

8 December 2021

The Manager Companies  
ASX Limited  
20 Bridge Street  
Sydney NSW 2000

(3 pages by email)

## Definitive Agreement executed for the Oracle 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 Oracle Nickel Project ('Oracle Nickel'), a development project comprising four rotary kiln electric furnace ('RKEF') lines that has commenced construction within the Indonesia Morowali industrial Park ('IMIP') in Central Sulawesi, Indonesia.

Further to the Company's ASX release on 22 November 2021 announcing a Memorandum of Understanding ('MoU') with Shanghai Decent for the Company to participate in Oracle Nickel, the signing of this Agreement formalises the Company's investment opportunity.

The Oracle 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'); and
- (ii) ancillary facilities required for the operation of each of the RKEF lines.

Oracle Nickel will also separately undertake the construction of a 380MW captive power plant that will support the Company's RKEF lines and the IMIP's overall grid power requirements.

The Company will acquire its 70% interest in Oracle Nickel for a total consideration of US\$371M (US\$530M \* 70%), together with the obligation to provide Oracle Nickel US\$154M (US\$220M \* 70%) of "construction" funding by way of shareholder loans.

The following payment schedule has been agreed.

Date	Amount (US\$M)	Cumulative (US\$M)		% of ONI
Signing of MoU	10.0	10.0	Paid	
Signing of Definitive Agreement	20.0	30.0		
By 31 March 2022	23.0	53.0		10%
By 30 June 2022	106.0	159.0		30%
By 30 September 2022	46.2	205.0	1 <sup>st</sup> construction shareholder loan	
By 31 December 2022	212.0	417.2		70%
	46.2	463.4	2 <sup>nd</sup> construction shareholder loan	
By March 2023	61.6	525.0	3 <sup>rd</sup> construction shareholder loan	
<b>Total</b>	<b>525.0</b>			

The terms of the Agreement provide for Shanghai Decent to take a lead role in the design and construction of Oracle Nickel with commissioning of the four Oracle RKEF lines to commence no later than 19 February 2023 and the power plant to commence commissioning no later than 19 July 2023 (subject to any force majeure event).

Actual construction costs for the Oracle Nickel Project together with the power plant shall not exceed US\$750M with Shanghai Decent undertaking to indemnify Nickel Mines for any construction costs exceeding US\$750M.

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

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

- (i) Shareholder Approval: completion of the transaction is subject to shareholder approval, with a General Meeting of Shareholders expected to be held in Q1 2022. An Independent Expert Valuation Report is nearing completion and will be included in the Notice of Meeting;
- (ii) Off-Take of NPI: Shanghai Decent irrevocably and unconditionally undertakes to procure all of the NPI product from PT ONI at market prices for NPI in China and shall indemnify Nickel Mines for all and any losses, costs or damages should it fail to fulfil this obligation; and
- (iii) Acquisition Funding: it is agreed that the acquisition consideration may be funded by existing cash reserves, debt funding and equity funding (or a combination thereof) at Nickel Mines' sole discretion.

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

*“Once again we are extremely pleased to have quickly converted a project acquisition MoU into a binding Agreement with Shanghai Decent. This transaction not only further cements our strategic partnership with Tsingshan but importantly continues to position Nickel Mines as a globally significant nickel producer. With our commitment to the Oracle Nickel Project coming rapidly on the heels of the fast-tracked commissioning of our 80%-owned Angel Nickel Project, Nickel Mines is set to more than triple the size of its attributable nickel production and operational cash flows over the next 15 months. With 12 RKEF lines in operation by Q1 2023 and approximately 100kt of attributable nickel production, Nickel Mines will sit comfortably amongst the top-10 global producers and be arguably the largest listed pure-play nickel exposure globally. In collaboration with our trusted partner Shanghai Decent we are excited to continue our remarkable growth trajectory and look forward to further broadening our relationship as we jointly explore future HPAL opportunities and renewable energy projects to support the sustainability of the Indonesian nickel industry.”*

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

**For further information please contact:**

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