

4 September 2018

The Manager Companies
ASX Limited
20 Bridge Street
Sydney NSW 2000

(3 pages by email)

RKEF PROJECT OWNERSHIP INCREASED TO 60%

The Directors of Nickel Mines Limited ('Nickel Mines' or 'the Company') are pleased to advise that the Company has submitted notice to Shanghai Decent Investment (Group) Co., Ltd ('Shanghai Decent') to acquire 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 is fully funded by proceeds from the Company's IPO and the Company's interest in the 2-line Rotary Kiln Electric Furnace ('RKEF') plant currently under construction within the Indonesia Morowali Industrial Park ('IMIP') will increase to 60%.

Nickel Mines also 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 the RKEF plant to 100% for an additional US\$120 million.

Construction Update

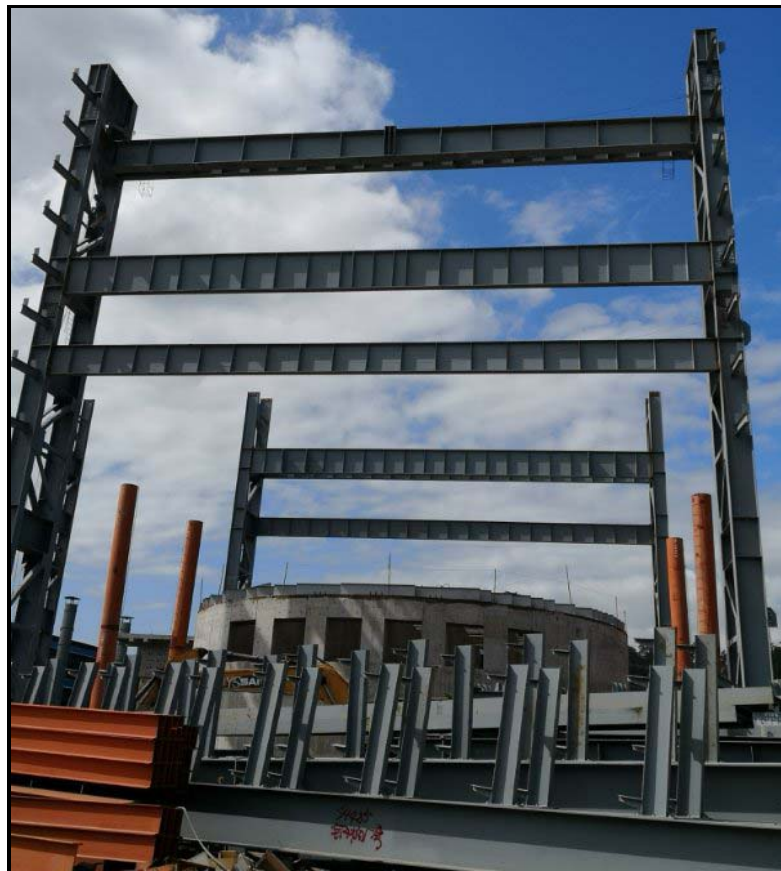
As reported in the Chairman's letter of 20 August 2018, construction of the RKEF plant is progressing well with a majority of the foundation work and support structures for the rotary kilns and electric furnaces nearing completion.

The material capital equipment components of the RKEF plant, including the rotary kilns and electric furnaces, are now 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 RKEF plant will commence ahead of the contractual schedule in the June 2019 quarter.

The Company is further pleased to advise that the *Ijin Mendirikan Bangunan* (Building Construction Licence) has now been issued by the Head of Investment and One Stop Services Office of Morowali Regency, in support of the construction of the 2 RKEF lines and supporting infrastructure.



Base of electric furnace.



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

For further information please contact

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

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

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 ('CSA') with Shanghai Decent, a Tsingshan group company, Nickel Mines Limited will build, own and operate processing facilities within the Indonesia Morowali Industrial Park ('IMIP') with its nickel pig iron production acting as feedstock to Tsingshan's fully integrated 3.0 million tonnes per annum stainless steel operation within the IMIP.

Nickel Mines Limited 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 (0.7 MT Measured, 15.0 MT Indicated, 22.0 MT 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.

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