

16 August 2018

The Manager Companies  
ASX Limited  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir / Madam,

### **PRE-QUOTATION DISCLOSURE**

The following information is provided to ASX Limited for release to the market in connection with the admission to the official list and official quotation of 1,046,613,028 fully paid ordinary shares (**Shares**) in Nickel Mines Limited (ACN 127 510 589) (**Company**) in connection with the Company's initial public offering (**Offer**).

Capitalised terms used and not defined in this letter have the meaning given to them in the replacement prospectus lodged by the Company with the Australian Securities and Investments Commission (**ASIC**) on Tuesday 7 August 2018 (**Prospectus**), which replaced the original prospectus lodged with ASIC on Thursday 5 July 2018.

The company applied for quotation of its Shares on, and admission to the official list of the Australian Securities Exchange (**ASX**) on 5 July 2018.

#### **1 . Pre-quotation disclosure**

The Company confirms the following:

- a) an aggregate of 280,344,232 securities will not be quoted and will be classified as restricted securities for a period of 24 months from the date of official quotation of the securities of the Company;
- b) an aggregate of 61,038,364 securities will not be quoted and will be classified as restricted securities for a period of 12 months from the date of issue; and
- c) the issue of 8,084,822 fully paid ordinary shares to CO2 Capital Private Limited occurred on 14 August 2018.

#### **2. Production Target information for the Hengjaya Mine**

We refer to the Hengjaya Nickel Project Asset Review and Global Nickel Market Outlook report prepared by Wood Mackenzie, as contained in section 3 of the Prospectus (**Wood Mackenzie Report**).

The Wood Mackenzie Report included sensitivity analyses of EBITDA and FCF calculations for 1 year of operations of the Hengjaya Mine and RKEF Project on a steady-state ownership basis at a range of nickel prices and +10% and +20% HM mine and RKEF Project operating costs - extracted below.

### Indicative 1-year steady-state EBITDA and FCF sensitivity analysis at a range of Nickel Prices

At 60% RKEF ownership (9.9 kt Ni attributable production)

Metrics	Nickel Price						
	US\$/t	8,000	10,000	12,000	14,000	16,000	18,000
	US\$/lb	3.63	4.54	5.44	6.35	7.26	8.16
Attributable revenue <sup>1,2</sup>	US\$M	89.8	113.1	136.4	159.7	180.0	199.8
- RKEF revenue	US\$M	79.2	99.0	118.8	138.6	158.4	178.2
Attributable EBITDA <sup>1</sup>	US\$M	8.0	26.8	45.7	64.5	84.0	103.7
- RKEF EBITDA	US\$M	10.1	25.7	41.2	56.7	75.9	95.7
EBITDA margin		9%	24%	33%	40%	47%	52%
Attributable NPAT <sup>4</sup>	US\$M	(2.6)	11.5	29.1	43.2	57.8	72.6
FCF <sup>3</sup>	US\$M	4.5	17.4	29.1	41.8	55.0	68.3
- RKEF FCF	US\$M	6.3	16.8	26.2	36.7	49.7	63.1

<sup>1</sup> Revenue and EBITDA profiles assume a 49% contribution from the HM mine in line with regulatory divestiture requirements from the Company's current 80% interest in PT Hengjaya Mineralindo.

<sup>2</sup> Revenue profiles assume that contained nickel in the NPI receives 100% of the LME nickel price

<sup>3</sup> Dividend withholding tax at 10%

<sup>4</sup> Equity financed

### Indicative 1-year steady-state EBITDA and FCF sensitivity analysis at a range of Nickel Prices with +10% increase in the Hengjaya Mine and RKEF Project operating costs

At 60% RKEF ownership (9.9 kt Ni attributable production)

Metrics	Nickel Price						
	US\$/t	8,000	10,000	12,000	14,000	16,000	18,000
	US\$/lb	3.63	4.54	5.44	6.35	7.26	8.16
Attributable revenue <sup>1,2</sup>	US\$M	89.8	113.1	136.4	159.7	180.0	199.8
- RKEF revenue	US\$M	79.2	99.0	118.8	138.6	158.4	178.2
Attributable EBITDA <sup>1</sup>	US\$M	1.5	20.3	39.2	58.0	77.6	97.2
- RKEF EBITDA	US\$M	4.9	20.4	35.9	51.4	70.6	90.4
EBITDA margin		2%	18%	29%	36%	43%	49%
Attributable NPAT <sup>4</sup>	US\$M	(6.6)	6.7	24.2	38.3	53.0	67.7
FCF <sup>3</sup>	US\$M	0.0	13.0	24.8	37.5	50.7	63.9
- RKEF FCF	US\$M	2.8	13.2	22.7	33.2	46.1	59.5

<sup>1</sup> Revenue and EBITDA profiles assume a 49% contribution from the HM mine in line with regulatory divestiture requirements from the Company's current 80% interest in PT Hengjaya Mineralindo.

<sup>2</sup> Revenue profiles assume that contained nickel in the NPI receives 100% of the LME nickel price

<sup>3</sup> Dividend withholding tax at 10%

<sup>4</sup> Equity financed

**Indicative 1-year steady-state EBITDA and FCF sensitivity analysis at a range of Nickel Prices with +20% increase in the Hengjaya Mine and RKEF Project operating costs**

**At 60% RKEF ownership (9.9 kt Ni attributable production)**

Metrics	Nickel Price						
	US\$/t	8,000	10,000	12,000	14,000	16,000	18,000
	US\$/lb	3.63	4.54	5.44	6.35	7.26	8.16
Attributable revenue <sup>1,2</sup>	US\$M	89.8	113.1	136.4	159.7	180.0	199.8
- RKEF revenue	US\$M	79.2	99.0	118.8	138.6	158.4	178.2
Attributable EBITDA <sup>1</sup>	US\$M	(5.0)	13.9	32.7	51.6	71.1	90.7
- RKEF EBITDA	US\$M	(0.4)	15.1	30.6	46.1	65.4	85.2
EBITDA margin		(6%)	12%	24%	32%	39%	45%
Attributable NPAT <sup>4</sup>	US\$M	(10.6)	1.8	16.0	33.5	44.8	62.9
FCF <sup>3</sup>	US\$M	(4.4)	8.6	21.4	33.1	47.3	59.5
- RKEF FCF	US\$M	(0.8)	9.7	20.2	29.6	43.6	56.0

<sup>1</sup> Revenue and EBITDA profiles assume a 49% contribution from the HM mine in line with regulatory divestiture requirements from the Company's current 80% interest in PT Hengjaya Mineralindo.

<sup>2</sup> Revenue profiles assume that contained nickel in the NPI receives 100% of the LME nickel price

<sup>3</sup> Dividend withholding tax at 10%

<sup>4</sup> Equity financed

**3. Material assumptions on which the production target in respect of the Hengjaya Mine is based:**

**Hengjaya Mine related assumptions**

Assumptions	Assumed value	Wood Mackenzie comments
Ore price (US\$/wmt)	28.5	<p>Tsingshan is the predominant buyer of nickel ore being produced in the Sulawesi region and is currently buying ore with an average grade of 1.90% Ni and average moisture content of 36% for ~US\$31/wmt which reflects an LME nickel price of ~US\$14,000/t.</p> <p>The assumed 'base case' price in the model of US\$28.50/wmt has been arrived at after adjusting for the grade and moisture content of the ore estimated to be delivered by Nickel Mines with reference to the 1.90% grade ore at ~US\$14,000/t Ni.</p> <p>For the purposes of the sensitivity analysis, ore prices are assumed to be positively correlated with changes in LME nickel. This translates to an assumed ore price range of:</p> <ul style="list-style-type: none"> <li>• US\$18.5/wmt for 1.9% grade ore at US\$8,000/t Ni; to</li> <li>• US\$33/wmt at US\$16,000/t Ni.</li> </ul> <p>It should be noted that ore prices have been capped for the purposes of sensitivity analysis at US\$33/wmt to reflect the purchasing power of Tsingshan with regards to ore entering the IMIP. In Wood Mackenzie's view the ore price assumption is reasonable based on the above and the rationale regarding the Indonesian laterite export ban discussed above.</p>
Ore grade (%)	1.81	Average life of the mine Resource grade has been assumed as per the JORC Resource statement. Refer to the JORC Resource statement for basis.
Mining cost (US\$/wmt)	16.0	Mining costs of US\$16/wmt have been estimated based on mining a new pit in the recently acquired Pinjam Pakai. The new pit is significantly closer to the port than the current Bete Bete pit meaning a material

Assumptions	Assumed value	Wood Mackenzie comments
		reduction in haulage distances. With designated haul roads linking the pit to the port, larger tonnage trucks can also be utilised further improving operating efficiencies. The cost of US\$16/wmt is considered reasonable for an operation of this nature and is also inclusive of local royalties, reclamation costs and contingencies.
Royalty rate (%)	5.0	The model assumes the production royalty at the rate of 5% of revenue based on the government mandated nickel ore price which is in line with the current regulations.
Capital cost (US\$M)	7.5	Capital expenditure of US\$7.5M has been provided for improvements at Hengjaya mine. This is considered sufficient to upgrade haulage roads and trucking fleet and expand port capacity to cater for the ~1.5Mt of nickel laterite material required to feed Nickel Mines' RKEF lines (current mining rates are ~600 ktpa).

### RKEF Project related assumptions

Assumptions	Assumed value	Wood Mackenzie comments
Production (kt of NPI – gross)	150.0	Assumed production of 150 ktpa (gross NPI) is in line with the planned capacity of the plant. Based on Wood Mackenzie's review of the FSR and other aspects of its review and site visit, we are of view that there is nothing from a "fatal flaw" perspective that would cause the RKEF Project to not deliver upon its nameplate specifications.
Long term nickel price (US\$/t contained Ni)	Nickel prices ranging from US\$8,000/t – US\$18,000/t	The model runs sensitivities at a range of prices from US\$8,000/t to US\$18,000/t for Class I grade nickel traded on LME to calculate EBITDA and FCF. In the longer term as the market for NPI and Class I nickel bifurcates due to rapidly growing demand from battery segment, it is possible that NPI may attract some discount to LME Class 1 price. For further comment on nickel prices refer to the NPI Pricing section in the Nickel Market Assessment. Given Wood Mackenzie's long term nickel price outlook, the price range used for the EBITDA and FCF calculations considered acceptable.
NPI grade (%)	11.0	NPI grade of 11% is reasonable. Based on discussions with SDI senior management we understand the average grade across the 20 similar operating RKEF lines operating within the IMIP in 2017 was ~12.6% suggesting some potential upside to the assumed grade of 11% and nickel metal output of 16.5kt.
Ni Metal Units (kt)	16.5	
Ore cost (US\$/wmt)	28.5	Ore cost has been estimated based on the currently prevailing pricing structure for the Indonesian nickel saprolite ores (see Mine related assumptions).
Power cost (US\$ /t contained Ni)	2,600	Based on the existing RKEF operations, two RKEF lines are expected to consume about 40,000 to 43,000 kwh/contained Ni tonne. The electricity required for the plant will be supplied by IMIP's captive power plant under an agreed formula linked to 4,500 CV thermal coal prices. Utilising the agreed formula and adopting Wood Mackenzie's price outlook for thermal coal, we estimate the electricity cost to range from US\$2,560/t to US\$2,640/t with an average of US\$2,573/t. The modelled cost of US\$2,600/t is therefore considered reasonable and conservative compared our estimated cost and competitive compared to other projects in our global database.

Assumptions	Assumed value	Wood Mackenzie comments
Reductant coal cost (US\$/t contained Ni)	1,450	The modelled cost of reductant coal is representative of coal costs paid within the IMIP in 2017. Wood Mackenzie forecasts the long term coking coal price will be lower than in 2017 and therefore considers the assumed value as reasonable.
Other costs (US\$/t contained Ni)	1,612	Other costs include operational consumables such as refractory bricks for the kiln, electrode paste and shells for the electric furnace and diesel. These costs also include a direct labour charge, management costs and provisions for repairs and maintenance. These costs are reflective of current operational performance of the existing RKEF lines operating in the IMIP and are considered reasonable based on an assessment of other projects in our global database.
Capex (US\$M)	200	Based on the RKEF lines already completed, Tsingshan estimates capital expenditure for the Nickel Mines' 2 RKEF lines will amount to approximately US\$130M-US\$150M. Under the CSA, Tsingshan has guaranteed the capital cost at US\$200M. The \$200M capital cost to Nickel Mines incorporates an allocated charge for the use and benefit of all existing infrastructure within the IMIP.
Sustaining capex (US\$M/year)	5	The US\$5M per annum of sustaining capital in the model is considered reasonable and sufficient to cover maintenance and any major overhauls of the RKEF based on discussions with management. This is in addition to a repairs and maintenance charge already incorporated into ongoing operating costs.

#### 4. Production target information in respect of the Hengjaya Mine

The above earnings before interest, tax, depreciation and amortisation ('EBITDA') and free cash flow ('FCF') calculations have assumed nickel laterite material being supplied by the Hengjaya Mine to the RKEF operation at the rate of approximately 1.5M wmt pa.

This assumption has been used because in order to produce 16.5ktpa of nickel metal in the form of NPI, the 2 RKEF lines, when completed and at full production, require approximately 1.5Mt pa of nickel laterite material (assuming a grade and moisture content of 1.8% and 35% respectively).

Although ore supply for the RKEF operation does not have to be sourced from the Hengjaya Mine, the assumed 1.5M mtp pa of nickel laterite material to be supplied from the Hengjaya Mine to the RKEF Project and the associated contributions of the Hengjaya Mine to the EBITDA and FCF calculations are notionally 'production targets' for the purposes of ASX Listing Rule 5.16 and 5.17.

The material assumptions on which the Hengjaya Mine's ability to produce 1.5M wmt pa of nickel laterite material and its contributions to EBITDA and FCF are based are as follows:

- Based on the Hengjaya Mine's currently reported Resource (refer below and to the Geologists' Report contained in section 10 of the Prospectus) of 37.5M dry tonnes, equivalent to 57.7M wmt, the Hengjaya Mine life is in excess of 35 years at the assumed production rate of 1.5M wmt pa.
- Current Hengjaya Mine operations have been delivering approximately 50kt wmt per month (600kt wmt pa) of nickel laterite material to the IMIP under a contractual arrangement with Tsingshan. The relocation of mining operations to the Central Zone, scheduled to be ready for operations in early 2019, will enable the Hengjaya Mine to deliver on these expanded production amounts if required. The current mining operations at the Hengjaya Mine is by mining contractors and comprises standard truck and shovel mining operations, with the limonite layer removed to expose the saprolite material. This is then excavated and directly trucked to the Hengjaya Mine port facility on the coast, where it is sampled, stockpiled and loaded to barges. This mining and shipping process is utilised in several mining operations in the Sulawesi area. Some dilution may occur during the mining process (considering the variability in grades within any given laterite nickel deposit) with sub-grade material potentially being excavated as part of the normal mining process. However, the amount of dilution

is controlled and shipping records indicate that the delivered material fulfils the requirements of IMIP and, therefore, is not material.

- EBITDA for the Hengjaya Mine operations has been calculated (adopting the assumptions described in section 3 above) as: Revenue from sale of nickel laterite material - operating cost of mine, where operating costs include mining cost, transportation cost to jetty, barging cost, loading and unloading costs, local royalty and production royalty.
- The Hengjaya Mine operations are fully permitted, having in place an existing AMDAL (Indonesia Environmental Impact Statement) and environmental management plan as required by prevailing legislation. The mining pits are shallow and progressively reclaimed and the area is not an environmentally sensitive area.
- The 2 RKEF lines, which are situated within the IMIP, may source nickel laterite material from the Hengjaya Mine which is located approximately 20km by road or 20 nautical miles by barge from the IMIP. The Hengjaya Mine operates under an IUP Operasi/Produksi (Izin Usaha Pertambangan or mining business licence, Operation/Production) and is a contractor operation utilising truck and shovel machinery. For more than 3 years mining has been occurring from the Bete Bete pit where nickel laterite material has been transported approximately 12km along a provincial highway in 8 tonne trucks to Hengjaya Mine's own jetty for loading into 5,000 tonne barges for shipping to the IMIP. With the recent granting of a new Pinjam Pakai (forestry production permit) mining operations are planned to move to a new production zone (the Central Zone) approximately 4.5km from the Hengjaya Mine jetty resulting in significantly reduced haulage distances. As part of the relocation, dedicated haul roads will be also be utilised allowing for significantly larger trucks (20-30 tonnes) which will reduce operating costs.
- At present, there are no known technical impediments for Hengjaya Mine to implement a mine plan that would successfully supply the current, and any future, off-take agreement with IMIP.

## **5. Competent Person's Statement**

The Geologists' Report contained in Section 10 of the Prospectus contains estimates and information of the Mineral Resources is based on information compiled by Brett Gunter, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy. Brett Gunter has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaking 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 Geologists' Report of the matters based on his information in the form and context in which it appears.

## 6. Relevant proportions

The current mining depleted and categorised resource estimate for the Hengjaya Mine concession area at 1.5% Ni cut-off, date stamped 30 January 2018 is:

Category	Block	Dry Tonnes	Ni (%)	Co (%)	Fe (%)	
Measured	Block B	18,000	1.70	0.03	16.00	
	Block C	690,000	1.80	0.05	16.00	
<b>Total Measured</b>		<b>700,000</b>	<b>1.80</b>	<b>0.05</b>	<b>16.00</b>	
Indicated	Bete Bete	5,500,000	1.90	0.04	15.00	
	West Bete Bete	1,200,000	1.80	0.05	6.10	
	Central	350,000	1.80	0.07	16.00	
	Central 2	6,400,000	1.80	0.08	17.00	
	Block A	890,000	1.90	0.09	40.00	
	Block B	210,000	1.70	0.03	16.00	
	<b>Total Indicated</b>		<b>15,000,000</b>	<b>1.90</b>	<b>0.06</b>	<b>17.00</b>
	Inferred	Bete Bete	300,000	2.00	0.04	17.00
West Bete Bete		900,000	1.90	0.05	12.00	
Central		17,000,000	1.80	0.05	17.00	
Central 2		2,700,000	1.70	0.08	17.00	
Block A		200,000	1.90	0.09	41.00	
Block B		600,000	2.00	0.03	15.00	
Block C		100,000	1.70	0.04	16.00	
<b>Total Inferred</b>			<b>22,000,000</b>	<b>1.80</b>	<b>0.05</b>	<b>17.00</b>
<b>Grand Total</b>		<b>38,000,000</b>	<b>1.80</b>	<b>0.06</b>	<b>17.00</b>	

Therefore, the stated Resources within the PT Hengjaya Mineralindo concession area are 0.7Mt @ 1.80% Ni in the Measured category, 15Mt @ 1.90% Ni in the Indicated category and approximately 22Mt @ 1.50% Ni in the Inferred category.

## 7. Inferred Mineral Resources

As noted in the Hengjaya Mine Resource estimate above, a proportion of the production target is based on Inferred mineral resources. There is a low level of geological confidence associated with Inferred mineral Resources and there is no certainty that further exploration work will result in the determination of Indicated mineral Resources or the production target itself will be realised.

Yours faithfully



Richard Edwards  
Company Secretary