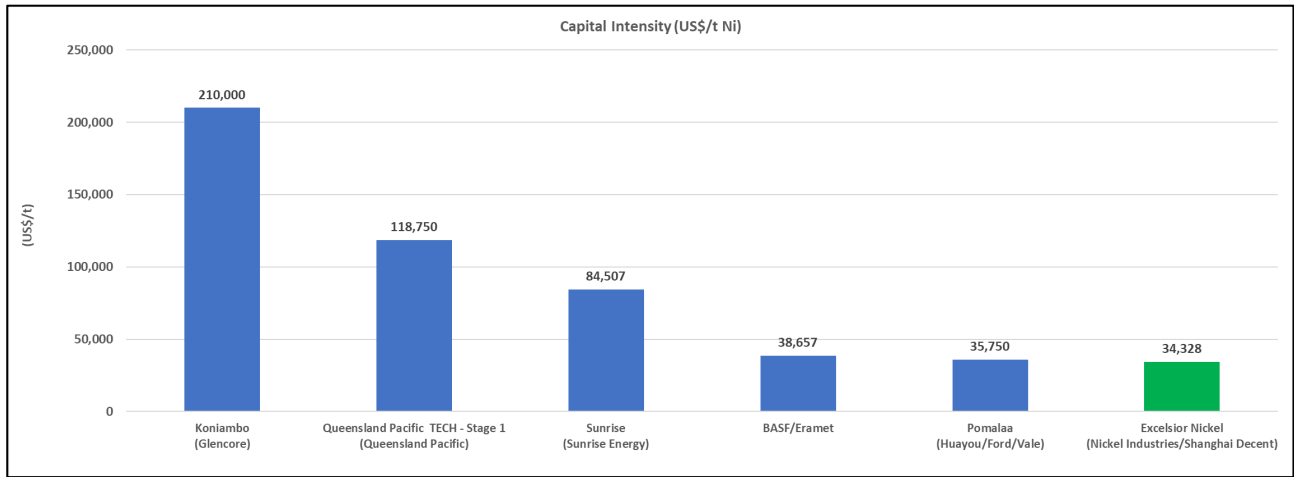
Expected annual production at the Dawn HPAL+ Project, to be known as the Excelsior Nickel Cobalt project ('ENC' or 'the Project'), is 67,000 metric tons of contained nickel equivalent and Shanghai Decent will provide a "capex guarantee" whereby total construction and commissioning costs (to deliver the Project to nameplate capacity) will not exceed US\$2.3 billion (previously US\$2.5 billion).

In addition to producing a mixed hydroxide precipitate ('MHP'), the Project will be capable of producing both nickel sulphate and nickel cathode, differentiating it from the current generation of HPAL plants currently being constructed across Indonesia, and providing the Company with significant operating flexibility through the cycle. The Project will benefit from existing Indonesia Morowali Industrial Park infrastructure and be supported from existing and future laterite resources that the Company has identified.

The Company and its collaboration partner, Shanghai Decent, are currently working together to complete a feasibility study for ENC ahead of a final investment decision ('FID') by the Company's Board, with construction expected to commence during the December 2023 or March 2024 quarters or anytime earlier that both parties agree, and commissioning to commence no later than twenty-four months thereafter.

The Company anticipates owning a 60-70% equity interest in the Project with Shanghai Decent owning 30-40%, however both parties are open to the introduction of other strategic partners which may lead to a dilution of these interests.

The chart below shows the capital intensity of several recently announced HPAL projects in Indonesia, in addition to some earlier generation HPAL projects that have become synonymous with capital overruns.



Unlike other recently announced HPAL Projects the ENC Project comes with a capital cost guarantee that includes Project commissioning through to nameplate capacity.

### **Conversion of additional RKEF lines to nickel matte**

The Company is also pleased to announce that it has reached agreement with Shanghai Decent to switch two of Angel Nickel’s RKEF lines to the production of nickel matte.

Following the successful switch of Hengjaya Nickel’s production from NPI to nickel matte in the December quarter of 2022, two of Angel Nickel’s RKEF lines will undergo the minor capital modifications (~US\$2M in total) to enable the transition to matte production.

The switch to nickel matte production, which will be subject to market conditions, is not expected to occur until early 2024, as low grade to high grade converter capacity is currently under construction within the Indonesia Weda Bay Industrial Park.

Commenting on the revised terms of the Electric Vehicle Battery Supply Chain Strategic Framework Agreement, Managing Director Justin Werner said:

*“We are extremely pleased to have further refined and materially improved the terms of the Excelsior project, in close partnership with our partner Shanghai Decent. We are also excited to be embarking on the development of this project utilising the expertise of the Tsingshan construction team who were responsible for the construction and delivery of the HNC HPAL plant, which is now operating comfortably in excess of nameplate capacity and has quickly established itself as one of the lowest cost and lowest carbon intensive HPAL projects globally.*

*Pleasingly, the ability of this project to produce not only MHP, but also go further downstream to produce nickel sulphate and nickel cathode will allow for greater margin capture and make us one of the first truly diversified HPAL producers with a mix of class 1 nickel products that can be selectively sold into different sectors of the nickel market as pricing dynamics dictate.*

*Most importantly, the US\$2.3 billion capex guarantee we have secured represents a highly competitive capital intensity compared to several recently announced projects, particularly considering this cost guarantee goes beyond purely EPC costs and is inclusive of seeing the Project delivered to operational nameplate capacity.*

*The capex guarantee also includes tailings solution which is best in breed for tailings storage and management, and an integrated sulphuric acid plant which will generate significant heat that can be turned into power lowering the carbon footprint significantly.*

*Given the recent slew of announced capex blow outs in the nickel and battery metals industry recently, the value of a capex guarantee to deliver a leading HPAL solution cannot be overstated.*

*We are also delighted to have a further two RKEF lines earmarked for conversion to nickel matte production at our Angel Nickel project at Weda Bay. The benefit of the flexibility to produce nickel matte in addition to NPI was evident at our Hengjaya Nickel project in the December quarter of 2022, where more favourable pricing dynamics in the nickel matte market allowed us to achieve substantially higher EBITDA per tonne margins compared to NPI.*

*The combination of improved terms for our Excelsior project and the capability to switch more production to nickel matte advance us toward our goal of achieving two thirds of our nickel production being class 1 for the battery metals market and becoming one of the world's largest diversified low cost nickel producers."*

**For further information please contact:**

Justin Werner  
Managing Director  
[jwerner@nickelindustries.com](mailto:jwerner@nickelindustries.com)  
+62 813 8191 2391

Cameron Peacock  
Investor Relations and Business Development  
[cpeacock@nickelindustries.com](mailto:cpeacock@nickelindustries.com)  
+61 439 908 732

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