

ASX Release: 31 October 2018

ASX: NIC

Shares on issue: 1.388B

Cash (30 September 2018): \$90.6M

Board of Directors

Non-Executive Chairman
Rob Neale

Executive Deputy Chairman
Norman Seckold

Managing Director
Justin Werner

Executive Director and CFO
Peter Nightingale

Non-Executive Director
James Crombie

Non-Executive Director
Mark Lochtenberg

Non-Executive Director
Weifeng Huang

Non-Executive Director
YuanYuan Xu

Substantial Shareholders

Shanghai Decent	11.6%
Shanghai Wanlu	10.8%
Blackrock	9.9%
Norman Seckold	8.9%
Regal FM	5.1%

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QUARTERLY ACTIVITIES REPORT

For the quarter ended 30 September 2018

The Directors of Nickel Mines Limited ('Nickel Mines' or the 'Company') are pleased to provide the following activities report for the quarter ended 30 September 2018.

Highlights

- **Completion of an A\$200M Initial Public Offering ('IPO') and successful listing on the Australian Stock Exchange ('ASX').**
- **US\$70M of IPO proceeds used to increase equity interest in 2-line Rotary Kiln Electric Furnace ('RKEF') plant to 60%.**
- **Completion of majority of civil works for the RKEF plant with fabrication of key kiln and furnace components well advanced.**
- **Memorandum of Understanding ('MoU') for 2 additional RKEF lines signed and advancing towards a binding definitive agreement.**
- **Appointment of a Chief Operating Officer.**

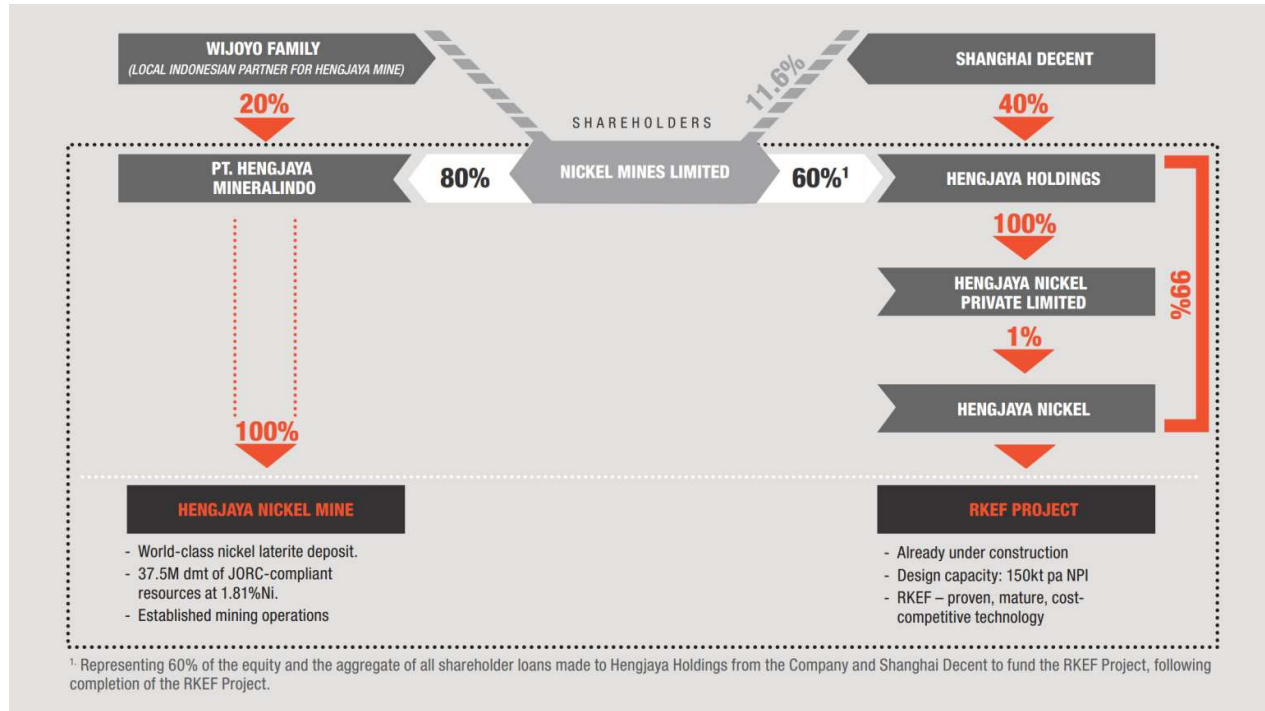


Managing Director Justin Werner and Chairman Rob Neale accepting Nickel Mines' ASX Listing Certificate

IMIP Operations

RKEF Ownership interest increased to 60%

During the quarter, in accordance with its rights under its Collaboration and Subscription Agreement ('CSA'), the Company acquired a further 35% of the issued and paid-up share capital of Hengjaya Holdings Private Limited ('Hengjaya Holdings') for US\$70 million. The purchase price was fully funded by proceeds from the Company's IPO and results in the Company's interest in the 2-line RKEF plant, which is currently under construction within the IMIP, increase to 60%. Nickel Mines has a 12 month call option from the date on which the first nickel pig iron is produced from the RKEF plant to increase its ownership of Hengjaya Holdings up to 100% for an additional US\$120 million.



In September 2018 the Company moved to a 60% interest in Hengjaya Holdings

Construction Update

Under the terms of the CSA, Shanghai Decent is responsible for construction of the RKEF plant with a capex guarantee of no more than US\$200 million for 2 RKEF lines with a minimum production capacity of 14,000 tonnes of nickel as nickel pig iron ('NPI'). Construction of the RKEF plant is progressing well with a majority of the foundation work and support structures for the rotary kilns and electric furnaces nearing completion.

The material capital equipment components of the RKEF plant, including the rotary kilns and electric furnaces, are being fabricated in China and will be transported to storage facilities at Fu'an, Fujian in China for shipment to the IMIP towards the end of the year ready for installation. It is currently anticipated that commissioning of the RKEF plant will commence at the end of the June 2019 quarter.



Support frame for rotary kiln, with base of electric furnace in the background



Dry ore plant



Hot blast stove



Shipping containers with IMIP equipment from China

Hengjaya Mine Operations



Aerial image of the Hengjaya Mine

About Hengjaya Mine

The Company holds an 80% interest in PT Hengjaya Mineralindo (PT Hengjaya), the owner of 100% of the Hengjaya mine, with the remaining 20% interest owned by the Company’s Indonesian partner, members of the Wijoyo Family.

The mine is located in the Morowali Regency, Central Sulawesi, Indonesia within an IUP licence covering 6,249 hectares. The IUP holds a 20 year mining operation/production licence with two further 10 year extension periods.

The Hengjaya mine has a JORC compliant resource of 37.5M dmt at 1.81% nickel, applying a 1.5% cut-off grade (~680 tonnes contained Ni; 0.7Mt Measured, 15.0Mt Indicated and 22.0Mt Inferred), equivalent to 57.7wmt at approximately 35% moisture content. No exploration expenditure was incurred during the quarter.



Production Overview

		July	August	September	Quarter Total
Tonnes mined	wmt	36,933	40,904	48,155	125,992
Overburden mined	Bcm	57,381	60,849	82,863	201,093
Strip ratio	Bcm/wmt	1.6	1.5	1.7	1.6
Tonnes sold	wmt	30,100	33,648	41,872	105,620
Average grade	%	2.02	2.07	2.04	2.04
Average price received	US\$/t	30.01	33.45	33.37	32.44
Average cost of production	CIF, US\$/t	23.36	20.33	24.22	22.70

September Quarter Production Report

During the quarter, production ramped up from 36,933 wmt in July to 48,155 wmt in September as the wet season abated with rainfall, as measured in the pit, decreasing from 283 mm in July to 36 mm in September. Assuming a dry season consistent with historical years the Company expects further production increases in the December quarter.

The stripping ratio was higher than the historical average as a second pit was prepared for extraction. The Company anticipates approval to start mining this pit in the next quarter which will further improve production metrics and operational flexibility.

Ore barged and sold to IMIP was adversely affected by the breakdown of the tug, resulting in an increased stockpile of mined ore at the Hengjaya mine jetty. It is anticipated this stockpile will lead to additional sales in the December quarter.

The average nickel ore sales price received was US\$32.44 per wmt with total cost of production of US\$22.65 per wmt.

As outlined in the Company's Prospectus, operations at the Hengjaya mine are planned to be upscaled with expansion initiatives to include the grading of designated haulage roads from pit operations to the mine's jetty, upsizing the trucking fleet and expanding the jetty to cater for larger barges.

To expedite these expansion activities, subsequent to the end of the quarter, the Company appointed Mr Tony Green as its Chief Operating Officer. Tony has more than 30 years of experience in the development of mining operations in Australasia, Europe, South America and Africa.

Mine Safety and Environment

Safety

No lost time injuries ('LTIs') were recorded for the quarter. One medical treatment case was recorded for a canteen employee who fell in the mess in September requiring stitches.

Environment

No environmental incidents were reported during the quarter with work continuing on contouring and rehabilitating previously mined production areas.

Community

The Company wishes to extend its heartfelt condolences to those who suffered in the earthquake and subsequent tsunami in Palu and Donggala in September and, together with its partner Shanghai Decent, has provided co-ordinated support in the form of cranes and medical vans to assist with the search and rescue operations and donated critical supplies such as food, blankets and clothing. Livestock was also donated during the quarter to the local surrounding villages for the religious Idhul Adha celebrations and sponsorship of activities to celebrate Indonesia's Independence Day on 17 August 2018.



PT Hengjaya truck ready to leave site for Palu

The Company reports that neither its Hengjaya mine nor any of the IMIP operations were impacted by the earthquake. The Morowali Regency, where both operations exist, is on the eastern side of Sulawesi and not located near any of the higher risk earthquake subduction zones which occur throughout parts of Indonesia.

Corporate

Initial Public Offering

During the quarter the Company completed an A\$200M IPO and was admitted to the Official List of the ASX on 20 August 2018. The raising was one of the largest resources industry IPOs on the ASX in the last decade.

The IPO saw the issue of 571,428,572 new fully paid ordinary shares at A\$0.35 giving the Company an implied market capitalisation of A\$486M at the IPO Offer Price.

Memorandum of Understanding

In June 2018 the Company entered into a non-binding MoU whereby the Company shall have the right, but not the obligation, to acquire an interest of no less than 51% and up to 100% in a new special purpose company which will be the owner of two new RKEF lines which Shanghai Decent may choose to construct within the IMIP. An extension of this MoU was entered into in August 2018 to allow for the completion of a definitive agreement setting out the final terms of the acquisition.

For further information please contact:

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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 stainless steel 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

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.