

20 June 2023

Dear Shareholder,

## EXTRAORDINARY GENERAL MEETING – SUPPLEMENTARY INFORMATION

Nickel Industries Limited (ASX:NIC) (**'Nickel Industries'** or **'the Company'**) has convened an Extraordinary General Meeting of shareholders (**'EGM'**) to be held on 5 July 2023.

At the EGM, shareholders will vote on resolutions including the acquisition of an indirect 10% interest in PT Huayue Nickel Cobalt (**'HNC'**) from Newstride Development Limited (**'Newstride'**), an entity affiliated with Shanghai Decent Investment (Group) Co. Ltd (**'HNC Acquisition'**), and the issue of shares to Newstride (or its nominee) (**'Newstride Conditional Placement'**). An Independent Expert's Report accompanied the Notice of EGM.

On 9 June 2023, Nickel Industries announced that (subject to shareholder approval):

- it had entered into a share subscription agreement for a conditional share placement to PT United Tractors Tbk (**'UT'**), through its subsidiary, PT Danusa Tambang Nusantara (**'DTN'**) equivalent to 19.9% of the enlarged capital of the Company (as at the date of completion). The new shares are to be issued at A\$1.10 per share raising proceeds of A\$943 million; and
- the Company and DTN have executed a Collaboration Agreement covering a conditional 20% direct investment in the ENC Project, as well as potential future Indonesian nickel mining and processing initiatives.

UT will have the right to appoint a director to the Nickel Industries Board on completion of the share subscription agreement.

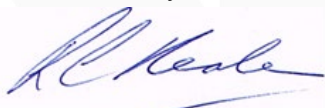
The proposed transactions are conditional on factors including completion of the HNC Acquisition and Newstride Conditional Placement (in respect of the conditional share placement to DTN), shareholder approval (in respect of the conditional share placement to DTN) and completion of a feasibility study and related final investment decision by Nickel Industries to proceed with the ENC Project.

The Independent Expert has considered the proposed transactions with UT as announced by Nickel Industries on 9 June 2023 and is of the view that the proposed transactions with UT do not change the opinion of the Independent Expert in respect of the HNC Acquisition and the Newstride Conditional Placement. A letter from the Independent Expert dated 19 June 2023 is attached.

The recommendation of the Non-Conflicted Directors in relation to the HNC Acquisition and Newstride Conditional Placement has not changed. The Non-Conflicted Directors recommend that shareholders vote in favour of Resolution 1 at the EGM.

On behalf of the Board, I thank you for your continued support.

Yours sincerely,



Robert Neale  
Chairman, Nickel Industries Limited

The Independent Directors  
Nickel Industries Limited  
Level 2, 66 Hunter Street  
Sydney NSW 2000

19 June 2023

**Subject: Proposed issue of shares to Shanghai Decent Investment (Group) Co., Ltd**

Dear Directors

## **Introduction**

- 1 We refer to our independent expert's report (IER) dated 16 May 2023 in relation to a series of transactions entered into between Nickel Industries Limited (Nickel Industries or the Company) and Shanghai Decent Investment (Group) Co., Ltd (Shanghai Decent), in particular the HNC Acquisition<sup>1</sup> (one of the Acquired Assets) and the Newstride Conditional Placement which formed part of the funding for the Acquired Assets and Acquired Options.
- 2 In relation to these transactions we concluded that:
  - (a) the HNC Acquisition is fair and reasonable to Nickel Industries Shareholders
  - (b) the Newstride Conditional Placement is not fair<sup>2</sup> but is reasonable to Nickel Industries Shareholders.
- 3 An extraordinary general meeting (EGM) of Nickel Industries Shareholders has been convened for 5 July 2023 to enable shareholders to approve (or reject) the above resolutions in respect of these transactions.

## **Subsequent conditional share placement**

- 4 On 9 June 2023, Nickel Industries announced that (subject to shareholder approval):
  - (a) it had agreed a conditional share placement to PT United Tractors Tbk (UT)<sup>3</sup> equivalent to 19.99% of the enlarged capital of the Company. The new shares to be issued are priced at A\$1.10 per share and, based on the associated issue of 857 million shares, the placement will raise A\$942.7 million

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<sup>1</sup> Definitions adopted in this Supplementary Letter are consistent with those adopted in our IER.

<sup>2</sup> Our conclusion that the Newstride Conditional Placement is not fair reflects the relevant requirements of ASIC RG 111, pursuant to which fairness is to be determined based on a comparison of the value of a controlling interest prior to a transaction with the value of a portfolio interest post the transaction.

<sup>3</sup> The proposed placement is to be made to PT Danusa Tambang Nusantara (DTN), a wholly owned subsidiary of UT.

### **Authorised Representatives:**

Wayne Lonergan • Craig Edwards\* • Hung Chu • Martin Hall • Martin Holt\* • Grant Kepler\* • Julie Planinic\* • Nathan Toscan • Jorge Resende

- (b) the Company and DTN have executed a Collaboration Agreement covering a conditional 20% direct investment in the ENC Project, as well as potential future Indonesian nickel mining and processing initiatives.
- 5 UT will have the right to appoint a director to the Nickel Industries Board on completion of the share subscription agreement.
- 6 The proposed transactions with UT are conditional on factors including completion of the HNC Acquisition and Newstride Conditional Placement (in respect of the conditional share placement) and completion of a feasibility study and a related final investment decision (FID) by Nickel Industries to proceed with the ENC Project (in respect of the Collaboration Agreement).
- 7 The proposed transactions with UT arose following introductory discussions between the Company and UT, and subsequent negotiation between the parties.

### Share placement price

- 8 In Section VII of our IER we assessed the portfolio value of Nickel Industries shares post the Newstride Conditional Placement in the range of A\$1.15 to A\$1.33 per share. The proposed placement price to UT of A\$1.10 per share therefore lies below our assessed value range. Taken in isolation therefore, we note that the placement price would be assessed as “unfair” under the RG 111 guidelines.
- 9 We have also considered the placement price having regard to the prices at which Nickel Industries shares have recently traded on the ASX. In the period of one month up to 8 June 2023 (being the last trading day prior to the UT announcement) the VWAP of Nickel Industries shares was A\$0.89 and the last traded price on that day was A\$0.87 per share. The placement price therefore reflects a substantial premium to this recent trading range.
- 10 As indicated above the recent share trading has been at levels significantly lower than what we consider to be an appropriate portfolio value for shares in the Company. In considering factors that may have contributed to this differential we note that there is currently a short position in Nickel Industries shares of around 120 million shares. Having regard to the aggregate level of significant shareholdings in the Company (which prima facie have a very low level of liquidity), the indicated short position is considerable.
- 11 Whilst we are unaware of the rationale adopted by share traders in the Company, we note that some share traders may have sold shares (short) in anticipation of a future significant equity raise associated with an investment decision by Nickel Industries to proceed with the ENC Project. As discussed further below, we understand it is the current view of the Company that (assuming both the Conditional Placement and investment by DTN in the ENC Project proceed) “no further equity issuance is expected to be required by the Company to fund Stage 1 or Stage 2 of the ENC Project.”.

### The ENC Project

- 12 As noted above the proposed share placement is one of the key components of the agreements with UT, the other being the conditional 20% direct investment in the ENC Project (by DTN), as well as potential future Indonesian nickel mining and processing initiatives.

- 13 Subject to shareholder approval, pursuant to the series of inter-conditional transactions covered by our IER, Nickel Industries has acquired an option (one of two Acquired Options) for participation in, and construction of, a nickel sulphate and electrolytic nickel plant using the HPAL process (the ENC Project) for US\$25 million. For the purpose of our IER, we adopted a value for the ENC Project option of US\$25 million, equivalent to the option price paid.
- 14 We noted however that the Acquired Options (including the nickel matte conversion opportunity at ONI) provide a strategic advantage, securing the rights for the Company to collaborate with Shanghai Decent on future battery nickel opportunities, access proprietary technology and experienced technical teams to support these opportunities. and to provide the Company with further exposure to Class 1 nickel production by means of the interest in the ENC Project and the future nickel conversion opportunity. These opportunities are expected to provide Nickel Industries shareholders with significant exposure to the EV battery supply chain and to be value accretive once in place.
- 15 Whilst we have yet to see the feasibility study in relation to the ENC Project (the Company has advised that the study is “*well advanced*”), we consider the following aspects of the UT announcement to be prima facie positive as regards the future realisation of the value inherent in the ENC Project:
- (a) UT is one of Indonesia’s largest industrial conglomerates and a direct subsidiary of PT Astra International Tbk, a diversified business group and the sixth largest listed company (by market capitalisation) in Indonesia. Both companies have a long term investment approach, as well as a long established and significant business and financial presence in Indonesia (and the South East Asian region generally)
  - (b) UT’s interest in equity participation in the ENC Project is consistent with an observed current high level of interest from industry participants in opportunities in the Class 1 (HPAL) nickel sector in Indonesia
  - (c) based on initial discussions with parties in relation to the potential provision of project finance for the ENC Project, the Company considers that (subject to confirmation of DTN participation) the Collaboration Agreement provides a funding solution to enable construction of Stage 1 of the ENC Project to commence (subject to FID)
  - (d) UT / DTN have indicated an interest in participation in a subsequent Stage 2 of the project (at a project size comparable to Stage 1), investigation of which by Nickel Industries and Shanghai Decent has commenced given the indicated DTN equity participation
  - (e) it is reasonable to assume that an early commencement / completion of Stage 1 of the ENC Project would provide competitive advantages to the equity participants, particularly given the indicated level of interest / proposed investment in the associated part of the nickel sector in Indonesia
  - (f) the price of US\$2.5 billion (for a 100% interest) at which the 20% interest is to be acquired by DTN (effectively from Nickel Industries) represents a premium over the contracted maximum price negotiated by Nickel Industries with Shanghai Decent.

## Newstride Conditional Placement

- 16 As noted above, at an EGM on 5 July 2023 Nickel Industries shareholders are being asked to approve the Newstride Conditional Placement, which is priced at A\$1.02 per share. In this regard, shareholders should be aware that this proposed share placement is not directly comparable with the proposed conditional share placement to UT. Specifically, the Newstride Conditional Placement at A\$1.02 per share is only one component of a number of inter-conditional transactions.
- 17 In Section VII of our IER we assessed the impact of these inter-conditional transactions and concluded that, taken overall, they are value accretive as regards Nickel Industries shareholders, notwithstanding the prima facie relative discount in the Newstride Conditional Placement price when viewed in isolation.
- 18 Accordingly, in our view:
- (a) it is inappropriate to simply compare the two share placement prices
  - (b) there is no pricing inconsistency between the Newstride Conditional Placement and the proposed share placement to UT.
- 19 In considering the resolution to approve the Newstride Conditional Placement, Nickel Industries Shareholders should also be aware that the announced conditional transactions with UT are themselves conditional on prior Nickel Industries Shareholder approval of the Newstride Conditional Placement and then specific subsequent shareholder approval at a further general meeting of shareholders (the timing of which has yet to be determined). In relation to the latter, it is our current understanding that the proposed transaction structures will require the preparation of a subsequent IER.

## Impact on ownership

- 20 In Section VIII of our IER we considered the impact on the ownership (and control) of Nickel Industries assuming shareholder approval of the Newstride Conditional Placement.
- 21 On the assumption the proposed share placement to UT is similarly approved, we set out below the revised ownership position of the Company:

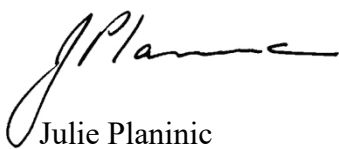
Share capital comparison			
	Nickel Industries shares on issue million	Shares held by Shanghai Decent million %	
Pre Equity Raise	2,731.3	581.8	21.3
Shares issued under Institutional Placement	259.1	-	-
Shares issued under SPP	33.9	-	-
<b>Post Institutional Placement and SPP</b>	<b>3,024.3</b>	581.8	19.2
Newstride Conditional Placement	381.4	381.4	100.0
Conditional Placement to Wanlu and Mr Lochtenberg	23.2	-	-
<b>Shares on issue post the Conditional Placement to Newstride</b>	<b>3,428.8</b>	963.1	28.1
Share placement to UT	857.0	-	-
<b>Shares on issue post placement to UT</b>	<b>4,282.8</b>	963.1	22.5

- 22 In respect of the above we note that if the share placement to UT is approved:
- (a) the interest of Shanghai Decent will be diluted to 22.5%
  - (b) UT will become the second largest shareholder in Nickel Industries with an interest of 19.99%.
- 23 We further note that whilst UT will also have Board representation<sup>4</sup>, consistent with the Newstride Conditional Placement, the placement to UT is not expected to have an impact on the day to day operations or control of the Company.

### Summary

- 24 We have considered the proposed transactions with UT as announced by Nickel Industries on 9 June 2023. We are of the view that the proposed transactions with UT do not change our opinions in respect of the HNC Acquisition and Newstride Conditional Placement set out above (and in our IER dated 16 May 2023).
- 25 Whilst we have yet to undertake a detailed analysis, prima facie, for the reasons indicated above, we consider the proposed transactions with UT are likely to be value accretive for Nickel Industries Shareholders. In considering the related resolutions at the EGM on 5 July 2023 shareholders should be aware that:
- (a) approval of the HNC Acquisition and Newstride Conditional Placement is required as a condition of the proposed transactions with UT
  - (b) shareholders will have the opportunity at a subsequent extraordinary general meeting to approve (or reject) resolutions related to the proposed transactions with UT and the ENC Acquisition. The accompanying documentation to shareholders will include an independent expert report with respect to the ENC Acquisition.

Yours faithfully



Julie Planinic  
Authorised Representative



Jorge Resende  
Authorised Representative

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<sup>4</sup> Assuming UT exercises its right to appoint a director to the Board of Nickel Industries.