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The Manager Companies
ASX Limited
20 Bridge Street
Sydney NSW 2000

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Nickel Mines announces A\$231 million equity raise to fund intended exercise of RKEF ownership options to move to 80% ownership in HNI and RNI

The Directors of Nickel Mines Limited (**'the Company'** or **'Nickel Mines'**) are pleased to advise of the Company's decision to increase its current 60% ownership interests in both the Hengjaya Nickel RKEF Project (**'HNI'**) and the Ranger Nickel RKEF Project (**'RNI'**) to 80% (**'the Transactions'**). These decisions have been made in consultation with the Company's collaboration partner, Shanghai Decent Investment Group Co., Ltd and its associates (**'Shanghai Decent'**), which currently holds the other 40% interests in both HNI and RNI.

Upon completion of the Transactions, the Company's attributable share of nickel production will increase from ~26,000 tonnes per annum to ~35,000 tonnes per annum (based on an annualised monthly production level of 1,800 tonnes Ni Eq from each of HNI and RNI on a 100% basis).¹

In order to fund the consideration payable to Shanghai Decent in connection with the Transactions, the Company today also announced that it is undertaking a A\$231 million fully underwritten, accelerated pro-rata non-renounceable entitlement offer (**'Entitlement Offer'**).

Decision to exercise options to move to 80% ownership in HNI and RNI

Decision to exercise option to move to 80% ownership in HNI

In accordance with the Collaboration and Subscription Agreement governing HNI (**'HNI CSA'**), the Company will increase its current holding (comprised of equity and shareholder loans) of Hengjaya Holdings Private Limited, the Singaporean domiciled holding company that wholly owns PT Hengjaya Nickel Industry, an Indonesian PMA² company that owns 100% of HNI.

Under the terms of the HNI CSA and its subsequent supplementary agreements, the Company has until 30 November 2020 to exercise its option to increase its ownership of HNI to 80% (from 60% today). The exercise price of the option is US\$60 million, based on a valuation of US\$300 million for HNI on a 100% basis.

¹ Monthly production rate in the March 2020 Quarter at each of HNI and RNI on a 100% basis was >1,800t Ni Eq. Ni Eq is nickel metal equivalent contained in nickel pig iron (NPI) produced by HNI and RNI.

² *'Penanaman Modal Asing'*; an Indonesian foreign investment company in which foreign share ownership of up to 100% is allowed.

In moving to an 80% interest in HNI, the Company's attributable share of nickel production, on an annualised basis, will increase from ~13,000 tonnes per annum to ~17,500 tonnes per annum.³

Decision to exercise option to move to 80% ownership in RNI

In accordance with the Collaboration Agreement governing RNI ('**RNI CA**'), the Company will increase its current holding (comprised of equity and shareholder loans) of Ranger Investment Private Limited, the Singaporean domiciled holding company that wholly owns PT Ranger Nickel Industry, an Indonesian PMA² company that owns 100% of RNI.

Under the terms of the RNI CA and its subsequent supplementary agreements, the Company has until 30 November 2020 to exercise its option to increase its ownership of RNI to 80% (from 60% today). The exercise price of the option is US\$60 million, based on a valuation of US\$300 million for RNI on a 100% basis.

In moving to an 80% interest in RNI, the Company's attributable share of production, on an annualised basis, will increase from ~13,000 tonnes per annum to ~17,500 tonnes per annum.⁴

Consideration payable in connection with the Transactions

The Transactions are subject to the approval of Nickel Mines' shareholders under ASX Listing Rules. A shareholder vote to approve the Transactions has been scheduled for the Company's Annual General Meeting on 29 May 2020. Based on shareholder votes cast to date and consultation with key shareholders, the Company is confident that shareholder approval is likely to be received.⁵ If shareholder approval is received, the Company intends to then initiate the process to exercise the HNI and RNI acquisition options, targeting a 30 June 2020 completion.

The total cash consideration payable by Nickel Mines to Shanghai Decent in connection with the Transactions will be ~US\$150m (or ~A\$231 million⁶), comprising:

- US\$120 million exercise price for the options (US\$60m for each 20% interest in HNI and RNI); and
- ~US\$30 million representing compensation for Shanghai Decent's estimated share of undistributed retained earnings of the 20% interests in HNI and RNI being acquired by Nickel Mines.⁷

The cash consideration payable to Shanghai Decent in connection with the Transactions will be funded out of the Company's existing cash and the net proceeds of the Entitlement Offer.

Entitlement Offer overview

Nickel Mines is undertaking a fully underwritten 1 for 3.6 entitlement offer to raise A\$231 million (equivalent to approximately US\$150 million⁸), comprising:

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

The Entitlement Offer will be conducted at A\$0.50 per New Share ('Offer Price'), representing a:

- 11.5% discount to the last traded price of A\$0.565 on Monday, 18 May 2020; and
- 9.2% discount to TERP of A\$0.55⁹

³ Based on monthly production levels of 1,800t Ni Eq from HNI on a 100% basis.

⁴ Based on monthly production levels of 1,800t Ni Eq from RNI on a 100% basis.

⁵ Investors should note that the indications of shareholders are not binding and are subject to change until the AGM.

⁶ Based on an AUD:USD exchange ratio of 0.6499.

⁷ Represents current estimate of Shanghai Decent's share of undistributed retained earnings for the 20% interests in HNI and RNI being acquired by Nickel Mines. Final retained earnings payout will depend on a range of factors including, but not limited to, the exchange rate, nickel price and the performance of HNI and RNI until the date the acquisition of the 20% interests of HNI and RNI is completed.

⁸ Based on an AUD:USD exchange ratio of 0.6499.

⁹ 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.

The Entitlement Offer will result in approximately 463 million new shares being issued, representing approximately 28% of Nickel Mine's existing issued capital. New Shares issued will rank equally with existing Shares.

Of the Nickel Mines Directors who are eligible shareholders, Robert Neale, Justin Werner and Mark Lochtenberg have each confirmed their intention to participate in the Entitlement Offer.

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.

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), 21 May 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 26 May 2020.

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 (2020)
Trading halt and announcement of Entitlement Offer	Tuesday, 19 May 2020
Institutional Entitlement Offer opens	Tuesday, 19 May 2020
Institutional Entitlement Offer closes	Wednesday, 20 May 2020
Trading halt lifted and Shares recommence trading	Thursday, 21 May 2020

Record Date under Entitlement Offer	7pm, Thursday, 21 May 2020
Retail Entitlement Offer opens and Retail Offer Booklet and Application and Entitlement Forms dispatched to eligible retail shareholders	Tuesday, 26 May 2020
Settlement of New Shares issued under Institutional Entitlement Offer	Thursday, 28 May 2020
Issue and commencement of trading of New Shares under Institutional Entitlement Offer	Friday, 29 May 2020
Retail Entitlement Offer closes	5pm, Tuesday, 9 June 2020
Settlement of New Shares issued under Retail Entitlement Offer	Monday, 15 June 2020
Issue of New Shares under Retail Entitlement Offer	Tuesday, 16 June 2020
Commencement of trading of New Shares issued under Retail Entitlement Offer	Wednesday, 17 June 2020
Holding statements sent to retail shareholders	Thursday, 18 June 2020

For further information please contact

Justin Werner
Managing Director
jwerner@nickelmines.com.au
Phone: +62 813 8191 2391

Cameron Peacock
Investor Relations and Business Development
cpeacock@nickelmines.com.au
Phone: +61 439 908 732

Important notices

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

This notice may not be released or distributed in the United States. This notice 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, directly or indirectly, 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 "Intention to Exercise RKEF Ownership Options & 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.