

9 November 2018

The Manager Companies
ASX Limited
20 Bridge Street
Sydney NSW 2000

(5 pages by email)

COLLABORATION AGREEMENT EXECUTED FOR 2 ADDITIONAL RKEF LINES

The Directors of Nickel Mines Limited ('Nickel Mines') are pleased to advise that the Company has executed a binding Collaboration Agreement ('CA') with its partner Shanghai Decent Investment Group Co., Ltd ('Shanghai Decent') to acquire up to an 80% equity interest in 2 additional RKEF lines currently under construction within the Indonesia Morowali Industrial Park ('IMIP') in Central Sulawesi, Indonesia.

The additional RKEF lines (hereafter referred to as 'Ranger Nickel') will be owned under a replica structure to RKEF lines 1 and 2 (hereafter referred to as 'Hengjaya Nickel') with Nickel Mines acquiring its interest through a Singaporean incorporated holding company, Ranger Investment Private Limited ('Ranger') that will wholly own an Indonesian incorporated PMA operating company, PT Ranger Nickel Industry ('RNI') that will wholly own the Ranger Nickel RKEF lines.

The CA provides for Nickel Mines to acquire its interest in the three tranches:

- (1) An initial acquisition, the 'First Acquisition', will see Nickel Mines acquire an initial interest of 17% in Ranger and 17% of all shareholder loans due to Shanghai Decent (and its affiliates) at cost of US\$50M (based on a valuation of US\$300M).
- (2) A 'Second Acquisition Option', will permit Nickel Mines to increase its interest in Ranger and in the total shareholder loans to between 51% and 60% before 31 December 2019. If the Second Acquisition is completed within 60 days after the first batch of nickel pig iron ('NPI') is produced from the Ranger Nickel RKEF lines, the additional percentage acquired will be calculated based on a discounted valuation of US\$280M. If the Second Acquisition is completed more than 60 days after the first batch of NPI is produced from the Ranger Nickel RKEF lines, the additional percentage acquired will be calculated based on a valuation of US\$300M.
- (3) Conditional upon completion of the Second Acquisition Option, a 'Third Acquisition Option', will permit Nickel Mines to increase its interest in Ranger and in the total shareholder loans to up to 80% within 18 months of the first batch of NPI being produced from the Ranger Nickel RKEF lines. Any additional interest acquired under the Third Acquisition Option will be calculated based on a valuation of US\$300M.

The terms of the CA provide for Shanghai Decent to take a lead role in the design, construction and operationalisation of the Ranger Nickel RKEF lines, with an annual production capacity of no less than 14,000 tonnes of equivalent contained nickel, to be funded by Shanghai Decent (or its affiliates) by way of shareholder loans to RNI's holding company and for construction to be completed within 20 months from the date of the CA.

RNI will conduct the sale of its NPI products through a tender process, however, where RNI does not receive a price higher than 90% of the LME nickel price via this tender process, Shanghai Decent irrevocably and unconditionally undertakes to procure the purchase (through itself or one of its affiliates) of all (and not some of) NPI products of RNI offered at such tender process at a price equivalent to 90% of the LME nickel price.

The First Acquisition completion date is 10 business days after the execution of the CA. Nickel Mines will fund this initial acquisition from proceeds raised from its IPO.

The negotiation and execution of the CA has secured the acquisition of the 2 additional RKEF lines for Nickel Mines and has also resulted in the construction of these 2 lines, which has already commenced (see photos below), to be expedited by Shanghai Decent.

Commenting on the signing of the CA to secure its interest in Ranger Nickel, Managing Director Justin Werner said:

"We are extremely pleased to have converted our initial MoU into a definitive binding Collaboration Agreement with Shanghai Decent and to have secured our equity participation in Ranger Nickel. Having now established an ownership interest in 4 RKEF lines within the IMIP we are well on the way to becoming a globally significant nickel producer at a time when the outlook for global nickel demand looks favourable.

"Once again, Nickel Mines will benefit from industry low levels of capital intensity, first quartile NPI operating costs and timeliness of project delivery. With the expanded nickel production that these 2 additional lines offer and the additional financial benefit from our recently announced Indonesian corporate income tax concessions, Nickel Mines will be able to deliver significant value for our shareholders as both sets of RKEFs come into production.

"Construction of the Ranger Nickel RKEF lines is already well advanced and securing an ownership interest in these 2 new lines not only consolidates our tenancy in the IMIP but more importantly our relationship with Tsingshan. We look forward to a close working relationship with Tsingshan long into the future.

"Construction updates will be provided on the progress of both sets of RKEF lines over the coming weeks and months as they near completion."



Base for Ranger Nickel electric furnace



Base for Ranger Nickel rotary kiln



Foundation for Ranger Nickel slag pool

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

About Nickel Mines Limited

Nickel Mines Limited (ASX: NIC) is an ASX listed company on the cusp of becoming a 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.

Under the terms of a Collaboration and Subscription Agreement with Shanghai Decent, a Tsingshan group company, Nickel Mines will own and operate RKEF processing facilities within the Indonesia Morowali Industrial Park ('IMIP') which is the world's largest vertically integrated stainless steel facility with a current production capacity of 2.0 million tonnes per annum increasing to 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. The Hengjaya mine hosts a JORC 2012 compliant Resource of ~37.5 million dry metric tonnes at 1.81% nickel (0.7Mt Measured, 15.0Mt Indicated, 22.0Mt Inferred using a 1.5% nickel cut-off) ~680,000 tonnes of contained nickel metal.



Aerial photo of the IMIP.

pjn9672

Statement of Compliance

The information in this report that relates to Mineral Resources is based on information compiled by Mr Brett Gunter, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy. Information relating to the Mineral Resource was first disclosed in the ASX announcement 'Replacement Prospectus' dated 20 August 2018. Mr Gunter has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Brett Gunter consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.