2 June 2023

The Manager Companies
ASX Limited
20 Bridge Street
Sydney NSW 2000

(124 pages by email)

NOTICE OF EXTRAORDINARY GENERAL MEETING

Nickel Industries Limited ('**Nickel Industries**' or '**the Company**') provides the Notice of Extraordinary General Meeting ('**Notice of Meeting**') being sent to shareholders today, seeking approval to:

- acquire 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**');
- issue 381,365,628 shares to Newstride (or its nominee);
- issue 21,186,979 Shares to Shanghai Wanlu Investment Co. Ltd. (or its nominee); and
- issue 2,000,000 Shares to non-executive Director Mark Lochtenberg (or his nominee).

Accompanying the Notice of Meeting is an Explanatory Memorandum and an Independent Expert's Report, which finds the proposed HNC Acquisition is fair and reasonable to Non-Associated Shareholders, and the associated issue of shares to Newstride (or its nominee) is not fair, but reasonable to Non-Associated Shareholders.

The Directors encourage all Shareholders to review the material contained within the Notice of Meeting and Explanatory Memorandum including the Independent Expert's Report.

Managing Director Justin Werner commented:

"The HNC transaction for which shareholder approval is being sought at the EGM is part of the Strategic Agreement signed with Shanghai Decent which the Company announced on 18 January 2023. It represents a key step in the Company's growth and diversification into the production of low carbon, high margin class 1 battery grade nickel products."

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NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting ('**EGM**') of Shareholders is to be convened at Chartered Accountants ANZ, Level 9, 33 Erskine Street, Sydney, New South Wales on Wednesday, 5 July 2023 at 11.00 am (Sydney Time).

The Explanatory Memorandum and Independent Expert's Report provide additional information on matters to be considered at the EGM.

The Directors have determined pursuant to regulations 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on Monday, 3 July 2023 at 7.00 pm (Sydney Time).

Terms and abbreviations used in the Notice and the Explanatory Memorandum will, unless the context requires otherwise, have the meaning given to them in the Glossary.

ASX takes no responsibility for the contents of this Notice or the Explanatory Memorandum.

Independent Expert's Report: Shareholders should carefully consider the Independent Expert's Report which accompanies this Notice. The Independent Expert's Report comments on the fairness and reasonableness of the proposed HNC Acquisition (including the issue of shares to Newstride) and contains an assessment of the potential advantages and disadvantages of the proposed HNC Acquisition and the issue of shares to Newstride to Non-Associated Shareholders.

The Independent Expert has concluded that the HNC Acquisition is fair and reasonable to Non-Associated Shareholders, and the proposed issue of the Newstride Shares is not fair, but is reasonable to Non-Associated Shareholders.

AGENDA

BUSINESS

To consider and, if thought fit, pass the following Resolutions, with or without amendment:

Resolution 1: Approval of the HNC Acquisition and issue of shares to Newstride

Resolution 1A: Approval of HNC Acquisition for the purposes of Listing Rule 10.1

*'That subject to Shareholder approval being obtained for Resolution 1B, for the purposes of Listing Rule 10.1 and for all other purposes, Shareholders approve the Company's acquisition of an indirect 10% interest in HNC from Newstride Development Limited ('**Newstride**') (via an acquisition of 100% of the issued share capital in Tsing Creation, a related body corporate of Shanghai Decent).'*

Resolution 1B: Approval of the issue of shares to Newstride for the purposes of Item 7, section 611 of the Corporations Act

'That subject to Shareholder approval being obtained for Resolution 1A, for the purposes of item 7 of section 611 of the Corporations Act and for all other purposes, approval is given for the Company to issue 381,365,628 new fully paid ordinary shares in the Company to Newstride (or its nominee) as consideration for the HNC Acquisition, as a result of which Shanghai Decent's Relevant Interest in the Company's Shares shall increase to a maximum of 28.1%.'

The Independent Expert's Report prepared by Lonergan Edwards & Associates Limited has concluded that the HNC Acquisition and proposed issue of the Newstride Shares under this Resolution 1 is not fair but reasonable to shareholders not associated with Shanghai Decent ('**Non-Associated Shareholders**'). Shareholders are referred to the report attached to the Explanatory Memorandum.

Voting Exclusion Statement

The Company will disregard any votes cast in favour of this Resolution 1A or Resolution 1B by or on behalf of:

- Newstride (and its nominee, if any), Shanghai Decent, and any associate of that person or those persons; and
- any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the Company).

However, this does not apply to a vote cast in favour of a resolution by:

(a) a person as proxy or attorney for a Shareholder who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way;

(b) the Chairperson as proxy or attorney for a Shareholder who is entitled to vote on the resolution, in accordance with a direction given to the Chairperson to vote on the resolution as the Chairperson decides; or

(c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

    (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and

    (ii) the holder votes on the resolution in accordance with the directions given by the beneficiary to the holder to vote in that way.

Voting Prohibition

In accordance with item 7 of section 611 of the Corporations Act, Newstride (and its nominee, if any) and its associates, and Shanghai Decent and its associates, are excluded from voting in favour of Resolution 1B and the Company will disregard any votes cast in favour of Resolution 1B by Newstride (and its nominee, if any nominee) and its associates, and Shanghai Decent and its associates.

Resolution 2: Approval of the proposed issue of Shares to Wanlu

'That, for the purposes of Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of 21,186,979 new fully paid ordinary shares in the Company to Wanlu Investment Co. Ltd. (or its nominee).'

Voting Exclusion Statement

The Company will disregard any votes cast in favour of this Resolution 2 by or on behalf of:

- Wanlu Investment Co. Ltd. (and its nominee, if any) or any associate of that person or those persons; and
- any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the Company).

However, this does not apply to a vote cast in favour of a resolution by:

(a) a person as proxy or attorney for a Shareholder who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way;

(b) the Chairperson as proxy or attorney for a Shareholder who is entitled to vote on the resolution, in accordance with a direction given to the Chairperson to vote on the resolution as the Chairperson decides; or

(c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

  (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and

  (ii) the holder votes on the resolution in accordance with the directions given by the beneficiary to the holder to vote in that way.

Resolution 3: Approval of the proposed issue of Shares to Mark Lochtenberg

'That, for the purposes of Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of 2,000,000 new fully paid ordinary shares in the Company to Mark Lochtenberg (or his nominee).'

Voting Exclusion Statement

The Company will disregard any votes cast in favour of this Resolution 3 by or on behalf of:

- Mark Lochtenberg (and his nominee, if any) or any associate of that person or those persons; and
- any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the Company).

However, this does not apply to a vote cast in favour of a resolution by:

(a) a person as proxy or attorney for a Shareholder who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way;

(b) the Chairperson as proxy or attorney for a Shareholder who is entitled to vote on the resolution, in accordance with a direction given to the Chairperson to vote on the resolution as the Chairperson decides; or

(c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

    (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and

    (ii) the holder votes on the resolution in accordance with the directions given by the beneficiary to the holder to vote in that way.

Further information in relation to these Resolutions is set out in the Explanatory Memorandum **below**.

By order of the Board

Richard Edwards
Company Secretary

1 June 2023

EXTRAORDINARY GENERAL MEETING

TO BE HELD ON WEDNESDAY, 5 JULY 2023

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared to assist members to understand the business to be put to members at an Extraordinary General Meeting to be held at Chartered Accountants ANZ, Level 9, 33 Erskine Street, Sydney, New South Wales, 2000, on Wednesday, 5 July 2023 at 11.00 am (Sydney Time).

An Independent Expert's Report prepared by Lonergan Edwards & Associates Limited (the '**Independent Expert**'), which sets out a detailed examination of the proposed HNC Acquisition (including the issue of the Newstride Shares under the Newstride Conditional Placement) to enable Shareholders to assess its merits, is attached to this Explanatory Memorandum. Shareholders are encouraged to carefully read the Independent Expert's Report to understand the scope of the report, the methodology of the valuation and the sources of information and assumptions made.

The Independent Expert has concluded that the HNC Acquisition is fair and reasonable to Non-Associated Shareholders, and the proposed issue of the Newstride Shares is not fair, but reasonable to Non-Associated Shareholders.

1 Background to the Extraordinary General Meeting

Nickel Industries executed an electric vehicle battery supply chain strategic framework agreement ('**Strategic Agreement**') with Shanghai Decent to further diversify its production into the electric vehicle battery supply chain.

HNC Acquisition

HNC operates a HPAL project in the IMIP, with a nameplate annual production capacity of 60,000t nickel equivalent and 5,000t cobalt equivalent in a mixed hydroxide precipitate. On 18 January 2023, the Company entered into the HNC Investment Agreement to acquire an indirect 10% interest in HNC (through the acquisition of all the issued capital of Tsing Creation from Newstride and existing shareholder loans of approximately US$39.2 million owing from HNC to Newstride), for an aggregate amount of US$270 million ('**HNC Purchase Price**').

Under the proposed Newstride Conditional Placement, the Company will issue Newstride (or its nominee) 381,365,628 Shares in satisfaction of the HNC Purchase Price.

Oracle Acquisition

On 18 January 2023, the Company entered into the Oracle Acquisition Agreement to acquire an additional 10% interest in the Oracle Nickel Project through the acquisition of shares in Oracle Development and shareholder loans due or owing by Oracle Development (and/or its subsidiaries) from Decent Resources for US$75 million ('**Oracle Purchase Price**').

Options

The Company will acquire options to collaborate with Shanghai Decent on future battery nickel opportunities for an aggregate of US$40 million (collectively, '**Acquired Options'**) as follows:

(a) The US$25 million option to participate in the future 60,000 tpa DAWN HPAL + Project (now known as the Excelsior Nickel Cobalt ('**ENC**') project); and

(b) the US$15 million option to invest in and construct a low-grade to high-grade nickel matte converter dedicated to the Oracle Nickel Project.

Equity Raise

To fund the HNC Acquisition, Oracle Acquisition and payment of the Option fees, on 18 January 2023, the Company announced the launch of a US$471 million (~A$673 million) capital raising (‘**Equity Raise**’) comprising:

(a) a US$185 million (~A$264 million) fully underwritten, institutional placement to professional and sophisticated investors (‘**Institutional Placement**’);

(b) the following conditional placements:

  (i) the Newstride Conditional Placement, being a US$270 million (~A$386 million) placement to Newstride (or its nominee);

  (ii) the Wanlu Conditional Placement, being a US$15 million (~A$21 million) placement to Wanlu (or its nominee); and

  (iii) the Lochtenberg Conditional Placement, being a US$1.4 million (~A$2 million) placement to non-executive Director Mark Lochtenberg (or his nominee),

  (together ‘the **Conditional Placements**’); and

(c) a non-underwritten share purchase plan (‘**SPP**’) to eligible shareholders in Australia and New Zealand to raise up to US$20 million (~A$29 million).

The Company announced the successful completion the Institutional Placement to professional and sophisticated investors utilising the Company’s 15% placement capacity under Listing Rule 7.1 on 24 January 2023 and the successful completion of the SPP on 3 March 2023.

The Company is also actively assessing near-term nickel laterite opportunities with expected assessment timeframes over the coming quarter. US$60 million of the proceeds from the Equity Raise will be applied towards new resource acquisitions, associated feasibility studies and land acquisition. These additional resources will be important ore supply sources to support the Company’s growth aspirations in class 1 battery grade nickel products. Any excess funds from the Equity Raise will be used to strengthen the Company’s balance sheet and provide additional capital for general corporate purposes.

2 Key advantages and disadvantages of the HNC Acquisition

ASIC Regulatory Guide 74 requires that that the notice of meeting to obtain shareholder approval for the purpose of item 7 of section 611 of the Corporations Act must be accompanied by a report by an independent expert expressing their opinion as to whether the transaction is fair and reasonable to the shareholders. An Independent Expert Report is also required for the purposes of ASX Listing Rule 10.1 (discussed at paragraph 3.5).

For the reasons set out below and based on the information available, the Non-Conflicted Directors consider that on balance the advantages of the HNC Acquisition (including the issue of the Newstride Shares under the Newstride Conditional Placement) outweigh the disadvantages and that the approval of the Shareholders to the HNC Acquisition (including the issue of the Newstride Shares under the Newstride Conditional Placement) is in the best interests of the Shareholders.

Advantages

The Non-Conflicted Directors consider that the advantages of the HNC Acquisition (including the issue of the Newstride Shares under the Newstride Conditional Placement) for Shareholders are as follows:

(a) **The HNC Acquisition funds the acquisition of the Acquired Assets and Acquired Options**

The Equity Raise (including the Newstride Conditional Placement) is being undertaken primarily to fund the acquisition of the Acquired Assets and Acquired Options, and to provide funds for corporate purposes.

With respect to the Acquired Assets:

(i) the Newstride Conditional Placement is directly linked to securing the indirect 10% interest in HNC which is value accretive for Nickel Industries shareholders and consolidates Nickel Industries' entry into the EV supply chain and the related production of Class 1 battery grade nickel products, broadening its customer base

(ii) the Equity Raise also funds the acquisition of the additional 10% interest in ONI on favourable terms and aligns Nickel Industries' interests in its RKEF plants, providing incremental production capacity and value to the Company. The ONI Acquisition is also value accretive to Nickel Industries shareholders as we have assessed the value of a 10% interest to be in the range of US$130 million to US$150 million, which is materially higher than the acquisition consideration to be paid of US$75 million.

With respect to the Acquired Options, the Acquired Options (which are a component of the Agreement and are linked to the approval of the Newstride Conditional Placement) 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 ENC 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.

Given the current level of interest and potential investment in Class 1 nickel production from existing and potential industry participants, if Nickel Industries shareholders reject the Newstride Conditional Placement, it is uncertain whether a comparable opportunity will arise for the benefit of Nickel Industries in the short to medium term.

(b) **Payment under the HNC Investment Agreement**

The issue of the Newstride Shares to Newstride (or its nominee) by the Company will satisfy the Company's US$270 million payment obligation pursuant to the HNC Investment Agreement and facilitate the acquisition of an indirect 10% interest in HNC.

(c) **Demonstrates strong ongoing support from the Company's major shareholder**

Nickel Industries has established a financial, operational, and strategic partnership with Shanghai Decent and Tsingshan which has been very beneficial to Nickel Industries shareholders and has resulted in Nickel Industries becoming a globally significant, low-cost producer of NPI.

The Newstride Conditional Placement is consistent with (and a continuation of) this established relationship. If Nickel Industries shareholders' rejection of the Newstride Conditional Placement adversely affected this relationship, the impact on value for Nickel Industries could be significant.

(d) **Newstride Conditional Placement is value accretive on a comparative portfolio interest basis**

The Newstride Conditional Placement is value accretive on a comparative portfolio interest basis.

Further, this assessment does not incorporate any value uplift for ENC and future nickel conversion opportunities at ONI, which are anticipated to be value accretive for shareholders of Nickel Industries (implying a value for the Acquired Options potentially significantly in excess of the related acquisition cost).

(e) **Independent Expert's Report – reasonableness**

The issue of the Newstride Shares under the Newstride Conditional Placement is considered "not fair but reasonable" to Non-Associated Shareholders by the Independent Expert.

Disadvantages

The Non-Conflicted Directors consider that the disadvantages of the HNC Acquisition (including the issue of the Newstride Shares under the Newstride Conditional Placement) are as follows:

(a) **Dilution of Non-Associated Shareholder interests**

The issue of the Newstride Shares will result in the dilution of each Shareholder who is not associated with Shanghai Decent ('**Non-Associated Shareholders**') in terms of their proportionate interest in the Company. However, the Non-Conflicted Directors believe that the benefits outlined above outweigh the perceived disadvantages associated with the dilution of the equity interests of existing Non-Associated Shareholders.

(b) **Shanghai Decent's level of control**

The issue of the Newstride Shares under the Newstride Conditional Placement will increase Shanghai Decent's level of control over the Company from a pre-Equity Raise level of 21.3% of the Company's issued share capital (which was subsequently diluted on completion of the Institutional Placement to 19.24%) up to a maximum of a 28.1% and will provide Shanghai Decent an ability to veto resolutions requiring a special resolution of Shareholders.

However:

- the Newstride Conditional Placement is not expected to have an impact on the day to day operations or control of the Company (noting that Shanghai Decent will not have any additional Board representation); and
- under the creep provisions, as set out in s611(9) of the Corporations Act, a holder of more than a 20% interest may acquire an additional 3% interest every six months.

(c) **Independent Expert's Report – fairness**

The issue of the Newstride Shares under the Newstride Conditional Placement is considered "not fair but reasonable" by the Independent Expert on the basis of the guidelines set out in ASIC Regulatory Guide 111. This is because the Newstride Conditional Placement does not provide value to Nickel Industries shareholders which is equal to the full controlling interest value of Nickel Industries shares prior to the Newstride Conditional Placement.

However, this is to be expected as the Newstride Conditional Placement does not involve a takeover offer (or similar proposal) for 100% of Nickel Industries shares and forms part of a longer term investment strategy.

3 Resolution 1 - Approval of the HNC Acquisition and the proposed issue of Shares to Newstride

3.1 Key terms of the HNC Acquisition

The key terms of the HNC Acquisition are:

(a) (**Consideration**) The purchase price for the HNC Acquisition is US$270 million. Newstride (or its nominee) agrees to subscribe for 381,365,628 Shares at an issue price of A$1.02 in satisfaction of the HNC Purchase Price.

(b) **(Conditions precedent)** Completion of the HNC Acquisition is subject to the following:

(i) (**FIRB Condition**) the Treasurer of the Commonwealth of Australia or his delegate giving written notice that there are no objections under the *Foreign Acquisitions and Takeovers Act 1975* (Cth) ('**FATA**') to the transactions contemplated by the Newstride Subscription Agreement, and such notice is either not subject to conditions, or, only subject to:

(A) standard tax-related conditions which are in the form, of those set out in FIRB Guidance Note 12 on 'Tax Conditions' (last updated on 9 July 2021); and

(B) such other conditions that Shanghai Decent consider to be acceptable (acting reasonably); or

(C) has become, or is, precluded from making an order or decision in respect of the transactions contemplated by the Newstride Subscription Agreement under Part 3 of the FATA;

(ii) (**Shareholder Approval Condition**) the shareholders of Nickel Industries approving the HNC Acquisition and the issuance of the Newstride Shares as contemplated by Resolution 1;

(iii) (**Consent Condition**) confirmation from the lending bank and facility agent to a facility agreement entered into by HNC (as borrower) in respect of a US$760 million facility, that there are no objections to the HNC Acquisition; and

(iv) (**Newstride Subscription Agreement**) entry into the Newstride Subscription Agreement.

Save for the Shareholder Approval Condition, which is being sought at the Meeting, the status of balance conditions precedent as at the date of this Notice are:

(i) (**FIRB Condition**) Shanghai Decent has submitted an application to FIRB to obtain the consents required for the FIRB Condition. A response from FIRB is expected in the coming months.

(ii) (**Consent Condition**) The consent of the lending bank and facility agent has been sought, and the parties are working with the lending bank and facility agent to procure such consent.

(iii) (**Newstride Subscription Agreement**) This condition has been satisfied with the Newstride Subscription Agreement entered into on 18 January 2023.

(c) (**Termination**) The HNC Investment Agreement can be terminated by:

(A) mutual agreement of the parties; or

(B) either party if the conditions precedent set out above in (b) above are not fulfilled on or before 30 September 2023; or

(C) either party upon the occurrence of any of the following events:

(1) regulatory action (or contemplated regulatory action) by any governmental body, stock exchange or other competent authorities which has the effect of permanently enjoining, restraining, or otherwise prohibiting the transactions contemplated in the HNC Investment Agreement;

(2) an insolvency event occurring in respect of a party to the HNC Investment Agreement.

(d) (**Completion**) 5 Business Days after all Conditions Precedent have been satisfied, expected to occur in July / early August 2023.

3.2 Approvals sought under Resolution 1

Resolution 1 seeks Shareholder approval for the HNC Acquisition, including:

(a) for the purposes of ASX Listing Rule 10.1, the acquisition of 100% of the issued capital in Tsing Creation from Newstride (as an associate of Shanghai Decent) for the purposes of acquiring a 10% indirect interest in HNC; and

(b) the issue of the Newstride Shares to Newstride for the purposes of item 7 of section 611 of the Corporations Act which will result in Shanghai Decent acquiring a Relevant Interest of 28.1% of the Company's voting shares.

3.3 Background to item 7 of section 611 of the Corporations Act

Pursuant to section 606(1) of the Corporations Act, a person must not acquire a Relevant Interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by, or on behalf of, the person and because of that transaction, that person's or someone else's voting power increases:

(a) from 20% or below to more than 20%; or

(b) from a starting point that is above 20% to below 90%.

A person has a *Relevant Interest* in the securities of a company if they individually, or jointly:

(a) are the holder of the securities;

(b) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or

(c) have the power to dispose of or control the exercise of a power to dispose of the securities.

The calculation of a person's voting power for these purposes means the total number of votes that the person and its associates have a Relevant Interest in, expressed as a percentage of total votes attaching to all shares in the entity ('**Voting Power**').

Item 7 of section 611 of the Corporations Act provides an exception to the prohibition under section 606 of the Corporations Act. This exception provides that a person may acquire a Relevant Interest in a company's voting shares if shareholders of the company approve the acquisition. For the exception in item 7 of section 611 of the Corporations Act to apply, shareholders must be given all information known to the person proposing to make the acquisition or their Associates, or known to the company, that was material to the decision of how to vote on the resolution. In ASIC Regulatory Guide 74, ASIC has indicated what additional information should be provided to shareholders in these circumstances.

This information is set out **below** in paragraph 3.4.

3.4 Prescribed information for the purposes of item 7 of section 611 of the Corporations Act

(a) **Identity of Newstride and its Associates**

The Shares to be issued under Resolution 1B will be issued to Newstride (or its nominee), an entity within the Tsingshan Group and an Associate of Shanghai Decent. Shanghai Decent is a substantial holder of the Company, holding at the date of this Notice a Relevant Interest in 19.24% of the issued voting shares in the Company.

(b) **Maximum extent of the increase in voting power of Shanghai Decent and its associates**

As at the date of this Notice:

(i) the Company has 3,024,257,273 Shares on issue; and

(ii) Shanghai Decent (and its associates) currently have voting power in respect of 581,770,912 shares (equal to 19.24%).

The maximum extent of the increase in Shanghai Decent (and its associates) Voting Power in the Company is from 19.24% to approximately 28.1%. This is illustrated as follows:

Item	As at the date of this Notice	Upon completion of the Equity Raising
Number of Shares on issue	3,024,257,273	3,428,809,880
Relevant Interest in Shares held by Newstride	0	381,365,628
Relevant Interest in Shares held by Newstride and its Associates (relevantly, Shanghai Decent)	581,770,912	963,136,540
Voting power of Newstride and its Associates (relevantly, Shanghai Decent)	19.24%	28.1%

(c) **Voting power of Shanghai Decent will have as a result of the HNC Acquisition**

As a result of the Newstride Conditional Placement, Shanghai Decent's Voting Power in the Company will be 28.1% if the HNC Acquisition is approved and the Newstride Conditional Placement is completed.

(d) **Reasons for the HNC Acquisition**

The Newstride Shares are being issued to Newstride (or its nominee) as consideration under the HNC Investment Agreement.

See sections 1 & 2 for further details with respect to the HNC Acquisition.

(e) **When the HNC Acquisition is expected to occur**

The Newstride Shares will be issued to Newstride (or its nominee) at completion of the HNC Acquisition which is currently anticipated to occur no later than 6 October 2023, subject to the satisfaction of the conditions precedent under the HNC Investment Agreement (currently anticipated to occur on or before 30 September 2023).

(f) **Material terms of the HNC Acquisition**

The material terms of the HNC Acquisition are set out in section 3.1 of this Explanatory Statement.

(g) **Details of relevant agreements that are conditional on the HNC Acquisition**

Newstride Subscription Agreement

Newstride and its Associates agree that the completion under the Newstride Subscription Agreement and issue of the Newstride Shares to Newstride (or its nominee) by the Company will satisfy the Company's US$270 million payment obligation pursuant to the HNC Investment Agreement, which will result in the Company's ownership of 100% of Tsing Creation.

Completion of Newstride Subscription Agreement is conditional on the conditions precedent in clause 3.1(b)(i), 3.1(b)(ii), and 3.1(b)(iii), and the HNC Investment Agreement becoming unconditional and not terminating before completion of the Newstride Subscription Agreement. Under the terms of the Newstride Subscription Agreement, subject to satisfaction of the Conditions, the Company has agreed to issue 381,365,628 fully paid ordinary shares ranking pari passu with existing fully paid ordinary shares to Newstride (or its nominee) at a price of A$1.02 per Share (being the same price as the Institutional Placement), representing a total consideration of US$270 (A$386 million).

Oracle Investment Agreement

The Company's ability to perform its obligations under the Oracle Investment Agreement for the Oracle Acquisition is directly conditional on the HNC Acquisition and the issue of the Newstride Shares under the Newstride Conditional Placement being approved by Shareholders.

If the HNC Acquisition and the issue of the Newstride Shares under the Newstride Conditional Placement is not approved, the Company will not be able to proceed with the acquisition of the additional 10% interest in the Oracle Nickel Project and its interest in the Oracle Nickel Project will remain at 70%.

If this were to occur, the Company's relationship with Shanghai Decent may also be adversely affected.

Nickel Matte Converter Agreement

The Nickel Matte Converter Agreement is directly conditional on completion of the Oracle Investment Agreement.

If the Company is unable to proceed with the Oracle Acquisition, then the Company will not be able to proceed with the US$15 million option to invest in and construct a low-grade to high-grade nickel matte converter dedicated to the Oracle Nickel Project for US$110 million pursuant to the terms of the Nickel Matte Converter Agreement.

(h) **Shanghai Decent and its Associates intentions regarding the Company**

Shanghai Decent has confirmed to the Company that it has no intention to:

(i) make any changes to the business of the Company;

(ii) inject any further capital into the Company at this time;

(iii) make any changes to the existing employees of the Company that are inconsistent with the Board's current strategies and efforts to properly resource the Company to deliver on its stated objectives;

(iv) transfer any of the Company's assets between the Company and Shanghai Decent or any of its Associates;

(v) redeploy any of the Company's fixed assets; or

(vi) change the Company's financial or dividend distribution policies.

The statements set out above are statements of the current intention of Shanghai Decent and its Associates only and may vary as new information becomes available or circumstances change.

(i) **Interest of Directors in Resolution 1**

Shanghai Decent (being an Associate of Newstride) has two nominee directors on the Board of the Company (of a total of six directors), being Mr Weifeng Huang and Mr Binghe Xiang.

Mr Huang has been the Shanghai Decent nominee director since April 2018 and Mr Xiang was appointed on 9 May 2023, and it is currently intended that they will remain as the two nominee directors of Shanghai Decent following completion of the proposed HNC Acquisition.

Mr Huang and Mr Xiang have an interest in the HNC Acquisition by virtue of being a related party of Shanghai Decent who is an Associate of Newstride.

None of the Directors other than Mr Huang and Mr Xiang have an interest in the Newstride Conditional Placement.

3.5 Approval for the purposes of Listing Rule 10.1

Listing Rule 10.1 provides that an entity must ensure that neither it, not any of its child entities, acquires a substantial asset from or disposes of a substantial asset to:

10.1.1 a related party of the entity;

10.1.2 a child entity of the entity;

10.1.3 a person who is, or was at any time in the six months prior to the transaction a substantial (10%+) holder in the entity;

10.1.4 an associate of a person referred to in Listing Rule 10.1.1 to 10.1.3; or

10.1.5 a person whose relationship with the Company or person referred to in Listing Rules 10.1.1 to 10.1.4 is such that, in ASX's opinion, the transaction should be approved by the Shareholders,

unless it obtains the approval of its shareholders. In ASX's opinion, an asset is deemed substantial if the value of the asset or the consideration paid for it is 5% or more than the equity interests of the Company as set out in the latest accounts provided to ASX under the Listing Rules.

The Company values the Newstride Shares at approximately US$270 million. Under the Company's latest accounts, being the Company's half-year report for the period ending 31 December 2022, the Company's equity interests were US$1,814,544,439. As such, the value of the Newstride Shares will meet the 5% threshold for the purposes of Listing Rule 10.1.

The HNC Acquisition falls within Listing Rule 10.1.4 as Shanghai Decent (an Associate of Newstride) is a substantial Shareholder of the Company, holding more than 10% of the issued share capital in the time six months prior to the HNC Acquisition.

3.6 Information required to be provided to Shareholders under Listing Rule 10.5

In addition to the information provided above, for the purposes of Listing Rule 10.5, the following information is provided in relation to Resolution 1 and the HNC Acquisition:

(a) the Company is acquiring an indirect 10% interest in HNC from Newstride;

(b) Newstride is an Associate of Shanghai Decent (who holds 19.24% of the issued share capital in the Company), and therefore falls within Listing Rule 10.1.4;

(c) the consideration for the HNC Acquisition is US$270 million, to be issued as Shares under the Newstride Conditional Placement;

(d) completion of the HNC Acquisition will occur 5 Business Days after satisfaction of the Conditions Precedent described in section 3.1(b) above. The Conditions Precedent must be satisfied on or before 30 September 2023;

(e) a summary of the material terms of the HNC Acquisition is set out in section 3.1 above;

(f) as set out in section 2 of the Explanatory Statement, the Company has engaged Lonergan Edwards & Associates Limited to prepare an Independent Expert's Report in connection with the HNC Acquisition and Conditional Placement which is set out in Appendix 1.

3.7 Additional ASX Listing Rules approvals

Given that the approval for the issue of the Newstride Shares is sought under item 7 of section 611 of the Corporations Act, the Company does not need to separately seek approval under:

(a) Listing Rule 7.1 as the issue of the Newstride Shares to Newstride falls under Listing Rule 7.2 exception 8; and

(b) Listing Rule 10.11 as the issue of the Newstride Shares to Newstride falls under Listing Rule 10.12 exception 6.

These exceptions are available when the securities are approved for the purpose of item 7 of section 611 of the Corporations Act.

Issues made under the approval of item 7 section 611 of the Corporations Act are not constrained by any time limit.

3.8 Consequences of Resolution 1

If Resolution 1 is passed, the Company (assuming all other conditions precedent to the HNC Acquisition are satisfied) will be able to proceed with the acquisition of Tsing Creation and the issue of the Newstride Shares to Newstride (or its nominee) pursuant to the Newstride Conditional Placement.

If Resolution 1 is not passed, the Company will not be able to proceed with:

(a) the HNC Acquisition;

(b) the Oracle Acquisition (on which completion of the HNC Acquisition is a condition precedent);

(c) the US$15 million option to invest in and construct a low-grade to high-grade nickel matte converter dedicated to the Oracle Nickel Project for US$110 million pursuant to the terms of the Nickel Matte Converter Agreement.

Please refer to the advantages and disadvantages of the HNC Acquisition and the Independent Expert's Report in section 2 for further information.

3.9 Board Recommendation

The Non-Conflicted Directors recommend that Shareholders vote in FAVOUR of Resolution 1.

Mr Weifeng Huang and Mr Binghe Xiang decline to give a recommendation due to the fact that they are a related party of Shanghai Decent and therefore have an interest in the outcome of the resolution. In order to manage any potential or perceived conflict of interest, Mr Weifeng Huang did not participate in the Board's consideration or vote in relation to the Shanghai Decent Issue and Mr Xiang had not yet been appointed as a Director at that time.

The Chairman of the Meeting intends to vote undirected proxies IN FAVOUR of Resolution 1.

4 Resolution 2 and Resolution 3 - Approval of the proposed issue of Shares to Mark Lochtenberg and Wanlu

4.1 Overview of ASX Listing Rule 10.11

Listing Rule 10.11 provides that unless one of the exceptions in Listing Rule 10.12 applies, a listed company must not issue or agree to issue equity securities to:

10.11.1 a related party;

10.11.2 a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (30%+) holder in the company;

10.11.3 a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (10%+) holder in the company and who has nominated a director to the board of the company pursuant to a relevant agreement which gives them a right or expectation to do so;

10.11.4 an associate of a person referred to in Listing Rules 10.11.1 to 10.11.3; or

10.11.5 a person whose relationship with the company or a person referred to in Listing Rules 10.11.1 to 10.11.4 is such that, in ASX's opinion, the issue or agreement should be approved by its shareholders,

unless it obtains shareholder approval.

4.2 Resolution 2: Wanlu Conditional Placement

This Resolution 2 seeks Shareholder approval to issue 21,186,979 Shares to Wanlu (or its nominee).

As, in the 6 months before entry into the Wanlu Subscription Agreement, was a substantial holder (holding at least 10%) in the Company and had nominated a director (relevantly, Ms Xu) to the Board of the Company the issue of the Wanlu Shares requires Shareholder approval.

If Shareholder approval is obtained under Listing Rule 10.11, in accordance with Listing Rule 7.2, Exception 14, the Company may issue the Wanlu Shares without using the Company's 15% placement capacity under Listing Rule 7.1.

Information required by Listing Rule 10.13

Under Listing Rule 10.13, the following information must be provided to Shareholders in advance of seeking Shareholder approval under Listing Rule 10.11 with respect to the Wanlu Conditional Placement:

(a) The Wanlu Shares will be issued to Wanlu (or its nominee).

(b) Wanlu falls within Listing Rule 10.11.3, as Wanlu is an entity that, in the 6 months before entry into the Wanlu Subscription Agreement, was a substantial holder (holding at least 10%) in the Company and had nominated a director (relevantly, Ms Xu) to the Board of the Company.

(c) The maximum number of fully paid ordinary shares to be issued to Wanlu (or its nominee) is 21,186,979.

(d) The Wanlu Shares are fully paid ordinary shares and will rank equally in all respects with the Company's existing Shares on issue.

(e) The Wanlu Shares will be issued no later than one month after the date of the Meeting (or such longer period of time as ASX may in its discretion allow).

(f) The Wanlu Shares will be issued at A$1.02 per Share, the same issue price as the Equity Raise.

(g) The proceeds will be put towards funding the Oracle Acquisition and the Acquired Options with excess funds being used to strengthen the Company's balance sheet and provide additional capital for general corporate purposes.

(h) A voting exclusion statement is included in the Notice for Resolution 2.

(i) The Wanlu Shares will be issued pursuant to the Wanlu Subscription Agreement, all material terms of the Wanlu Subscription Agreement are set out in this section 4.2.

(j) Except as provided for in this Notice, the Company believes that there is no other information that would be reasonably required by Shareholders to pass Resolution 2.

If Resolution 2 **is passed**, the Company will be able to proceed with the issue of the Wanlu Shares to Wanlu (or its nominee).

If Resolution 2 **is not passed** the Company **will not** be able to proceed with the issue of the Wanlu Shares to Wanlu (or its nominee) and the amount of the Equity Raise will be deceased by US$15 million. This may adversely impact the Company's ability to implement the funds in accordance with their proposed use.

Board recommendation

The Non-Conflicted Directors recommend that Shareholders vote in FAVOUR of Resolution 2.

Ms Yuanyuan Xu declines to give a recommendation due to the fact that she is a related party of Wanlu and therefore has an interest in the outcome of the resolution. In order to manage any potential or perceived conflict of interest, Ms Xu did not participate in the Board's consideration or vote in relation to the issue of the Wanlu Shares to Wanlu (or its nominee).

The Chairman of the Meeting intends to vote undirected proxies IN FAVOUR of Resolution 2.

4.3 Resolution 3: Lochtenberg Conditional Placement

This Resolution 3 seeks Shareholder approval to complete the issue of 2,000,000 Shares to Lochtenberg (or its nominee).

The Directors of the Company consider that the issue of the Lochtenberg Shares to Lochtenberg falls within Listing Rule 10.11 as Lochtenberg is considered a related party of the Company as a non-executive Director of the Company.

If Shareholder approval is obtained under Listing Rule 10.11, in accordance with Listing Rule 7.2, Exception 14, the Company may issue the Lochtenberg Shares without using the Company's 15% placement capacity under Listing Rule 7.1.

Information required by Listing Rule 10.13

Under ASX Listing Rule 10.13, the following information must be provided to Shareholders in advance of seeking Shareholder approval under ASX Listing Rule 10.11 with respect to the issue of the Lochtenberg Shares:

(a) the Lochtenberg Shares will be issued to Lochtenberg (or his nominee).

(b) Mark Lochtenberg falls within Listing Rule 10.11.1, as he is a related party of the Company (as a non-executive director).

(c) The maximum number of fully paid ordinary shares to be issued to Mark Lochtenberg (or his nominee) is 2,000,000.

(d) The Lochtenberg Shares are fully paid ordinary shares and will rank equally in all respects with the Company's existing Shares on issue.

(e) The Lochtenberg Shares will be issued no later than one month after the date of the Meeting (or such longer period of time as ASX may in its discretion allow).

(f) The Lochtenberg Shares will be issued at A$1.02 per Share, being the price per share applicable to all Shares pursuant to the Equity Raise.

(g) The proceeds will be put towards funding the Oracle Acquisition and the Acquired Options with excess funds being used to strengthen the Company's balance sheet and provide additional capital for general corporate purposes.

(h) The proposed issue of the Lochtenberg Shares is not intended to remunerate or incentivise Mark Lochtenberg in his position as non-executive director.

(i) A voting exclusion statement is included in the Notice for Resolution 3.

(j) The Lochtenberg Shares will be issued pursuant to the Lochtenberg Subscription Agreement, all material terms of the Lochtenberg Subscription Agreement are set out in this section 4.3.

(k) Except as provided for in this Notice, the Company believes that there is no other information that would be reasonably required by Shareholders to pass Resolution 3.

If Resolution 3 is passed, the Company will be able to proceed with the issue of the Lochtenberg Shares to Lochtenberg (or its nominee).

If Resolution 3 **is not passed** the Company **will not** be able to proceed with the issue of the Lochtenberg Shares and the amount of the Equity Raise will be deceased by US$1.4 million. This may adversely impact the Company's ability to implement the funds in accordance with their proposed use.

Board Recommendation

The Non-Conflicted Directors recommend that Shareholders vote in FAVOUR of Resolution 3.

Mr Mark Lochtenberg declines to give a recommendation due to the fact that he has an interest in the outcome of the resolution. In order to manage any potential or perceived conflict of interest, Mr Lochtenberg did not participate in the Board's consideration or vote in relation to the issue of the Lochtenberg Shares to Lochtenberg (or its nominee).

The Chairman of the Meeting intends to vote undirected proxies IN FAVOUR of Resolution 3.

GLOSSARY

Acquired Assets	means the assets under the HNC Acquisition and the Oracle Acquisition.
Acquired Options	means the following options to collaborate with Shanghai Decent on future battery nickel opportunities for an aggregate of US$40 million: • a US$25 million option for participation in, and construction of, a nickel sulphate and nickel cathode plant, using the HPAL process; and • a US$15 million option to invest in and construct a low-grade to high-grade nickel matte converter dedicated to the Oracle Nickel Project pursuant to the terms of the Nickel Matte Converter Agreement.
ASX	means ASX Limited (ABN 98 008 624 691) or the securities market it operates, as the context requires.
Associate	has the meaning given to it in the Corporations Act.
Board	means the board of Directors of the Company.
Chairperson	means the chair of the EGM elected from to time.
Company or Nickel Industries	means Nickel Industries Limited (ACN 127 510 589).
Conditions	means the FIRB Condition, Shareholder Approval Condition, Consent Condition, and the Definitive Agreement Condition.
Conditional Placements	mean the Newstride Conditional Placement, the Wanlu Conditional Placement, and the Lochtenberg Conditional Placement.
Corporations Act	means the *Corporations Act 2001* (Cth).
DAWN HPAL + Project	means participation in, and construction of, a nickel sulphate and nickel cathode plant, using the HPAL process. The Dawn HPAL + Project has now been renamed the Excelsior Nickel Cobalt (‘**ENC**’) Project.
Decent Resource	means Decent Resource Limited, a limited liability company incorporated in Hong Kong Special Administrative Region, PRC.
Directors	means the directors of the Company from time to time.
EGM	means the extraordinary general meeting of the Shareholders.
Equity Raise	means the US$471 million capital raise being undertaken by the Company comprising the Institutional Placement, the Conditional Placements, and the SPP.
Explanatory Memorandum	means the explanatory memorandum that forms part of this Notice of Meeting.
HNC	means PT Huayue Nickel Cobalt (a company incorporated in Indonesia).
HNC Acquisition	means the transaction contemplated by the HNC Investment Agreement.

HNC Investment Agreement	means the share purchase agreement between Newstride, Tsing Creation, Shanghai Decent and Nickel Industries dated on or around 18 January 2023 in respect of the sale of 100% of the issued shares of Tsing Creation to Nickel Industries.
HPAL	means high-pressure acid leach process.
IMIP	means the Indonesia Morowali Bay Industrial Park.
Independent Expert	means Lonergan Edwards & Associates Limited.
Independent Expert's Report	means the report issued by the Independent Expert as set out in Annexure A to this Notice.
Institutional Placement	means the ~US$185 million (~A$264 million) fully underwritten institutional placement conducted by the Company as announced to ASX on 18 January 2023 and completed on 24 January 2023 resulting in the issue of the Institutional Shares.
Institutional Shares	means the 259,103,641 fully paid ordinary shares issued as part of the Institutional Placement.
Listing Rules	means the official Listing Rules of the ASX as amended from time to time.
Lochtenberg	means Mr Mark Lochtenberg (or his nominee).
Lochtenberg Conditional Placement	means the conditional placement of the Lochtenberg Shares to Lochtenberg subject to the terms of the Lochtenberg Subscription Agreement.
Lochtenberg Shares	means 2,000,000 new fully paid ordinary shares in the Company.
Lochtenberg Subscription Agreement	means a subscription agreement between the Company and Lochtenberg dated 18 January 2023.
Newstride	means Newstride Development Limited (or its nominee).
Newstride Conditional Placement	means the conditional placement of the Newstride Shares to Newstride subject to the terms of the Newstride Subscription Agreement.
Newstride Shares	means 381,365,628 new fully paid ordinary shares in the Company.
Newstride Subscription Agreement	means a subscription agreement between the Company and Newstride dated 18 January 2023.
Nickel Matte Converter Agreement	means the Nickel Matte Conversion Agreement between Nickel Industries and Shanghai Decent dated 18 January 2023.
Non-Associated Shareholders	means each Shareholder who is not associated with Shanghai Decent.
Non-Conflicted Directors	means the Directors with no actual or potential conflict of interest in respect of the relevant resolution.
Notice of Meeting	means the notice of extraordinary general meeting.
NPI	means nickel pig iron, a beneficiated form of nickel metal.
Oracle Development	means Oracle Development Private Limited, a private Singaporean holding company limited by shares which will own (directly and indirectly) Oracle Nickel.

Oracle Nickel Project	means the Oracle RKEF Plant, Oracle Power Plant, ancillary facilities required for the operation of the Oracle RKEF Plant and Oracle Power Plant and the land on which the Oracle RKEF Plant and Oracle Power Plant (and any ancillary facilities) is located within the IMIP.
Oracle Acquisition	means the proposed acquisition of an additional 10% interest in the Oracle Nickel Project.
Oracle Acquisition Agreement	means the Collaboration Agreement relating to the Oracle Nickel Project whereby Nickel Industries will acquire an additional 10% interest in the Oracle Nickel Project from Shanghai Decent and assume existing shareholder loans owing to Decent Resources (associate of Shanghai Decent) for an aggregate amount of US$75 million.
Relevant Interest	has the meaning given to it in the Corporations Act.
Resolutions	means the resolutions proposed in this Notice.
Shanghai Decent	means Shanghai Decent Investment (Group) Co., Ltd., an entity within Tsingshan.
Shareholder	means a holder of Shares in the Company.
Shares	means fully paid ordinary shares in capital of the Company.
SPP	means a non-underwritten share purchase plan.
Strategic Agreement	means the electric vehicle battery supply chain strategic framework agreement between Nickel Industries and Shanghai Decent dated 4 January 2023.
Tsing Creation	Tsing Creation International Holding Limited, a part of the Tsingshan group.
Tsingshan	means the Tsingshan group of companies.
Voting Power	has the meaning given to that term in paragraph 2.6 of the Explanatory Memorandum.
Wanlu	Shanghai Wanlu Investment Co. Ltd. (or its nominee).
Wanlu Conditional Placement	means the conditional placement of the Wanlu Shares to Wanlu subject to the terms of the Wanlu Subscription Agreement.
Wanlu Shares	means 21,186,979 new fully paid ordinary shares in the Company.
Wanlu Subscription Agreement	means a subscription agreement between the Company and Wanlu dated 18 January 2023.

Appendix 1 – INDEPENDENT EXPERT'S REPORT

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

16 May 2023

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

Dear Directors

Acquired Assets and the Conditional Placement

1 On 18 January 2023, Nickel Industries Limited (Nickel Industries or the Company) announced it had executed an Electric Vehicle Battery Supply Chain Strategic Framework Agreement (Agreement) with Shanghai Decent Investment (Group) Co., Ltd (Shanghai Decent) and had entered into binding agreements with Shanghai Decent to acquire 10% interests in two producing nickel assets (collectively the Acquired Assets):

(a) PT Huayue Nickel Cobalt (HNC) – the Company is to acquire an indirect 10% interest in HNC from Newstride Development Limited (Newstride) (an entity within the Tsingshan Holding Group (Tsingshan) and an affiliate of Shanghai Decent) for US$270 million (HNC Acquisition). HNC is a high-pressure acid leach (HPAL) project located in the Indonesia Morowali Industrial Park (IMIP)

(b) Oracle Nickel Project (ONI) – Nickel Industries will acquire an additional 10% interest in ONI for US$75 million (ONI Acquisition), increasing the Company's total interest in ONI to 80%.

2 The Company has also acquired options to collaborate with Shanghai Decent on future battery nickel opportunities for US$40 million (collectively the Acquired Options):

(a) Excelsior Nickel Cobalt Project (ENC)[1] – an option for participation in, and construction of, a nickel sulphate and electrolytic nickel plant using the HPAL process for US$25 million

(b) nickel matte conversion opportunity – an option to invest in and construct a low-grade to high-grade nickel matte converter at the IMIP for ONI for US$15 million.

1 This project has previously been referred to in the Company's ASX announcements as the DAWN HPAL+ Project.

3 The Company proposes to fund the acquisition of the Acquired Assets and Acquired Options by way of an equity raise of US$495 million (Equity Raise), comprising:

(a) a US$185 million fully underwritten institutional placement comprising the issue of 259.1 million new ordinary shares at A$1.02 per share, representing approximately 9.5% of the total shares of the Company prior to the issue (Institutional Placement)[2]

(b) subscription agreements for the issue of shares on a non-underwritten basis (collectively the Conditional Placement):

(i) a US$270 million placement to Newstride[3] or its nominee (defined as the Newstride Conditional Placement)

(ii) a US$15 million placement to Shanghai Wanlu Investment Co. Ltd (Wanlu) or its nominee

(iii) a US$1.4 million placement to Non-Executive Director Mr Mark Lochtenberg (or his nominee)

(c) a non-underwritten share purchase plan (SPP) to eligible shareholders in Australia and New Zealand, with the SPP raising US$24 million[4].

4 In addition to the payments for both the Acquired Assets and Acquired Options, Nickel Industries intends to apply US$60 million of the proceeds of the Equity Raise towards assessment of new near-term nickel laterite opportunities including resource acquisitions, associated feasibility studies and land acquisition. Excess funds from the Conditional Placement and SPP will strengthen the Company's balance sheet and provide additional capital for general corporate purposes.

5 It is important to note that in order for Nickel Industries to secure the Acquired Assets and Acquired Options shareholder approval for the Newstride Conditional Placement[5] is required[6]. Nickel Industries shareholder approval is also required in relation to the HNC Acquisition (noting that this acquisition is also subject to completion of the Newstride Conditional Placement)[7]. Without approval for the Newstride Conditional Placement and the HNC Acquisition, Nickel Industries will remain focused on the production of NPI (i.e. Class 2 nickel) and the Company's prospects for future Class 1 nickel production and electric vehicle (EV) supply chain exposure would be at best uncertain.

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2 On 19 January 2023, the Company announced the successful completion of the Institutional Placement.

3 Newstride is an entity within the Tsingshan group and an affiliate of Shanghai Decent.

4 On 3 March 2023, the Company announced the successful completion of the SPP, raising A$34.6 million from the issue of 33.9 million shares in Nickel Industries. The US$24 million amount is calculated using an exchange rate of A$1.00 = US$0.70.

5 The proposed issue of shares under the Newstride Conditional Placement is also subject to Foreign Investment Review Board (FIRB) approval.

6 Whilst there are two resolutions being put to Nickel Industries shareholders as a result of the two discrete regulatory requirements, the Acquired Assets and Newstride Conditional Placement are inter-conditional and cannot proceed in isolation.

7 Completion of the acquisition of the additional 10% in ONI is conditional upon completion of the HNC Acquisition.

Nickel Industries

6 Nickel Industries is an Australian company that is a globally significant, low-cost producer of nickel pig iron (NPI), a key ingredient in the production of stainless steel. The Company has established a financial, operational and strategic partnership with Tsingshan, the world's largest stainless steel producer. Pursuant to this partnership, via collaboration agreements with Shanghai Decent, Nickel Industries owns (collectively the NPI Projects):

(a) 80% interests in the Hengjaya and Ranger Nickel Projects (HNI and RNI), both of which include two rotary kiln electric furnace (RKEF) processing facilities located in the IMIP

(b) an 80% interest in the Angel Nickel Project (ANI), which includes four RKEF processing facilities and a power plant located in the Indonesia Weda Bay Industrial Park (IWIP) on Halmahera Island in Indonesia's North Maluku province

(c) a 70% interest in ONI, which includes four RKEF processing facilities and a power plant located in the IMIP. Commissioning of ONI commenced on 15 November 2022 and all the RKEF facilities were operational by March 2023.

7 Nickel Industries also owns an 80% interest in the Hengjaya Mineralindo Nickel Mine (Hengjaya Mine), a large tonnage, high grade nickel laterite deposit located in the Morowali Regency of Central Sulawesi, Indonesia. The deposit is located just 12 kilometres from the IMIP. The Company also owns a number of early stage nickel exploration projects such as the Siduarsi Nickel-Cobalt Project and the Tablasufa Nickel Project.

Shanghai Decent

8 Shanghai Decent operates as an investment company within Tsingshan and is responsible for the development of the IMIP and IWIP. Tsingshan is involved in manufacturing, sales, warehousing, investment, and import and export trade. The group's main products are stainless steel ingot, bar, rod, plate, wire, pipe and other products, which are widely used in a range of sectors. Tsingshan also produces raw materials (NPI), intermediate products and new energy batteries, which are primarily used in energy storage systems and EVs.

9 Nickel Industries and Tsingshan have a longstanding relationship pre-dating the Company's initial public offering in 2018, with Nickel Industries supplying nickel laterite to Tsingshan's IMIP operations. Collaboration between Nickel Industries and Tsingshan has led to Nickel Industries' acquisition of interests in a number of RKEF operations in the IMIP and IWIP.

Scope / purpose

HNC Acquisition

10 The HNC Acquisition is deemed a transaction with persons in a position of influence (i.e. a related party) under the Australian Securities Exchange (ASX) Listing Rules and requires the approval of Nickel Industries shareholders that are not considered a party to the transaction (the Nickel Industries non-associated shareholders). The ASX Listing Rules require the notice of meeting sent to shareholders to include an independent expert's report (IER), stating whether the transaction is "fair and reasonable" to the Nickel Industries non-associated shareholders.

Newstride Conditional Placement

11 Section 606 of the *Corporations Act 2001* (Cth) (Corporations Act) generally prohibits the acquisition of a relevant interest in issued voting securities of an entity if the acquisition results in a person's voting power in a company increasing from below 20% to more than 20%, or from a starting point between 20% and 90%, unless a permissible exception applies[8]. A permissible exception to this general prohibition is set out in s611(7), whereby such an acquisition is allowed where the acquisition is approved by a resolution of securityholders of the entity at a general meeting and no votes are cast in respect of securities held by the acquirer, the vendor (where applicable) or any of their respective associates.

12 As Shanghai Decent (as a result of its affiliation with Newstride) will increase its relevant interest in Nickel Industries from 21.3%[9] to 28.1% as a result of the Newstride Conditional Placement, there is a regulatory requirement for Nickel Industries to provide shareholders with all material information relevant to a vote on the Newstride Conditional Placement.

Independent expert's report

13 The Independent Directors of Nickel Industries have elected to commission an IER to discharge the above disclosure obligations. Accordingly, the Independent Directors of Nickel Industries have requested Lonergan Edwards & Associates Limited (LEA) to prepare an IER stating whether, in LEA's opinion:

(a) the HNC Acquisition is fair and reasonable to shareholders of Nickel Industries not associated with Shanghai Decent[10]

(b) the Newstride Conditional Placement is fair and reasonable to the shareholders of Nickel Industries not associated with Shanghai Decent.

14 LEA is independent of Nickel Industries and Shanghai Decent (and Tsingshan generally) and has no involvement with or interest in the outcome of the HNC Acquisition or the Newstride Conditional Placement other than the preparation of this report.

Summary of opinion

15 LEA has concluded that:

(a) the HNC Acquisition is fair and reasonable to Nickel Industries Shareholders

(b) the Newstride Conditional Placement is not fair but is reasonable to Nickel Industries Shareholders.

16 We have arrived at these conclusions for the reasons set out below.

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8 Subject to the 3% every six months "creep provisions".

9 Prior to the Institutional Placement and SPP, Shanghai Decent's shareholding in Nickel Industries was 21.3%. Post the Institutional Placement and SPP and prior to the Newstride Conditional Placement, this shareholding has been diluted to 19.2%.

10 For the purpose of the IER, "Nickel Industries Shareholders" refers to the shareholders of Nickel Industries that are not associated with Shanghai Decent and its associated companies.

Assessment of fairness and reasonableness

HNC Acquisition

Assessment of fairness

17 Pursuant to Australian Securities & Investments Commission (ASIC) Regulatory Guide 111 – *Content of expert reports* (RG 111) a related party transaction is "fair" if the value of the financial benefit being offered by the entity to the related party is equal to or less than the value of the assets being acquired.

18 The consideration of US$270 million for a 10% interest in HNC is less than our valuation assessment of this 10% interest, which we have assessed on an indicative basis at US$340 million to US$400 million (refer Section V). This indicative valuation has regard to the net present value of the Company's pro rata share of the future cash flows from the HNC Acquisition based on current steady state production and a reasonable assessment of EBITDA[11] margins.

19 The consideration payable for the HNC Acquisition reflects (inter alia) the established nature of the project and is broadly consistent with other transactions for HPAL interests, particularly when considered in conjunction with the option for the proposed investment in ENC.

Assessment of reasonableness

20 Pursuant to RG 111, a transaction is reasonable if it is fair. Consequently, we have concluded that the HNC Acquisition is both fair and reasonable[12].

Newstride Conditional Placement

Assessment of fairness

21 RG 111 requires that the fairness of the Newstride Conditional Placement be assessed by comparing the controlling interest value of Nickel Industries shares prior to implementation of the Newstride Conditional Placement with the portfolio value of Nickel Industries shares following implementation (being the deemed "consideration" delivered to Nickel Industries shareholders).

22 In order for the Newstride Conditional Placement to be "fair" under RG 111, the portfolio value of Nickel Industries shares following implementation of the Newstride Conditional Placement must be equal to, or greater than, the controlling interest value of Nickel Industries shares before implementation.

23 This comparison is set out below:

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11 Earnings before interest, tax, depreciation and amortisation (EBITDA).

12 In considering the reasonableness of the HNC Acquisition we have also had regard to the related advantages noted at paragraphs 30(a)(i), 30(b), 30(c) and 30(d) below.

"Fairness" value comparison[1]	Section	Low A$ per share	Mid-point A$ per share	High A$ per share
Controlling interest value of Nickel Industries shares prior to the Newstride Conditional Placement	VI	1.43	1.54	1.65
Portfolio interest value of Nickel Industries shares following the Newstride Conditional Placement	VII	1.15	1.24	1.33
Extent to which the portfolio interest value post implementation of the Newstride Conditional Placement is less than the controlling interest value of Nickel Industries shares before implementation		(0.28)	(0.30)	(0.32)

Note:
1 The per share values have been rounded to the nearest cent.

24 Based on the above we have concluded that the Newstride Conditional Placement is not fair when assessed based on the guidelines set out in RG 111.

Assessment of reasonableness

25 As stated above, under RG 111 a transaction is "reasonable" if it is fair, however it may also be reasonable notwithstanding being "not fair", if the expert concludes that the advantages of the Newstride Conditional Placement outweigh the disadvantages from the perspective of Nickel Industries Shareholders.

26 In considering whether the Newstride Conditional Placement is reasonable, we have initially considered whether Nickel Industries Shareholders are likely to be better off from a value perspective if they approve the Newstride Conditional Placement by comparing the value of Nickel Industries shares pre and post the Newstride Conditional Placement on a consistent portfolio basis.

27 Accordingly, we have reduced our controlling interest value prior to the Newstride Conditional Placement by a minority interest discount[13] in order to estimate the corresponding portfolio interest value of Nickel Industries shares.

Comparative value of Nickel Industries shares[1]	Section	Low A$ per share	Mid-point A$ per share	High A$ per share
Portfolio interest value of Nickel Industries shares before the Newstride Conditional Placement[2]	VIII	1.12	1.21	1.30
Portfolio interest value of Nickel Industries shares following the Newstride Conditional Placement	VII	1.15	1.24	1.33
Increase in portfolio interest value of Nickel Industries shares due to the Newstride Conditional Placement		0.03	0.03	0.03
% increase		*2.7%*	*2.5%*	*2.3%*

13 Consistent with the approach adopted in Section VII, we have applied a 20% minority interest discount to our assessed business value.

Note:
1 The per share values have been rounded to the nearest cent.
2 Being our controlling interest value prior to the Newstride Conditional Placement, less a minority interest discount of 20% at the business or enterprise value. The minority discount applied is 25% at the equity level, and when factoring in a 25% gearing level (which aligns with the gearing level used to determine the Nickel Industries' weighted average cost of capital (WACC) as shown in Appendix D), results in a minority discount of 20% at the enterprise level.

28 The majority of the US$4 million total transaction costs which will be incurred under the Equity Raise are associated with the Institutional Placement and SPP, noting the minor component attributable to the Newstride Conditional Placement. These costs will be incurred irrespective of whether the Newstride Conditional Placement is approved by Nickel Industries Shareholders. As a result, there are no additional transaction costs of significance attributable to the approval of the Newstride Conditional Placement.

29 Based on the above, the Newstride Conditional Placement is, prima facie, reasonable to Nickel Industries Shareholders when considered solely from a portfolio value perspective.

Advantages and disadvantages

30 In assessing whether the Newstride Conditional Placement is reasonable we have also had regard, in particular, to the advantages and disadvantages of the Newstride Conditional Placement (including the related HNC Acquisition) as regards the non-associated shareholders of Nickel Industries. These matters are summarised below:

Advantages

(a) the Equity Raise (including the Newstride Conditional Placement) is being undertaken primarily to fund the acquisition of the Acquired Assets and Acquired Options, and to provide funds for corporate purposes. With respect to the Acquired Assets:

(i) the Newstride Conditional Placement is directly linked to securing the indirect 10% interest in HNC which is value accretive for Nickel Industries shareholders and consolidates Nickel Industries' entry into the EV supply chain and the related production of Class 1 battery grade nickel products, broadening its customer base

(ii) the Equity Raise also funds the acquisition of the additional 10% interest in ONI on favourable terms and aligns Nickel Industries' interests in its RKEF plants, providing incremental production capacity and value to the Company. The ONI Acquisition is also value accretive to Nickel Industries shareholders as we have assessed the value of a 10% interest to be in the range of US$130 million to US$150 million, which is materially higher than the acquisition consideration to be paid of US$75 million

(b) the Acquired Options (which are a component of the Agreement and are linked to the approval of the Newstride Conditional Placement) 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 ENC 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. Given the current level of interest and potential investment in

Class 1 nickel production from existing and potential industry participants, if Nickel Industries shareholders reject the Newstride Conditional Placement, it is uncertain whether a comparable opportunity will arise for the benefit of Nickel Industries in the short to medium term

(c) Nickel Industries has established a financial, operational and strategic partnership with Shanghai Decent and Tsingshan which has been very beneficial to Nickel Industries shareholders and has resulted in Nickel Industries becoming a globally significant, low-cost producer of NPI. The Newstride Conditional Placement is consistent with (and a continuation of) this established relationship. If Nickel Industries shareholders' rejection of the Newstride Conditional Placement adversely affected this relationship, the impact on value for Nickel Industries could be significant

(d) the Newstride Conditional Placement is value accretive on a comparative portfolio interest basis. Further, this assessment does not incorporate any value uplift for ENC and future nickel conversion opportunities at ONI, which are anticipated to be value accretive for shareholders of Nickel Industries (implying a value for the Acquired Options potentially significantly in excess of the related acquisition cost)

Disadvantages

(e) pursuant to the Newstride Conditional Placement, Shanghai Decent will increase its interest in Nickel Industries from 21.3%[14] to 28.1%, an interest which from a regulatory perspective implicitly reflects an increased degree of control over the Company, principally by means of the ability to block a proposed special resolution. However:

   (i) the Newstride Conditional Placement is not expected to have an impact on the day to day operations or control of the Company (noting that Shanghai Decent will not have any additional Board representation)

   (ii) under the creep provisions, as set out in s611(9) of the Corporations Act, a holder of more than a 20% interest may acquire an additional 3% interest every six months

(f) the Newstride Conditional Placement is not "fair" when assessed based on the guidelines set out in RG 111. This is because the Newstride Conditional Placement does not provide value to Nickel Industries shareholders which is equal to the full controlling interest value of Nickel Industries shares prior to the Newstride Conditional Placement. However, this is to be expected as the Newstride Conditional Placement does not involve a takeover offer (or similar proposal) for 100% of Nickel Industries shares and forms part of a longer term investment strategy.

31 As indicated above there are a number of advantages and disadvantages associated with the Newstride Conditional Placement. However, the Newstride Conditional Placement (as part of the Equity Raise) enables Nickel Industries to finance the HNC Acquisition and gain material exposure to the Class 1 nickel market and EV battery supply chain industry. In addition, when combined with the additional ONI interest and the Acquired Options, the HNC Acquisition will continue the longstanding financial, operational and strategic partnership

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14 Prior to the Institutional Placement and SPP, Shanghai Decent's shareholding in Nickel Industries was 21.3%. Post the Institutional Placement and SPP and prior to the Newstride Conditional Placement, this shareholding has been diluted to 19.2%.

with Shanghai Decent and Tsingshan. Therefore, in our opinion, the Newstride Conditional Placement is reasonable and in the best interests of Nickel Industries Shareholders.

32 For the reasons set out above, in our opinion, the Newstride Conditional Placement is therefore not fair but is reasonable to Nickel Industries Shareholders in the absence of a superior proposal.

General

33 This report contains general financial product advice only and has been prepared without taking into account the personal objectives, financial situations or needs of individual Nickel Industries' Shareholders. Accordingly, before acting in relation to the Newstride Conditional Placement Nickel Industries Shareholders should have regard to their own objectives, financial situation and needs. Nickel Industries Shareholders should also read the Notice of Meeting that has been issued by Nickel Industries in relation to the proposed transactions including the HNC Acquisition and the Newstride Conditional Placement.

34 Furthermore, this report does not constitute advice or a recommendation (inferred or otherwise) as to whether Nickel Industries Shareholders should vote for, or against the HNC Acquisition and the Newstride Conditional Placement. This is a matter for individual Nickel Industries Shareholders based upon each Nickel Industries shareholder's assessment of their own circumstances. If Nickel Industries Shareholders are in doubt about the action they should take in relation to the HNC Acquisition and Newstride Conditional Placement or matters dealt with in this report, Nickel Industries Shareholders should seek independent professional advice.

35 For our full opinion on the HNC Acquisition and Newstride Conditional Placement and the reasoning behind our opinion, we recommend that Nickel Industries Shareholders read the remainder of our report.

Yours faithfully

Julie Planinic	Jorge Resende
Authorised Representative	Authorised Representative

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I Acquired Assets and the Conditional Placement

Key terms

36 On 18 January 2023, Nickel Industries announced it had entered into an Electric Vehicle Battery Supply Chain Strategic Framework Agreement (Agreement) with Shanghai Decent. The Company has further entered into binding agreements with Shanghai Decent to acquire 10% interests in two producing nickel assets (collectively the Acquired Assets):

(a) HNC – the Company is to acquire an indirect 10% interest in HNC from Newstride (an entity within Tsingshan and an affiliate of Shanghai Decent) for US$270 million. HNC is a HPAL project in the IMIP

(b) ONI – the Company will acquire an additional 10% interest in ONI for US$75 million, increasing the Company's total interest in ONI to 80%.

37 The Company has also acquired the following Acquired Options to collaborate with Shanghai Decent on future battery nickel opportunities for US$40 million:

(a) ENC – an option for participation in, and construction of, a nickel sulphate and electrolytic nickel plant using the HPAL process for US$25 million

(b) nickel matte conversion opportunity – an option to invest in and construct a low-grade to high-grade nickel matte converter for ONI at the IMIP for US$15 million.

38 Nickel Industries proposes to fund the acquisition of the Acquired Assets and Acquired Options by way of an equity raise of US$495 million (Equity Raise), comprising:

(a) a US$185 million fully underwritten institutional placement comprising the issuance of 259.1 million new ordinary shares at A$1.02 per share, representing approximately 9.5% of the total shares of the Company prior to the issue (Institutional Placement)

(b) subscription agreements for the issue of shares on a non-underwritten basis (collectively the Conditional Placement):

    (i) a US$270 million placement of 381,365,628 shares to Newstride (or its nominee)[15]

    (ii) a US$15 million placement of 21,186,979 shares to Wanlu (or its nominee)

    (iii) a US$1.4 million placement of 2,000,000 shares to Non-Executive Director Mr Mark Lochtenberg (or his nominee)

(c) a non-underwritten SPP to eligible shareholders in Australia and New Zealand, with the SPP raising US$24 million[16].

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15 The Newstride Conditional Placement will be used to acquire 100% of the issued share capital in Tsing Creation, a related body corporate of Shanghai Decent. This interest is currently held by Newstride.

16 On 3 March 2023, the Company announced the successful completion of the SPP, raising A$34.6 million from the issue of 33.9 million shares in Nickel Industries. The US$24 million amount is calculated using an exchange rate of A$1.00 = US$0.70.

39 Nickel Industries intends to apply US$60 million of the proceeds of the Equity Raise towards assessment of new near-term nickel laterite opportunities including resource acquisitions, associated feasibility studies and land acquisition. Excess funds from the Equity Raise will strengthen the Company's balance sheet and provide additional capital for general corporate purposes.

40 The issue of new shares in the Company to companies associated with Shanghai Decent under the Newstride Conditional Placement and the HNC Acquisition is subject to the approval of Nickel Industries shareholders. The acquisition of the additional 10% interest in ONI is conditional upon the completion of the HNC Acquisition and the related Conditional Placement.

Sources and uses of Equity Raise funds

41 As set out in the table below, the majority of the proceeds from the Equity Raise will be used to fund the acquisition of the Acquired Assets and Acquired Options, with the remaining funds used to provide cash for general corporate purposes:

Sources and uses of funds[1]	A$m	US$m[2]
Sources		
Institutional Placement (issued on 24 January 2023)	264	185
Conditional Placement	409	286
SPP (issued on 3 March 2023)	35	24
Total sources	708	495
Uses		
Acquisition of 10% indirect interest in HNC	386	270
Acquisition of additional 10% interest in ONI	107	75
Acquisition of options for future collaboration (the Acquired Options)	57	40
Progression of potential nickel laterite opportunities	86	60
Transaction costs	6	4
Additional cash to balance sheet	66	46
Total uses	708	495

Note:
1 Rounding differences may exist.
2 Figures based on an USD:AUD exchange rate of 0.70 per the Equity Raising Presentation dated 18 January 2023.

42 Following completion of the proposed Equity Raise, Nickel Industries will be fully funded for all acquisition payments contemplated in the Agreement.

Conditions

43 The Conditional Placement is subject to the terms of subscription agreements entered into with each of Newstride[17], Wanlu and Non-Executive Director Mr Mark Lochtenberg. The Acquired Assets and Newstride Conditional Placement are subject to the following conditions precedent:

17 The Newstride Subscription Agreement was entered into on 18 January 2023.

(a) Nickel Industries shareholder approval for (with the vote expected to be held at Nickel Industries' Extraordinary General Meeting on 30 June 2023):

   (i) the HNC Acquisition for the purposes of ASX Listing Rules 10.1 and 10.11

   (ii) the Newstride Conditional Placement under s611(7) of the Corporations Act

(b) FIRB approval.

44 If the necessary approvals and consent are not obtained the acquisition of the Acquired Assets, the Conditional Placement and the Acquired Options will not proceed and the Company will consider alternative uses for the proceeds of the offer, or ways to return such proceeds to shareholders. As mentioned above, without shareholder approval of the Newstride Conditional Placement and the HNC Acquisition, Nickel Industries will remain focused on the production of NPI (i.e. Class 2 nickel) and its prospects for future Class 1 nickel exposure / EV supply chain exposure would be at best uncertain.

45 Further details regarding the above and other conditions of the HNC Acquisition and Newstride Conditional Placement are set out in the Notice of Meeting.

Resolutions

46 The Notice of Meeting includes four resolutions to be considered by Nickel Industries shareholders. Our report specifically considers Resolution 1 – Approval of the HNC Acquisition and the proposed issue of Shares to Newstride:

(a) Resolution 1A: Approval of HNC Acquisition for the purposes of Listing Rule 10.1

(b) Resolution 1B: Approval of the issue of shares to Newstride for the purposes of Item 7, section 611 of the Corporations Act.

II Scope of our report

Purpose

47 The binding agreements for the Acquired Assets are with persons in a position of influence under the ASX Listing Rules. As the HNC Acquisition is a substantial asset as defined in ASX Listing Rule 10.2, it requires the approval of Nickel Industries shareholders that are not considered a party to the transaction (the Nickel Industries non-associated shareholders). The ASX Listing Rules require the notice of meeting sent to shareholders to include an IER, stating whether the transaction is "fair and reasonable" to Nickel Industries non-associated shareholders.

48 Section 606 of the Corporations Act generally prohibits the acquisition of a relevant interest in issued voting securities of an entity if the acquisition results in a person's voting power in a company increasing from below 20% to more than 20%, or from a starting point between 20% and 90%, unless a permissible exception applies. A permissible exception to this general prohibition is set out in s611(7), whereby such an acquisition is allowed where the acquisition is approved by a majority of securityholders of the entity at a general meeting and no votes are cast in respect of securities held by the acquirer, the vendor or any of their respective associates.

49 ASIC Regulatory Guide 74 – *Acquisitions approved by members* sets out the view of ASIC on the operation of s611(7) of the Corporations Act. Section 611(7) of the Corporations Act allows shareholders to waive the prohibition in s606 and requires that shareholders approving a resolution pursuant to this section be provided with all material information in relation to the respective proposal.

50 As noted above, as the issue of shares to Newstride (or its nominee) under the Conditional Placement will result in Shanghai Decent and its associates increasing its holding from 21.3%[18] to 28.1% of Nickel Industries shares, there is a regulatory requirement for Nickel Industries to provide shareholders with all material information relevant to a vote on the Newstride Conditional Placement.

51 The Independent Directors of Nickel Industries have elected to commission an IER to discharge the above obligations in respect of the HNC Acquisition and the Newstride Conditional Placement. Consequently, the Independent Directors of Nickel Industries have requested that LEA prepare an IER stating whether, in LEA's opinion:

(a) the HNC Acquisition is fair and reasonable to shareholders of Nickel Industries not associated with Shanghai Decent

(b) the Newstride Conditional Placement is fair and reasonable to the non-associated shareholders of Nickel Industries and the reasons for that opinion.

52 This report has been prepared at the request of the Independent Directors of Nickel Industries for the benefit of Nickel Industries shareholders not associated with Shanghai Decent to assist these shareholders in assessing the merits of the HNC Acquisition and the Newstride

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18 Prior to the Institutional Placement and SPP, Shanghai Decent's shareholding in Nickel Industries was 21.3%. Post the Institutional Placement and SPP and prior to the Newstride Conditional Placement, this shareholding has been diluted to 19.2%.

Conditional Placement. Our report will accompany the Notice of Meeting to be sent to Nickel Industries Shareholders. The sole purpose of our report is to determine whether, in our opinion, the HNC Acquisition and Newstride Conditional Placement is fair and reasonable to Nickel Industries shareholders not associated with Shanghai Decent.

53 However, it should be noted that this report is general financial product advice only and has been prepared without taking into account the personal objectives, financial situations or needs of individual Nickel Industries Shareholders. Accordingly, before acting in relation to the HNC Acquisition and Newstride Conditional Placement, Nickel Industries Shareholders should have regard to their own objectives, financial situation and needs. Nickel Industries Shareholders should also read the Notice of Meeting that has been issued by Nickel Industries in relation to the proposed transactions including the HNC Acquisition and the Newstride Conditional Placement.

54 Furthermore, this report does not constitute advice or a recommendation (inferred or otherwise) as to whether Nickel Industries Shareholders should vote for, or against the HNC Acquisition or Newstride Conditional Placement. This is a matter for individual Nickel Industries Shareholders based upon their own views as to value, their expectations about future economic and market conditions and their particular personal circumstances. If Nickel Industries Shareholders are in doubt about the HNC Acquisition and/or the Newstride Conditional Placement or matters dealt with in this report, Nickel Industries Shareholders should seek independent professional advice.

Basis of assessment

55 In preparing our report, we have had regard to the ASX Listing Rules and Regulatory Guides issued by ASIC, particularly RG 111 and Regulatory Guide 76 – *Related party transactions*.

HNC Acquisition

56 ASX Listing Rule 10.1 states that an entity must ensure that it does not acquire a substantial asset from, or dispose of a substantial asset to a substantial holder (of >10% of the voting rights) or an associate of a substantial holder without the approval of holders of the entity's ordinary securities. Approval is required by resolution at a general meeting.

57 ASX Listing Rule 10.2 states that an asset is substantial if its value, or the value of the consideration for it, is 5% or more of the book value of the equity interests of the entity.

58 ASX Listing Rule 10.5 requires that the notice of general meeting includes a report from an independent expert stating whether the transaction is fair and reasonable to non-associated holders of the entity's ordinary securities.

59 RG 111 states that "fair and reasonable" should not be applied as a composite test and states there should be a separate assessment of "fair" and "reasonable". RG 111 provides that a proposed related party transaction:

(a) is "fair" if the value of the financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided to the entity by the related party. This comparison is required to be made assuming an arm's length transaction between knowledgeable and willing, but not anxious parties

(b) is "reasonable" if it is "fair". A related party transaction may also be "reasonable" despite being "not fair" if the expert believes there are other reasons for non-associated shareholders to vote for the proposal.

60 Given the above, in our opinion, the most appropriate basis upon which to evaluate whether the HNC Acquisition is "fair and reasonable" to Nickel Industries non-associated shareholders is to consider:

(a) the market value of the HNC Acquisition (i.e. a 10% interest in HNC)

(b) the consideration to be paid by Nickel Industries for the HNC Acquisition

(c) the extent to which (a) and (b) differ in order to assess whether the HNC Acquisition is "fair"

(d) the position of Nickel Industries before and after the HNC Acquisition, and the net benefits inherent in the transaction

(e) the advantages and disadvantages of the HNC Acquisition from the perspective of Nickel Industries non-associated shareholders when considered in conjunction with the Newstride Conditional Placement.

61 The HNC Acquisition is reasonable to Nickel Industries shareholders provided the advantages of the HNC Acquisition outweigh the disadvantages from the perspective of Nickel Industries shareholders. Pursuant to RG 111, a related party transaction is also reasonable if it is fair.

Newstride Conditional Placement

62 RG 111 sets out (inter alia) the view of ASIC on the content of expert reports prepared for the purpose of seeking approval under s611(7) of the Corporations Act.

63 Under RG 111 the Newstride Conditional Placement is deemed a "change of control" transaction because following the Newstride Conditional Placement, Shanghai Decent (through its association with Newstride) will hold a greater than 20% voting interest in Nickel Industries[19]. As a result, RG 111 states that the Newstride Conditional Placement must be analysed as if it were a takeover bid under Chapter 6 of the Corporations Act. Accordingly, the expert is required to assess the transaction in terms of the convention established for takeovers pursuant to s640 of the Corporations Act, being:

(a) is the offer "fair" – when assessing takeovers, an offer is "fair" if the value of the offer price or consideration is equal to, or greater than the value of the securities the subject of the offer. This comparison should be made assuming 100% ownership of the company and is irrespective of whether the offer is cash or scrip

(b) is it "reasonable" – an offer is "reasonable" if it is fair. An offer may also be reasonable if, despite being "not fair" in the opinion of the expert, there are sufficient reasons for securityholders to accept the offer in the absence of any higher bid before the close of the offer.

19 Subsequent to the Institutional Placement and SPP, Shanghai Decent's shareholding in Nickel Industries has been diluted to 19.2%.

64 Notwithstanding that the Newstride Conditional Placement does not involve any takeover offer being made to Nickel Industries shareholders, RG 111 requires that the fairness of the Newstride Conditional Placement be assessed by comparing the controlling interest value of Nickel Industries shares prior to implementation of the Newstride Conditional Placement with the portfolio value of Nickel Industries shares following implementation (being the deemed "consideration" delivered to Nickel Industries shareholders). In order for the Newstride Conditional Placement to be "fair" under RG 111, the portfolio value of Nickel Industries shares following implementation of the Newstride Conditional Placement must be equal to, or greater than, the controlling interest value of Nickel Industries shares before implementation.

65 The Newstride Conditional Placement will also be "reasonable" if it is "fair". In addition, in our opinion, the Newstride Conditional Placement will be "reasonable" even if it is "not fair" if the advantages of the Newstride Conditional Placement outweigh the disadvantages from the perspective of Nickel Industries Shareholders.

66 Our report has therefore considered a range of both qualitative and quantitative factors including:

(a) the controlling interest value of 100% of Nickel Industries shares prior to implementing the Newstride Conditional Placement

(b) the portfolio value of Nickel Industries shares following implementation of the Newstride Conditional Placement (having regard to the intended use of the funds raised, including the acquisition of the Acquired Assets)

(c) the difference of (a) and (b) in order to assess whether the Newstride Conditional Placement is fair to Nickel Industries Shareholders pursuant to RG 111

(d) the relevant position of Nickel Industries shareholders before and after implementation of the Newstride Conditional Placement assessed on a consistent basis (i.e. by comparing the portfolio value before implementation with the portfolio value afterwards)

(e) the impact of the Newstride Conditional Placement on the ownership and control of Nickel Industries

(f) the implications for Nickel Industries Shareholders if the Newstride Conditional Placement is not approved and implemented; and

(g) other qualitative and strategic issues associated with the Newstride Conditional Placement and the extent to which, on balance, they may advantage or disadvantage existing Nickel Industries Shareholders if the Newstride Conditional Placement proceeds or is rejected.

Limitations and reliance on information

67 Our opinions are based on the economic, share market, financial and other conditions and expectations prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time (as evidenced by the external factors that gave rise to the recent volatility in the Nickel Industries share price).

68 Our report is also based upon financial and other information provided by Nickel Industries and its advisers. We understand the accounting and other financial information that was provided to us has been prepared in accordance with the Australian equivalents to

International Financial Reporting Standards. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld.

69 The information provided was evaluated through analysis, enquiry and review to the extent considered appropriate for the purpose of forming an opinion on the Newstride Conditional Placement from the perspective of Nickel Industries Shareholders. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or "due diligence" investigation might disclose. Whilst LEA has made what it considers to be appropriate enquiries for the purpose of forming its opinion, "due diligence" of the type undertaken by companies and their advisers in relation to (for example) prospectuses or profit forecasts is beyond the scope of an IER.

70 Accordingly, this report and the opinions expressed therein should be considered more in the nature of an overall review of the anticipated commercial and financial implications of the proposed transaction, rather than a comprehensive audit or investigation of detailed matters. Further, this report and the opinions therein, must be considered as a whole. Selecting specific sections or opinions without context or considering all factors together could create a misleading or incorrect view or opinion. This report is a result of a complex valuation process that does not lend itself to a partial analysis or summary.

71 An important part of the information base used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management of the relevant companies. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.

72 We in no way guarantee the achievability of forecasts of future profits. Forecasts are inherently uncertain. They are predictions of future events which cannot be assured and are necessarily based on assumptions of future events, many of which are beyond the control of management. Actual results may vary significantly from forecasts with consequential valuation impacts.

73 In forming our opinion, we have also assumed that:

(a) the information set out in the Notice of Meeting is complete, accurate and fairly presented in all material respects

(b) if the Conditional Placement is approved, it will be implemented in accordance with the terms set out in the Notice of Meeting.

III Profile of Nickel Industries

Overview

74 Nickel Industries, an ASX-listed Australian company with assets in Indonesia, has become a globally significant, low-cost producer of NPI. The Company owns 80% interests in HNI, RNI and ANI, and a 70% interest in ONI (collectively defined as the NPI Projects[20]). Nickel Industries also owns an 80% economic interest in the Hengjaya Mine, which produces nickel laterite ore. The Company also owns a number of early stage nickel projects such as the Siduarsi Nickel-Cobalt Project and the Tablasufa Nickel Project.

History

Mining origins

75 Nickel Industries was incorporated on 12 September 2007 with the objective of acquiring, exploring and developing nickel resources. After a period focusing on other opportunities, in December 2009 the Company entered into an agreement to acquire an 80% economic interest in the share capital of PT Hengjaya Mineralindo (PT Hengjaya), the owner of 100% of the Hengjaya Mine, with the remaining 20% interest owned by members of Indonesia's Wijoyo family.

76 Nickel Industries commenced mine production in October 2012 and a maiden shipment of nickel laterite ore was exported in February 2013. A number of vessels containing high grade nickel laterite (at an average grade of 1.98% nickel) were sold into China and Japan in 2013. However, following the Indonesian Government's formal ban on the direct shipping of unprocessed minerals in January 2014 (including exports under a grade of 4% nickel), mining at the Hengjaya Mine ceased and operations were placed on care and maintenance.

Indonesian export ban on unprocessed minerals

77 The origins of the Indonesian export ban of direct shipping of unprocessed minerals (DSO Ban) dates back to the 2009 Indonesian Law on Mineral and Coal Mining. This law described certain minerals as national non-renewable resources, specifying that mining should be managed to encourage sustainable regional development, be for the benefit of national interests and pursuant to the welfare and prosperity of the Indonesian people. While it was not until January 2014 that an Indonesian presidential DSO Ban decree came into force, the intervening period had seen the Indonesian Government actively encouraging and promoting the investment into and construction of smelting facilities to establish an Indonesian downstream nickel processing industry.

78 In mid-2013, Tsingshan (then one of China's largest stainless steel producers) committed to building a nickel processing facility in Indonesia to satisfy the indicated new framework for the treatment of Indonesia's natural resources. Tsingshan pioneered the RKEF process to produce low-cost NPI through processing and smelting ore into stainless steel furnaces in a

20 Noting that HNI currently produces nickel matte from its two RKEF lines.

continuous hot flow[21], and has since become a global leader in NPI processing technology[22] and the dominant player in the Indonesian NPI industry.

79 PT Indonesia Morowali Industrial Park was established to develop the IMIP in the Morowali County of the Central Sulawesi Province of Indonesia. During October 2013, China's President Xi and then Indonesian President Yudhoyono witnessed the signing of the Cooperation and Financing Agreement for the development of the IMIP.

Recommencement of mining operations and development of Tsingshan relationship

80 The introduction of the Indonesian DSO Ban materially changed the course of Nickel Industries' future, with the Company subsequently required to meet the minimum required export grade of 4% for nickel products. The development of the IMIP, and a growing requirement for nickel laterite ore as feedstock for the IMIP's RKEF lines, saw the Hengjaya Mine recommence operations in October 2015.

81 In September 2015, PT Hengjaya signed a supply agreement with PT Sulawesi Mining Investment, a Tsingshan group company, to supply 30,000 wet metric tonnes (WMT) per month of nickel laterite at a cut-off grade of 1.9% nickel for six months. In December 2016, PT Hengjaya entered into an offtake agreement with Tsingshan group company PT Indonesia Tsingshan Stainless Steel for the delivery of 50,000 WMT per month at an average grade of 1.9% nickel[23].

82 The development of this relationship and Tsingshan's requirement for additional NPI production to supply its stainless steel expansion plans culminated in Nickel Industries and Shanghai Decent discussing a strategic partnership that would contemplate the two parties building additional NPI processing capacity within the IMIP.

83 In September 2017, Nickel Industries executed a Collaboration and Subscription Agreement with Tsingshan with respect to the funding and construction of HNI, which included two RKEF lines with nameplate production of 150,000 tonnes per annum (tpa) of NPI containing 15,000 tonnes of nickel.

Hengjaya and Ranger Nickel Projects (HNI and RNI)

84 Nickel Industries acquired a 25% interest in HNI in April 2018 for US$50 million. Following the successful listing of Nickel Industries on the ASX in August 2018, in accordance with its rights under its Collaboration and Subscription Agreement, the Company acquired a further 35% in the issued capital of Hengjaya Holdings Private Limited for US$70 million. Nickel Industries also held a call option until 30 November 2020 to increase its ownership of Hengjaya Holdings Private Limited up to 80% for an additional amount of up to US$60 million[24].

85 In November 2018 Nickel Industries announced it had elevated a Memorandum of Understanding (MoU) for RNI to an executed binding Collaboration Agreement with its

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21 The major innovation was the RKEF process which allows ore to be processed, smelted and directed into stainless steel furnaces in a continuous hot flow.

22 Including having implemented the Argon Oxygen Decarburisation process, which incorporates the direct hot charging of NPI into the stainless steel production process for a low cost stainless steel cost position.

23 In October 2017, an updated offtake agreement was signed with PT Indonesia Tsingshan Stainless Steel guaranteeing to take supply of 50,000 WMT per month until 30 November 2018, with a cut-off grade of 1.6% nickel.

24 This option was exercised in June 2020.

partner Shanghai Decent to acquire up to an 80% equity interest in two additional RKEF lines under construction at the time within the IMIP. The first 17% interest was acquired for US$50 million. During August 2019, the Company increased its ownership in RNI from 17% to 60% based on a discounted valuation for a 100% interest in RNI of US$280 million (compared to the US$300 million valuation at which its initial 17% interest was acquired)[25].

86 In June 2020, Nickel Industries increased its ownership in both HNI and RNI from 60% to 80%. The consideration for the increased interests in the projects was US$120 million in total (or US$60 million for each 20% interest), as well as a US$30 million payment for the estimated share of the undistributed retained earnings pertaining to each 20% interest acquired.

87 On 3 May 2021, the Company announced that it had signed a MoU with its collaboration partner, Shanghai Decent, for two of its four 80% owned operating RKEF lines at HNI and RNI to undergo the necessary modifications to allow the production of a nickel matte product.

88 On 3 October 2022, Nickel Industries announced that HNI had commenced its transition from NPI to nickel matte production[26]. Following the transition, HNI produces a low grade nickel matte which is upgraded to high grade nickel matte (i.e. nickel sulphide with 60%-75% nickel content) by converters that have been specifically built by Shanghai Decent (for which Nickel Industries pays a per tonne charge). As with its NPI production, Shanghai Decent has provided a firm undertaking to purchase all of the Company's nickel matte production.

Angel Nickel Project (ANI)

89 The Company announced on 16 October 2020 that it had entered into a MoU in relation to the proposed purchase of a 70% interest in ANI from Shanghai Decent for US$490 million, comprising four new RKEF lines within the IWIP, together with a captive 380 megawatt (MW) power plant. The consideration was payable in two tranches, US$210 million by 31 March 2021 (for a 30% interest) and a further US$280 million by 31 December 2021 (for an additional 40% interest).

90 Nickel Industries announced on 20 January 2021 that the Company had agreed with Shanghai Decent to acquire an additional 10% equity interest in ANI, bringing its ownership to 80%, with the consideration to be made in three, rather than two tranches. Following three staged payments undertaken in February 2021 (30%), April 2021 (20%) and October 2021 (30%), and allowing for early payment discounts, the total consideration for Nickel Industries' 80% interest in ANI was US$557.6 million[27]. Funding was provided from a mixture of an equity capital raising (as announced on 2 December 2020) and debt.

91 On 25 January 2022, ANI entered the commissioning stage, with the first of its four RKEF lines having commenced NPI production. By around mid-May 2022, all four of the RKEF lines had been commissioned (all well ahead of the October 2022 contractual project delivery date), with production limited to around 80% of nameplate capacity prior to commissioning

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25 This reduced value implied in the acquisition of the further 43% arose due to the Company electing to increase its ownership within 60 days of RNI's first NPI production. In the alternative, the consideration payable would have been based on a valuation of US$300 million.

26 Given innovations by Nickel Industries' operating partner and major shareholder, Tsingshan, nickel matte produced from laterite ore is now able to be sold into the "Class 1" nickel electric battery supply chain. Switching between NPI and nickel matte production is possible with minimal production disruption, however, it is not optimal to do so regularly.

27 Reduced by US$2.4 million for early payment discounts.

the ANI power plant. The ANI power plant commenced commissioning in late July 2022, following which production at the RKEF lines immediately exceeded nameplate capacity (to a significant extent).

92 On 6 March 2023, the Company announced that it had reached agreement with Shanghai Decent to switch two of ANI's RKEF lines from NPI production to the production of nickel matte. The switch to nickel matte production, which will be subject to market conditions, is not expected to occur until early 2024, as the required low grade to high grade converter capacity is currently under construction within the IWIP.

Oracle Nickel Project (ONI)

93 On 22 November 2021, Nickel Industries announced that it had entered into a multi-faceted MoU[28] with Shanghai Decent that included the proposed purchase of a 70% interest in ONI[29] for US$525 million. ONI includes four new RKEF lines within the IMIP, together with a captive 380 MW power plant. On signing the MoU, the Company paid a US$10 million "good faith deposit" to Shanghai Decent.

94 On 8 December 2021 Nickel Industries entered into a binding Definitive Agreement with Shanghai Decent for the purchase of the 70% equity interest in ONI. On signing the agreement, the Company paid a further US$20 million "down payment" and on 18 February 2022 the remaining US$23 million of the first 10% payment was paid to Shanghai Decent. A further 20% interest in ONI was secured in May 2022 following the issue of shares to the value of US$108 million to Shanghai Decent. The third and final equity payment of US$212 million was provided around 28 September 2022.

95 ONI entered the commissioning stage on 15 November 2022 at the first of its four RKEF lines, with the second RKEF line commissioned in December 2022 and the remaining two lines commissioned in the first quarter of 2023. The commissioning of the ANI power plant is expected during June 2023, after which time production is expected to rapidly increase to above 130% of nameplate capacity.

Other projects

96 Nickel Industries signed a binding term sheet[30] with PT Sumber Energi Surya Nusantara (SESNA)[31] in August 2022 to develop and install a 200 megawatt peak (MWp) and 20 megawatt hour (MWh) battery solar project within the IMIP to supply renewable energy to HNI, RNI and ONI. Under the proposed arrangements, Nickel Industries will be the long-term offtake partner for SESNA and will not be required to contribute any capital funding. The indicative tariff for electricity is expected to remain constant over the life of the project and is considered competitive with other similar scale solar projects.

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[28] The other facets of this MoU covered the establishment of a future energy collaboration framework to optimise the transition to renewable energy sources, as well as the planned participation in future HPAL projects utilising Nickel Industries' current and prospective resources across Indonesia to produce battery grade nickel.

[29] As well as committing to 70% of the shareholder loans, which were provided to fund the associated captive power plant.

[30] This follows on from the MoU signed in January 2022.

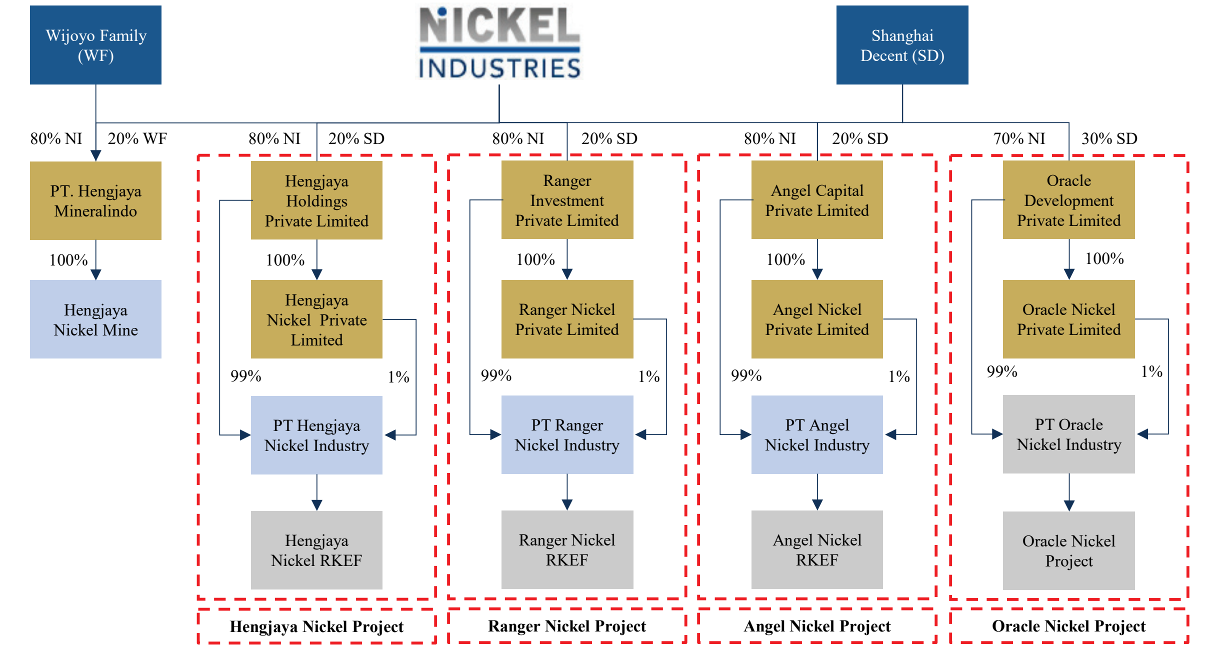
[31] SESNA is a leading solar development company in Indonesia, owning and operating a portfolio of solar feed-in-tariff and microgrid projects as well as providing services and solutions such as engineering, procurement and construction capabilities, solar financing, and other technical development support to commercialise solar projects.

97 This project supplements the existing 396 kilowatt peak (kWp) plus 250 kilowatt hour (kWh) battery storage project which the Company has entered into with SESNA for integration into the facilities at the Hengjaya Mine, which is currently scheduled to be commissioned in 2025.

Current operations

98 Nickel Industries' operating assets and respective company structures are shown below:

Nickel Industries – operating assets



99 The majority of Nickel Industries' operating assets are located in the Morowali Regency on the east coast of Central Sulawesi, Indonesia, with ANI located in the IWIP on Halmahera Island in the Maluku Province, as shown in the following map:

Nickel Industries – locations

Hengjaya Nickel Project (HNI)

100 HNI is 80% owned by Nickel Industries and operates two 42 kilo volt amps RKEF lines. The project has historically produced NPI, with nameplate production capacity of 150,000 tpa of NPI containing 15,000 tonnes of nickel. HNI produced its first NPI in late January 2019 and had a strong maiden quarter of production, with nickel metal production significantly exceeding the nameplate run rate of 3,750 tonnes of nickel in each of the following quarters to date.

101 Following facility modifications undertaken in October 2022, HNI has transitioned to a nickel matte product. The required modification cost for each RKEF line was minimal (approximately US$1 million per line) and cash costs at HNI have increased due to the additional costs incurred in the nickel matte production and conversion process, combined with the lower recovery rate (at a 93% recovery rate, costs on an equivalent per tonne of nickel produced basis increase by 7.5%). Post the transition, nickel metal production has continued to exceed nameplate capacity, as shown below:

HNI – key production statistics by quarter

Quarter ended	NPI production tonnes	Nickel grade %	Nickel metal production tonnes	Cash costs[1] US$/t nickel
31 March 2019	8,372	13.0	1,090	7,648
30 June 2019	31,256	14.0	4,386	7,725
30 September 2019	39,570	13.6	5,379	7,523
31 December 2019	40,911	13.6	5,578	7,778
31 March 2020	40,077	14.2	5,672	7,671
30 June 2020	34,078	14.6	4,980	7,342
30 September 2020	33,381	15.4	5,143	7,139
31 December 2020	38,390	14.9	5,719	7,612
31 March 2021	36,811	13.8	5,065	8,725
30 June 2021	36,928	13.6	5,008	9,133
30 September 2021	36,174	13.8	4,990	10,429
31 December 2021	39,132	12.7	4,957	12,418
31 March 2022	36,858	13.6	4,999	12,023
30 June 2022	34,081	13.2	4,510	14,597
30 September 2022	37,634	13.6	5,111	13,879
31 December 2022 (nickel matte)	nm[2]	nm[2]	4,743[3]	15,653[4]
31 March 2023 (nickel matte)	nm[2]	nm[2]	4,327[3]	16,814[4]

Note:
1 Cash costs exclude depreciation and interest.
2 Not comparable due to the transition to nickel matte production.
3 High grade nickel matte production.
4 As noted above, costs for high grade nickel matte production are higher than for NPI.
nm – not meaningful.

Ranger Nickel Project (RNI)

102 RNI is 80% owned by Nickel Industries and is a replication of HNI (i.e. it operates two 42 kilo volt amps RKEF lines with a similar production capacity and operational cost structure). The commissioning of RNI commenced in late May 2019, and by August 2019 the project was operating above its nameplate monthly run rate, with production levels in the following quarters all significantly higher than nameplate capacity (3,750 tonnes of nickel per quarter), as shown below:

RNI – key production statistics by quarter				
Quarter ended	NPI production tonnes	Nickel grade %	Nickel metal production tonnes	Cash costs[(1)] US$/t nickel
30 June 2019	2,477	12.6	311	na
30 September 2019	32,823	14.1	4,640	7,552
31 December 2019	39,105	13.8	5,390	7,886
31 March 2020	39,321	14.3	5,620	7,673
30 June 2020	35,524	14.4	5,124	7,392
30 September 2020	36,449	15.2	5,557	7,258
31 December 2020	38,676	15.0	5,808	7,442
31 March 2021	35,128	14.2	5,003	8,641
30 June 2021	37,559	13.7	5,135	9,081
30 September 2021	36,980	13.9	5,123	10,327
31 December 2021	39,641	12.9	5,130	12,277
31 March 2022	37,231	13.7	5,091	11,916
30 June 2022	34,990	13.3	4,667	14,338
30 September 2022	38,219	13.5	5,170	14,150
31 December 2022	39,488	13.1	5,154	13,754
31 March 2023	37,074	12.8	4,750	15,161

Note:
1 Cash costs exclude depreciation and interest.
na – not available.

Angel Nickel Project (ANI)

103 ANI is 80% owned by Nickel Industries and is located within the IWIP on Halmahera Island in Indonesia's North Maluku province. The project comprises four RKEF lines with an annual nameplate production capacity of 36,000 tonnes of nickel metal in NPI, a 380 MW captive power plant and ancillary facilities required for the operation of each of the RKEF lines and the power plant.

104 ANI's operations are larger than the combined operations of HNI and RNI and are based on the next generation of technology. When combined with ANI's captive power plant, ANI has operational costs that are materially lower than HNI and RNI and give rise to bottom quartile operating costs (on a global basis). In addition, ANI benefits from operating within the IWIP (similar to the IMIP) that provides significant cost and logistics savings underpinned by the ability to locally source an abundance of higher grade (>1.8% nickel grade) nickel ore and the vertically integrated nature of operations within the IWIP.

105 ANI entered the commissioning stage on 25 January 2022 and production was limited to around 80% of nameplate capacity prior to commissioning of the ANI power plant, which occurred in late July 2022. Since commissioning the power plant, ANI has significantly exceeded nameplate capacity (of 3,000 tonnes of nickel per month), as shown below:

ANI – key production statistics by month				
Month / quarter ended	NPI production tonnes	Nickel grade %	Nickel metal production tonnes	Cash costs[(1)] US$/t nickel
28 February 2022	1,939	14.3%	278	n/a
31 March 2022	5,571	14.3%	799	n/a
30 April 2022	20,749	14.3%	2,975	12,858
31 May 2022	15,698	14.0%	2,201	15,414
30 June 2022	16,143	14.2%	2,290	15,919
31 July 2022	16,665	14.7%	2,455	15,880
31 August 2022	27,214	14.1%	3,828	12,573
30 September 2022	25,449	14.6%	3,710	11,985
31 October 2022	29,192	13.8%	4,029	11,853
30 November 2022	28,046	14.6%	4,108	11,429
31 December 2022	28,000	15.3%	4,291	12,051
31 March 2023 (quarter)	80,909	15.3%	12,382	11,888

Note:
1 Cash costs exclude depreciation and interest.

106 Post the commissioning of the ANI power plant, and given the relatively high power costs at present[32], ANI has had materially lower cash operating costs per tonne of nickel metal production than both HNI and RNI.

Oracle Nickel Project (ONI)

107 ONI owns and operates four RKEF lines with an annual nameplate production capacity of 36,000 tonnes of nickel metal in NPI, ancillary facilities required for the operation of each of the RKEF lines and a 380 MW captive power plant. The asset specifications of ONI and the power plant replicate those of the Company's 80%-owned ANI. Consistent with the Company's other NPI projects, Shanghai Decent has undertaken to procure all of the NPI product from ONI at market prices for NPI in China.

108 As stated above, ONI entered the commissioning stage on 15 November 2022, with all four of its RKEF lines producing NPI in the first quarter of 2023. Commissioning of the ONI power plant is expected in June 2023, after which operating costs at the project are expected to reduce materially. Similar to ANI, ONI is expected to have bottom quartile operating costs (on a global basis).

Hengjaya Nickel Mine

109 Nickel Industries holds an 80% interest in the Hengjaya Mine, a long-life nickel laterite deposit, with the remaining 20% interest owned by the Wijoyo family, acting as the local Indonesian partner. The mine is located 12 kilometres from the IMIP in the Morowali Regency on the east coast of the province of Central Sulawesi, Indonesia. In 2012, PT Hengjaya was granted a 20-year mining operation / production licence, including two further 10-year extension options.

32 Costs for commodities, and energy related commodities in particular, increased significantly following Russia's invasion of Ukraine and have remained relatively high on a comparative historical basis.

110 The Hengjaya Mine produces direct shipping ore, the majority of which is sold into the IMIP facility for the production of NPI. The mine holds JORC[33] compliant resources as follows (which were recently upgraded, as announced to the ASX on 12 September 2022)[34]:

Hengjaya Nickel Mine – JORC compliant resources				
Category	**Dry tonnes (million)**	**Nickel %**	**Cobalt %**	**Iron %**
Measured	85	1.3	0.1	30.4
Indicated	130	1.2	0.1	28.6
Inferred	85	1.2	0.1	29.1
Total	300	1.2	0.1	29.2

111 The resource upgrade provided in September 2022 represented a 56% increase on the June 2020 reported resources and has placed the Hengjaya Mine amongst the top 10 global nickel resources. The resource upgrade included high grade saprolite resources of 72 WMT at 1.8% nickel and limonite resources of 151 WMT at 1.2% nickel. The Hengjaya Mine is the closest large tonnage, high grade saprolite and limonite mine to the IMIP, which provides the IMIP with long term ore supply with the lowest transportation costs and associated transportation emissions[35].

112 Recently, numerous expansion initiatives have been undertaken with the underlying objective being to unlock the strategic value of Hengjaya Mine's large-scale resource. While having the immediate beneficial effect of scaling up production levels and reducing unit costs (on a per tonne basis), many of the expansion initiatives were designed to prepare the mine to be a future material supplier of both saprolite and limonite ore to the IMIP. These expansion initiatives include, inter alia, new mine areas at the Bete Bete and Central Pit operations, an upgrade at the mine's jetty (which now caters for multiple barges at once) and the construction of a direct haul road between the Hengjaya Mine and the IMIP to facilitate the increased supply of both saprolite and limonite ore into the IMIP. Following the mine expansion, the Hengjaya Mine is expected to be the largest supplier of nickel ore to the IMIP.

113 The direct haul road between the Hengjaya Mine and the IMIP is expected to be completed by the end of the September 2023 quarter which, when combined with the expanded jetty operations, will enable the mine to significantly increase production and sales of saprolite to the Company's RKEF projects[36], whilst significantly increasing sales of limonite to the HPAL plants at the IMIP (both of which will have the effect of increasing the implied level of hedging of the nickel input costs for its RKEF plants).

114 As a direct result of the expansion initiatives, as well as demand for limonite ore from the IMIP, the Hengjaya Mine increased 2022 annual production to 6.8 million tonnes (Mt) (comprised of 2.9 Mt saprolite and 3.9 Mt limonite), an increase of 87.7% over the previous year. During the year Nickel Industries commenced supplying commercial quantities of

33 Joint Ore Reserves Committee (JORC).

34 These JORC resources have been modestly depleted by subsequent mining.

35 Noting that the Company's RKEF facilities at the IMIP require (in total) some 8.8 million WMT of saprolite per annum and future limonite requirements for the two HPAL projects currently in production at IMIP are some 20 million WMT per annum.

36 Production targets post completion of the haul road are a combined 10 Mtpa.

limonite to HNC[37] as well as QMB New Energy[38] at the IMIP. The limonite ore at Hengjaya Mine has historically been treated as overburden and whilst the limonite ore itself was stockpiled, the cost of mining this ore has been expensed. As at 31 December 2022, this stockpile had increased to 5.46 million WMT of limonite ore at an average grade of 1.16%.

115 In June 2022 Nickel Industries published its maiden sustainability report[39] for the calendar year ended 31 December 2021 (CY21)[40]. The Company's Environmental, Social and Governance (ESG) performance has received several acknowledgments, including:

(a) being the only nickel company to receive seven trophies at the Environmental and Social innovation awards

(b) earning a silver award at the Asia Sustainability Reporting Rating

(c) achieving a 'Green Proper' rating[41] for the Hengjaya Mine from the Indonesian Ministry of Environment and Forestry. The Hengjaya Mine became the sole entity from Morowali, and the only mining operation from Central Sulawesi to achieve this rank and one of only two nickel companies in Indonesia to receive this award

(d) being nominated as a finalist in three categories at the Asia Sustainability Reporting Awards; and

(e) being listed as the highest achiever of S&P's Global ESG scores for Indonesian-based nickel operations.

Siduarsi Nickel Cobalt Project (Siduarsi)

116 In May 2022, Nickel Industries signed a definitive agreement with PT Iriana Mutiara Mining for the staged acquisition of a 100% interest in Siduarsi in the Papua province[42]. Siduarsi is a sixth generation Contract of Work (CoW) held by PT Iriana Mutiara Mining and is one of only four active nickel CoWs in Indonesia[43]. The Siduarsi CoW covers 16,470 hectares, with a range of previous work undertaken by previous partners (who were assessing the project's limonite potential) including drill holes and test pits.

117 During 2022 and early 2023, over 31,000 metres of drilling was completed which returned peak grades of 3.68% nickel and 0.825% cobalt. Detailed geological modelling is well

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37 As noted earlier, pursuant to the proposed transaction the Company has contracted to acquire the 10% interest in HNC held by Tsingshan.

38 QMB New Energy operates an HPAL plant at the IMIP and will require 10 million tonnes per annum (Mtpa) of limonite ore when operating at full capacity. Nickel Industries has also entered into a strategic co-operation agreement with QMB New Energy for the future supply of limonite, subject to further definitive agreements to be agreed by the respective parties.

39 This inaugural report was prepared in accordance with the Global Reporting Initiative Standards: Core Option, with Metals and Mining Supplement Sector, Sustainability Accounting Standards Board for Metals and Mining Standard and the Task Force on Climate-Related Financial Disclosures for selected disclosure indicators.

40 The Company's CY22 Sustainability Report was released on the ASX on 31 March 2023.

41 A "Green PROPER" rating indicates that the Hengjaya Mine is considered capable of carrying out environmental management beyond what is required by law, as well as contributing significantly to community development around the operational area.

42 This followed on from the binding MoU signed in September 2021.

43 The other three being Vale-Inco (which hosts its Soroako nickel matte production facilities), Weda Bay which hosts the IWIP and Gag Island in West Papua province.

advanced and new areas in the west of the project IUP[44] are currently being drilled. Currently there are four drill rigs working on the IUP area of the project. Additional updates on the project are currently being undertaken and include ore grade and domain modelling for metallurgical test work programs, regional environment base line studies, potential haul road options and coastal bathymetric studies for suitable port infrastructure and jetty locations. The first metallurgical bulk sample was taken during the December 2022 quarter and test work commenced. Initial metallurgical test work will include beneficiation and screen size analysis followed by acid leach test work.

118 Following completion of the successful phase 1 drill program the CoW will be placed into voluntary suspension to allow a JORC resource estimate, feasibility study and environmental impact study to be completed. The feasibility study will focus on the economics of an initial DSO operation which could provide quality saprolite and limonite by barge to either the IMIP (where the company's HNI, RNI and ONI RKEF operations are located), or the IWIP (where the company's ANI RKEF operations are located). It is estimated this work will take 9 to 12 months including approvals to complete. Once approved, this will see the Company issued with a 30-year mining licence with 2 possible 10-year extensions.

Other operations

119 During 2021 the Company executed a facility agreement with PT Sinar Inti Pembangunan, under which the Company advanced to PT Sinar Inti Pembangunan US$3.5 million to assist in funding the development and eventual acquisition of certain nickel projects.

120 In December 2021, the Company signed a Conditional Share Purchase Agreement with Bolt Metals Corp.[45] to acquire 100% of the Tablasufa Nickel Project. Bolt Metals Corp. owns a 65% interest in PT Tablasufa Nickel Mining and PT Best Resources owns the remaining 35% interest. The Tablasufa Nickel Project is a 5,000-hectare Production Operation IUP located on the northeast coast of West Papua, Indonesia (approximately 200 kilometres from the Siduarsi Nickel Cobalt Project[46]), which has undergone considerable past exploration by various parties. Under the terms of the Conditional Share Purchase Agreement, Nickel Industries can acquire 100% of the Tablasufa Nickel Project for a total consideration of US$8.5 million, following the completion of satisfactory due diligence (at Nickel Industries' absolute discretion), the extension of the Tablasufa Nickel Project Production Operation IUP and Bolt Metals Corp. shareholder approval.

Tax relief granted

121 Nickel Industries has been granted material tax relief over its range of NPI projects, which commence from the tax year in which commercial production is achieved, a summary of which is below. Due to their materially larger respective "planned investment values" (relative to HNI and RNI), ANI and ONI have been granted increased tax free periods:

44 An IUP (Izin Usaha Pertambangan) is a mining business licence that is granted for performing production operation activities in Indonesia.

45 A company listed on the Canadian Securities Exchange.

46 Similar to the Siduarsi Nickel Cobalt Project, the Tablasufa Nickel Project is along a geo-tectonic strike from the Ramu nickel-cobalt project in neighbouring Papua New Guinea.

Nickel Industries – tax concessions				
	Date announced	**100% corporate tax reduction**	**50% corporate tax reduction**	**Exception from withholding tax**
HNI	Nov 2018	7 years	2 years	7 years
RNI	Mar 2019	7 years	2 years	7 years
ANI	Jan 2022	10 years	2 years	10 years
ONI	March 2022	10 years	2 years	10 years

122 Due to the growth in NPI production in Indonesia, the Indonesian Government has recently announced plans to cease granting tax holidays for new NPI projects in the near term. This does not impact the tax breaks already in existence (such as those Nickel Industries receives with respect to its NPI Projects). Despite this announced change, tax holidays for HPAL projects are expected to continue to be available.

Financial performance

123 The financial performance of Nickel Industries for the three years to CY22 is set out below:

Nickel Industries – statement of financial performance[1]			
	CY20 US$m	**CY21 US$m**	**CY22 US$m**
Revenue	523.5	645.9	1,217.0
Cost of goods sold	(321.6)	(393.2)	(856.6)
Gross profit	201.9	252.7	360.4
Directors' fees and consultants' expenses	(4.1)	(9.4)	(9.3)
Depreciation and amortisation	(36.8)	(36.0)	(66.6)
Other expenses	(3.4)	(13.3)	(22.7)
Share of profit / (loss) of equity accounted investees	-	(0.1)	0.4
Net financial profit / (expenses)	(3.1)	(13.0)	(41.8)
Profit before tax	154.6	181.0	217.0
Income tax expense	(0.9)	(5.1)	(7.7)
Profit after tax	153.7	175.9	209.4
Profit attributable to non-controlling interests	43.1	38.0	50.4
Profit attributable to owners of the Company	110.6	137.9	159.0

Note:
1 Rounding differences may exist.

Historical results

124 As noted above, the operations of Nickel Industries have grown significantly over the three year period to CY22, in particular as regards the number of and ownership interests in the NPI Projects constructed and commissioned over the period. In this regard, ANI only reached full operating capacity in the December 2022 quarter, ONI is currently in the production ramp up stage and the Hengjaya Mine is in the process of a major expansion, all of which will further increase both revenue and earnings over the remainder of CY23. In the circumstances we do not consider the historical results for Nickel Industries to be representative of future financial performance.

Financial position

125 The financial position of Nickel Industries as at 31 December 2021 and 31 December 2022 is set out below:

Nickel Industries – statement of financial position[1]	31 Dec 21 US$m	31 Dec 22 US$m
Debtors and prepayments	125.1	235.6
Inventories	107.0	204.8
Creditors, accruals and provisions	(64.5)	(199.6)
Net working capital	167.5	240.9
Property, plant and equipment	1,264.3	1,922.1
Goodwill	78.0	102.7
Other assets net of other liabilities	55.8	60.0
Deferred tax liabilities	(78.0)	(96.1)
Total funds employed	1,487.7	2,229.6
Cash and cash equivalents	137.9	144.2
Interest bearing liabilities	(327.6)	(559.3)
Net cash / (debt)	(189.7)	(415.0)
Net assets	1,297.9	1,814.5
Non-controlling interests	295.1	515.9
Net assets attributable to Nickel Industries shareholders	1,002.8	1,298.6

Note:
1 Rounding differences may exist.

Property, plant and equipment

126 Nickel Industries' property, plant and equipment is predominantly comprised of plant and machinery relating to its holdings in the NPI Projects.

Nickel Industries – property, plant and equipment	31 Dec 21 US$m	31 Dec 22 US$m
Buildings	57.4	192.9
Mining properties	25.4	24.2
Plant and machinery	478.6	985.1
Construction in progress (relates to ONI)	693.3	712.8
Other (motor vehicles, office equipment etc.)	9.6	7.1
Total property, plant and equipment	1,264.3	1,922.1

Net cash / debt

127 A breakdown of Nickel Industries' net debt as at 31 December 2021, 31 December 2022 and 31 March 2023 is set out below:

Nickel Industries – net debt			
	31 Dec 21 US$m	31 Dec 22 US$m	31 Mar 23 US$m
Cash and cash equivalents	137.9	144.2	275.1(3)
Cash raised from debt restructure	-	-	95.0(4)
Surplus working capital(1)	-	-	100.0
Working capital loan(2)	(4.0)	(13.8)	(13.8)
Senior Unsecured Notes(2)	(323.6)	(323.8)	(245.6)(4)
Senior Secured Notes(2)	-	(221.7)	-(4)
New Senior Unsecured Notes	-	-	(400.0)(4)
Net cash / (debt)	(189.7)	(415.0)	(189.3)

Note:
1 During the March 2023 quarter trade receivables increased by some US$170 million and Nickel Industries management are expecting some US$100 million of this to revert to cash in the short term.
2 Includes accumulated interest for the respective loans.
3 Includes the cash raised from the Institutional Placement and SPP.
4 Noting that the Company's debt was restructured during April 2023 and hence these amounts are pro forma as at 31 March 2023 (refer paragraphs 129 and 130).

128 Details of the Senior Unsecured Notes and Senior Secured Notes held as at 31 December 2022 are as follows:

(a) in March 2021, as part of the financing package to facilitate the Company's acquisition of its 80% interest in ANI, Nickel Industries issued US$175 million of Senior Unsecured Notes. The Senior Unsecured Notes have a coupon interest rate of 6.5% per annum, are payable semi-annually in arrears, and mature on 1 April 2024

(b) on 9 September 2021, Nickel Industries announced the completion of a further US$150 million issue of Senior Unsecured Notes, with the same terms as the initial US$175 million note issue (including an interest rate of 6.5% per annum and 1 April 2024 maturity). These Senior Unsecured Notes were consolidated with the existing Senior Unsecured Notes to form a US$325 million single series of notes and listed on the Singapore Exchange Securities Trading

(c) on 24 August 2022, Nickel Industries announced the completion of its offering of US$225 million of Senior Secured Notes, which were issued as part of the financing package to facilitate the Company's acquisition of its 70% interest in ONI. The Senior Secured Notes were listed on the Frankfurt Open Market Exchange, issued with a coupon interest rate of 10.0% per annum[47] and were set to mature on 23 August 2025[48].

129 On 10 April 2023, Nickel Industries announced that it planned to restructure its debt by issuing New Senior Unsecured Notes whilst it concurrently tendered its existing Senior Unsecured Notes and engaged in separate discussions with the holders of its outstanding Senior Secured Notes. On 14 April 2023, the Company announced that it had:

47 The notable increase in this rate in comparison to previous debt raisings by the Company was due to a combination of higher interest rates generally (as interest rates globally have risen in response to rising inflation) and the material volatility in global nickel prices around the time of the debt raising, which increased debt financing costs for companies such as Nickel Industries at the time.

48 As noted below, these notes were repurchased in April 2023.

(a) reached agreement to refinance its outstanding US$225 million of Senior Secured Notes, which will be cancelled (and investors in the Senior Secured Notes essentially offered new notes); and

(b) completed the issue of US$400 million of senior unsecured notes (New Senior Unsecured Notes) at a coupon interest rate of 11.25% per annum[47], maturing 21 October 2028. The New Senior Unsecured Notes are listed on the Singapore Exchange Securities Trading.

130 On 20 April 2023, Nickel Industries announced that, as a result of the tender offer for its existing US$325 million Senior Unsecured Notes, the Company had accepted valid tenders for an aggregate amount of some US$79.4 million. As a result of the debt restructuring, the Company raised an additional US$95.0 million in cash and Nickel Industries removed all its secured debt, with its outstanding bonds on issue now comprising[49]:

(a) US$400 million of New Senior Unsecured Notes

(b) US$245.6 million of Senior Unsecured Notes.

Share capital

131 As at 31 March 2023, Nickel Industries had 3,024.3 million fully paid ordinary shares on issue, which includes 259.1 million ordinary shares issued under the Institutional Placement and 33.9 shares issued under the SPP components of the Equity Raise.

Significant shareholders

132 As at 17 January 2023[50], there were four substantial shareholders in Nickel Industries that held a total of 47.8% of the ordinary shares on issue, as detailed below:

Nickel Industries – substantial shareholders		
	Shares held	
Shareholder	**million**	**% interest**
Shanghai Decent Investment (Group) Co., Ltd	577.8	21.3
PT Karunia Bara Perkasa	350.6	13.8
BlackRock Group	171.7	6.5
L1 Capital Pty Ltd	172.0	6.3
Total	1,272.1	47.9

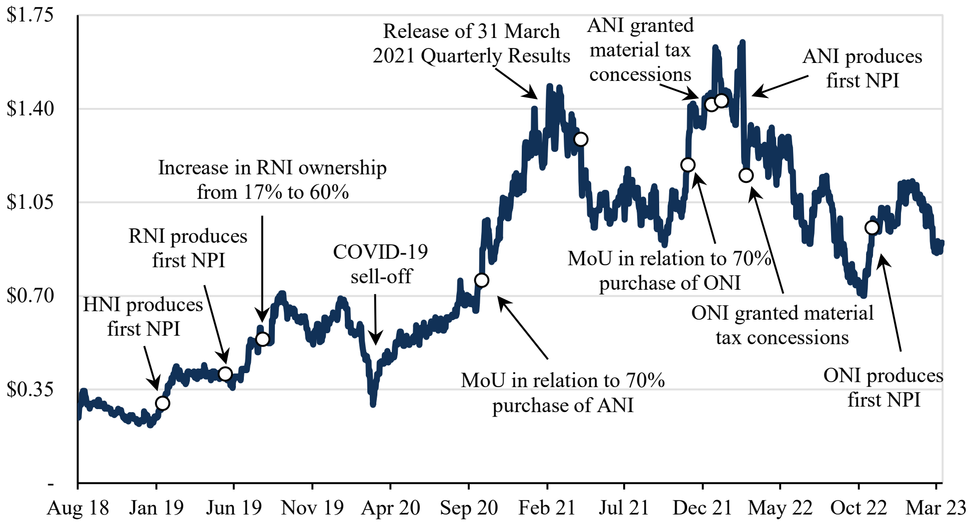
Share price performance

133 The following chart illustrates the movement in the share price of Nickel Industries since listing on the ASX on 20 August 2018 to 31 March 2023:

49 A material outcome of the New Senior Unsecured Notes issuance was the removal of all secured debt and a simplification of the Company's capital structure, which leaves the Company well placed to secure additional debt should the need arise.

50 Being the last trading day prior to the announcement of the Agreement and the Equity Raise.

Nickel Industries – share price history (based on closing prices)
20 August 2018 to 31 March 2023



Source: Bloomberg

134 Following its listing on the ASX on 20 August 2018 over the period to 31 March 2023, the Nickel Industries share price has generally performed relatively strongly. The decline in the share price over the majority of 2022 and the beginning of 2023 reflected a negative investor response to the material volatility in global nickel prices, together with an increased level of economic uncertainty generally.

Liquidity in Nickel Industries shares

135 The liquidity in Nickel Industries shares based on trading on the ASX over the 12 month period prior to 17 January 2023[51] is set out below:

Nickel Industries – liquidity in shares

Period	Start date	End date	No of shares traded 000	WANOS[(1)] outstanding 000	Implied level of liquidity Period[(2)] %	Annual[(3)] %
1 month	18 Dec 22	17 Jan 23	181,916	2,731,273	6.7	79.9
3 months	18 Oct 22	17 Jan 23	732,812	2,731,273	26.8	107.3
6 months	18 Jul 22	17 Jan 23	1,659,206	2,731,273	60.7	121.5
1 year	18 Jan 22	17 Jan 23	4,060,117	2,692,229	150.8	150.8

Note:
1 Weighted average number of shares outstanding (WANOS) during relevant period.
2 Number of shares traded during the period divided by WANOS.
3 Implied annualised figure based upon implied level of liquidity for the period.

136 In each of the periods above, total share turnover (on an annualised basis) has been in excess of 79% of the total number of shares issued in Nickel Industries, indicating a high level of market liquidity. Nickel Industries shares are included in the S&P/ASX 200 Index.

51 Being the last trading day prior to the announcement of the Agreement and the Equity Raise.

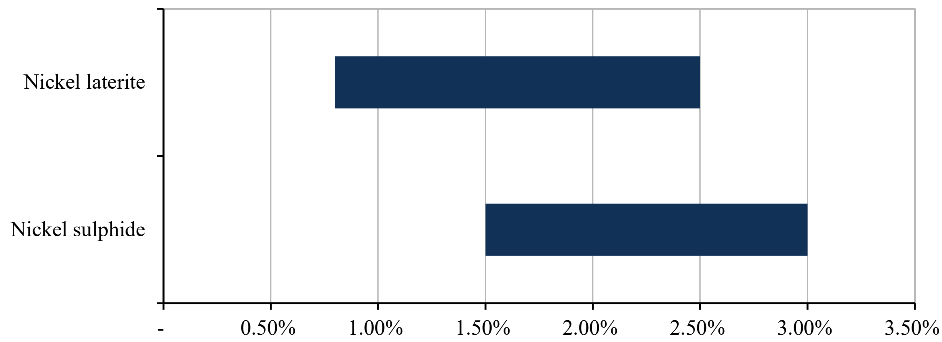
IV Nickel industry overview

Overview

137 Nickel is the fifth most common element on earth and occurs extensively in the earth's crust and core. In its most raw form, nickel is silvery-white. The metal also radiates a natural yellow, and sometimes whitish, hue. While the concentration of nickel in the earth's crust is 80 parts per million, the earth's core consists mainly of a nickel-iron alloy. Nickel has the ability to form an oxide layer that prevents further corrosion. It also has unique energy density properties that are difficult to replicate or substitute, that help it deliver greater energy storage capacity at lower cost.

138 Nickel occurs naturally, principally as oxides, sulphides and silicates and has outstanding physical and chemical properties, which make it essential in thousands of products. Around 60% of the world's resources are laterites, with the other 40% sulphides. The typical nickel content grades of these types of nickel ore are:

Nickel ore grades



Source: International Nickel Study Group: *The World Nickel Factbook 2021* report.

139 Nickel demand has historically been affected by various factors such as economic growth and technological advancements (such as battery technology). Its primary use is in stainless steel (69% of consumption), with other uses being batteries (11%), nonferrous alloys (7%), plating (6%), alloy steels (3%) and casting (2%)[52].

140 The output of refined nickel production[53] is generally divided into two primary categories:

(a) Class 1 – describes a group of nickel products comprising powders and briquettes, cathodes, pellets, oxides and sulphates. Class 1 products typically have a relatively high nickel content and are suitable for battery products (ongoing demand for which is high)

(b) Class 2 – comprises NPI and ferronickel. These nickel products commonly have a lower nickel content and are used predominantly in stainless steel production, where stainless steel producers are able to take economic advantage of the high level of iron content.

52 Source: https://nickelinstitute.org/en/about-nickel-and-its-applications/.

53 The supply of nickel is also available from recycling (i.e. secondary sources).

141 The nickel industry has been constantly evolving due to advancements in technology for the production of various nickel products, the most relevant of which to today's market have been the development of NPI as a stainless steel feedstock and improvements in nickel battery technology. The combined impact of these technologies has (inter alia) given rise to the bifurcation of Class 1 and Class 2 nickel prices given an increasing supply of NPI (i.e. Class 2 nickel) combined with growing demand for battery grade nickel (i.e. Class 1 nickel). The separation of the Class 1 and Class 2 nickel markets in the value chain, coupled with the fact that global exchange-traded nickel accounts for less than a quarter of the total finished nickel supply, has made nickel pricing both challenging and volatile in recent years.

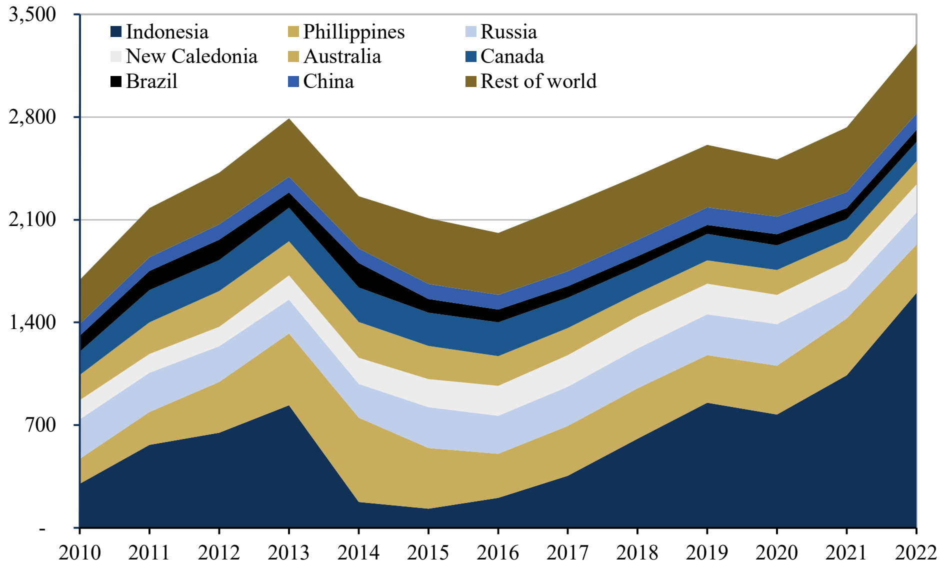
142 In the past, the primary obstacles to producing nickel sulphate were obtaining enough high-quality feedstock materials like intermediary nickel products, briquettes, and powders, and concerns about the feasibility of mass production via existing methods (pyrometallurgical / hydrometallurgical) to meet the future needs of the EV industry. However, Tsingshan's technological breakthrough in creating nickel sulphate by converting nickel laterite ores to NPI, and then further to nickel matte, has the potential to bridge the gap between the Class 1 and Class 2 value chains over the medium to longer term (assuming respective supply / demand responses by market participants).

Nickel supply

143 Abundant nickel resources and a rapidly expanding downstream nickel refining industry (refer below) has led to the significant expansion of Indonesian nickel mine production, with supply increasing by 49% in 2022 in comparison to 2021 (representing nearly all of the industry's growth for 2022). Indonesian mine production now accounts for almost half (49%) of world annual mined nickel supply[54], as shown in the following chart:

Global nickel mine production

000tpa



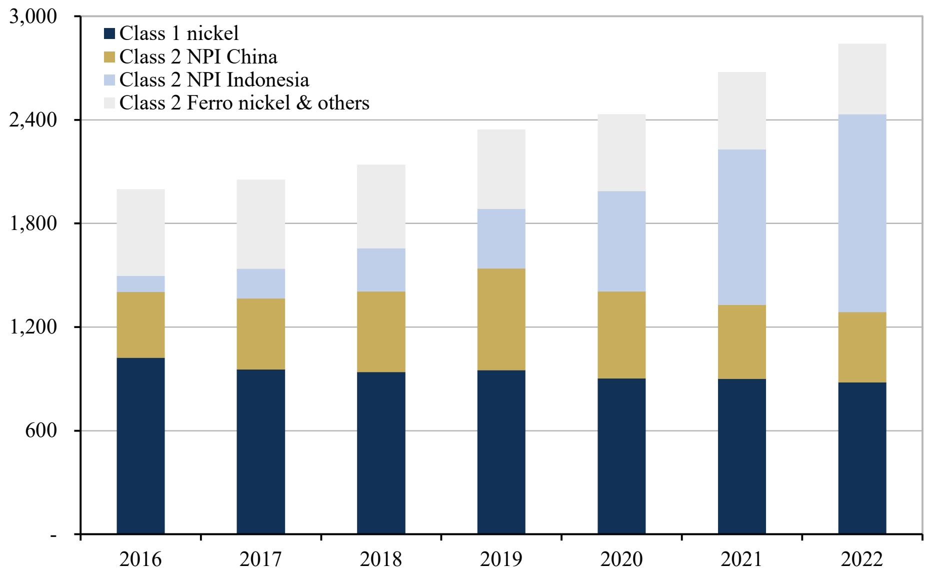
Source: USGS: *Mineral Commodity Summaries 2022 and 2023, Minerals Yearbook 2014 and 2019* and LEA analysis.

54 Source: United States Geological Survey (USGS): *Mineral Commodity Summaries 2023* report dated 31 January 2023.

144 Following the Indonesian DSO Ban in 2014, mine production in Indonesia decreased significantly, which had a profound impact on global mine supply. Partially offsetting this was a substantial increase in nickel exports from the world's second largest producer, the Philippines, however this increase could not be sustained over the longer term. Due to a combination of increasing demand for mined nickel from downstream Indonesian processing facilities, and a temporary lift in the DSO Ban in 2017 (which was reintroduced in 2020), Indonesian mine production levels subsequently recovered.

145 Indonesia is home to the world's largest reserves of nickel and has a natural advantage in the supply of nickel ore. The Indonesian Government has also actively encouraged the development of its downstream nickel industry, with the introduction of the DSO Ban in January 2014 that forced nickel producers to meet the minimum required export grade of 4% for nickel products. The DSO Ban led to significant investment in the downstream Indonesian nickel industry (predominantly NPI), as shown in the following chart.

Global refined nickel production
000tpa



Source: Eramet Investor Presentations dated May 2019, May 2020, May 2021, May 2022 and February 2023.

146 Over the above period, we note that:

(a) refined nickel production increased year on year, with a compound annual growth rate (CAGR) of 6.0% per annum exhibited over the period to 2022

(b) Class 1 nickel production in 2016 was 1,022 metric tonnes, which had reduced by 142 metric tonnes (some 14%) to reach 880 metric tonnes by 2022

(c) Indonesian NPI production capacity increased by a CAGR of 52.6%, however growth slowed in 2022 to 27.4% (following growth of 55.2% in 2021)

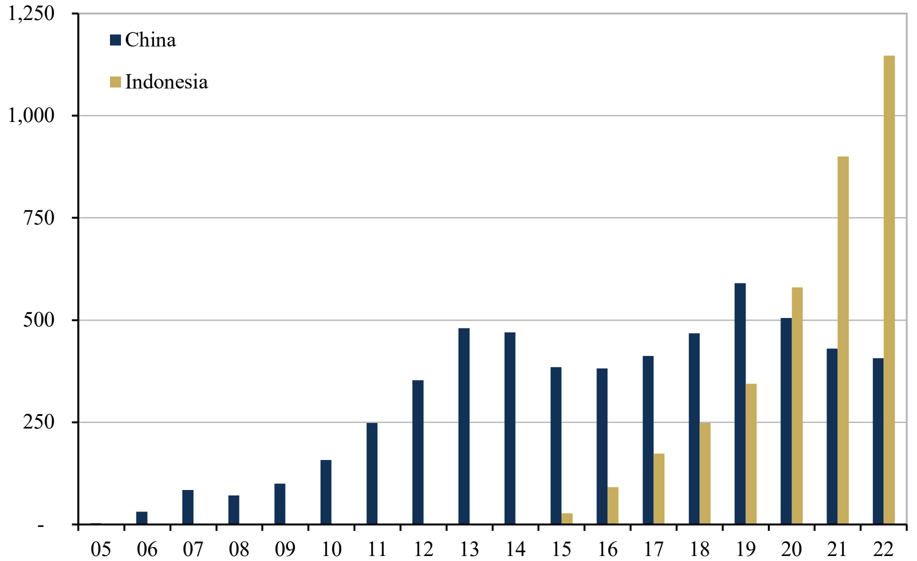
(d) Chinese NPI production peaked in 2019, with some of this production capacity displaced by cheaper NPI produced in Indonesia.

NPI market and technology

147 NPI technology was developed by Tsingshan in China in 2005 as a low cost alternative to refined nickel and has typically been used to produce stainless steel. NPI is made by combining low grade nickel ore that is relatively high in iron ore content (around 50% iron) with coking coal and an aggregate mix (gravel and sand) that is heated in either a blast or electric furnace (such as the RKEF plants). This produces NPI with a nickel content ranging from around 2% to 15%[55].

148 Following investment by Tsingshan, production of NPI in Indonesia commenced in 2015. NPI produced in Indonesia is lower cost than Chinese NPI production[56] due to a combination of lower nickel ore costs (which are typically set by the Indonesian Government and are substantially lower than equivalent grade nickel ore traded on the global market), lower transportation costs (as the ore is processed domestically[57] rather than being transported to China), and lower power costs from coal sourced domestically. Due to these advantages, Indonesian NPI production levels have expanded significantly, as shown below:

NPI production
000tpa



Source: Eramet Investor Presentations dated May 2019, May 2020, May 2021, May 2022 and February 2023, USGS *Minerals Yearbook 2010, 2014 and 2019* and LEA analysis.

149 The production cost differential between Chinese and Indonesian NPI has led to the replacement of higher-cost Chinese NPI production by newer, lower-cost Indonesian NPI production[58]. Such idle Chinese NPI capacity however has the potential to limit future NPI prices as (logically) higher sustained NPI prices are likely to be met by additional NPI supply as mothballed plants in China are restarted[59] (i.e. the highest cost marginal producer of Chinese NPI has an influence over NPI prices). Further, to the extent that lower cost

55 Nickel Industries' RKEF plants produce NPI with 13% to 15% nickel metal content.

56 To date, all of the NPI produced in Indonesia has been exported to China.

57 Transportation costs are impacted by the high moisture content of the low grade nickel ore, i.e., a substantial proportion of the DSO transportation costs effectively relate to shipping water.

58 Some of the older established Chinese production capacity has recently been placed on care and maintenance.

59 However, the process of restarting mothballed plants is difficult, costly and time consuming.

Indonesian NPI production continues to displace higher cost Chinese NPI production, the price limit set by the highest cost marginal producer could also reduce.

150 In a bid to encourage additional domestic refining of nickel ore, the Indonesian Ministry for Maritime and Investment Affairs recently proposed the introduction of an export tax on sales of NPI and ferronickel. At present, the announced intention is to introduce a tax based on the London Metals Exchange (LME) nickel price (notwithstanding that LME nickel prices reflect Class 1 nickel and NPI is Class 2 grade nickel), with an offsetting allowance for when coal prices (based on the HBA thermal coal price[60]) are above predetermined levels.

151 A major recent technological development in the nickel industry has been the ability to produce low grade nickel matte from RKEF plants at a relatively modest conversion cost (some US$1 million per RKEF line)[61]. This low grade nickel matte can then be upgraded to high grade nickel matte (i.e. nickel sulphide with 60% to 75% nickel content, which is classified as Class 1 nickel), subject to converter capacity availability. This process essentially liberates the nickel product from the iron ore.

152 There are currently 12 RKEF lines converted to produce nickel matte at the IMIP and eight RKEF lines at the IWIP have either recently transitioned, or are in the process of being transitioned, to produce nickel matte. Given the conversion cost is modest (and thereafter production can be switched between nickel matte and NPI), the potential exists for additional Indonesian NPI production capacity to be converted into nickel matte production. However, there are some practical constraints, such as access to the technology to upgrade the low grade to high grade nickel matte, and limited land available in close proximity to existing RKEF plants for constructing purpose built “upgrading” plants.

153 Future refined nickel supply is expected to be predominantly sourced from Indonesia, and at present, there are around 15 HPAL plants and some 40 NPI plants either in the feasibility, construction (or expansion) or commissioning stage. Whilst this is a significant expansion of current production capacity, a substantial proportion of these projects are at the feasibility stage and therefore there is no certainty that these will all proceed to the investment stage for any number of reasons (including, for NPI projects, potential uncertainty around project investment returns following the Indonesian Government’s proposed plans to introduce an NPI export tax and the increasingly likelihood that tax breaks for investments in NPI projects will be withdrawn in the near term).

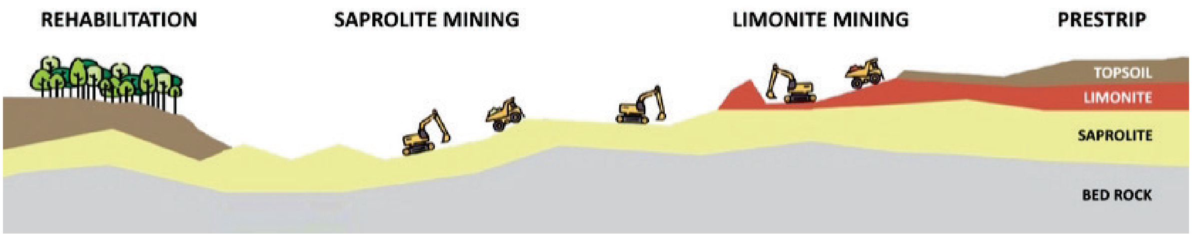
Mining in Indonesia

154 Nickel mining in Indonesia typically follows the following mining sequence, including pre-stripping and removing overburden, mining the nickel ore and then once mining has been completed, rehabilitation:

60 The HBA price for thermal coal is the basis for determining the prices of 77 Indonesian coal products and calculating the amount of royalty producers have to pay for each metric ton of coal sold. It is based on 6,322 kcal/kg GAR coal with 8% total moisture content, 15% ash as received, and 0.8% sulphur as received.

61 Tsingshan developed this technology and currently owns the converting capacity at both the IMIP and IWIP.

Nickel mining in Indonesia



155 Saprolite ore has been mined in Indonesia for many years and is predominantly used in the production of NPI. Limonite ore, which sits on top of the saprolite ore, has historically been treated as waste[62] as the technology to economically extract and refine this ore did not exist. Following the successful construction and commissioning of a number of HPAL plants in Indonesia, including two plants at the IMIP[63] (with a number of new HPAL plants in Indonesia currently in the feasibility or commissioning stage), there is now a rapidly growing market for Indonesian limonite ore.

156 Indonesian miners have benefitted from the additional revenue and associated mine efficiencies from selling the limonite ore. In addition, given the amount of waste generated by HPAL plants, the opportunity exists for those nickel miners located in the vicinity of industrial parks to potentially generate additional revenue by accepting waste from the industrial parks for a fee for use in backfilling mine pits[64] (as long as the waste is uncontaminated and suitable for mine rehabilitation).

157 Since May 2020, Indonesia's Ministry of Energy and Mineral Resources has set the monthly commodity prices for saprolite and limonite DSO under a range of bands. Prices are predominantly based on the HMA nickel price[65], adjusted for nickel grade and moisture content. Prices for saprolite ore (typically 1.5% to 1.9% nickel) are significantly higher than limonite ore (typically 0.8% to 1.2% nickel) and both prices increase with grade. Reflective of the regulated pricing structure established, prices for Indonesian nickel ores are also substantially lower than similar grades of ores sourced from competing nickel exporters, such as the Philippines.

Industrial parks in Indonesia

158 The DSO Ban, as well as other benefits such as tax holidays, led to significant investment in the downstream nickel industry in Indonesia, in particular from Chinese companies. This investment was primarily channeled into nickel related projects (and its related steel and battery making technologies) located at a number of industrial parks, including the IMIP and the IWIP (i.e. the parks in which Nickel Industries has investments in its NPI Projects).

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62 Or in more recent years sometimes stockpiled in anticipation of future sales.

63 Which are the HNC and QMB New Energy plants. Such HPAL plants have significant limonite ore requirements in the order of 10 Mtpa.

64 Noting that this would also require additional permits.

65 "HMA Nickel" is the average spot nickel metal price published by the LME from the twentieth two months prior to the HPM period to the nineteenth month prior to the HPM period.

159 The IMIP is an industrial park in the Bahodopi district of Morowali Regency, Central Sulawesi that covers an area of 4,000 hectares. The park is a joint venture between Tsingshan (with an effective interest of 66.25%) and Bintang Delapan (effective interest of 33.75%) and is served by a seaport, an airport and other associated infrastructure including over 3,000 MW installed power capacity. The IMIP is Indonesia's largest nickel focused industrial area and currently has stainless steel capacity of 3.0 Mtpa, 3.5 Mtpa of carbon steel capacity (expanding to 5.0 Mtpa), around 50 operating RKEF lines (both operating and under construction), as well as two HPAL operations and six power plants. Funds sourced from China and invested by Tsingshan (and its related entities) were a key driving force of the establishment of IMIP as one of the world's most important suppliers of nickel and NPI products.

160 The IWIP is developed under a joint venture between Tsingshan (40% ownership), Hauyou Group (30%) and Zhenshi Holdings Group (30%). It is strategically located next to the large Weda Bay nickel deposit owned by Tsingshan (51.3%), Eramet (38.7%) and Aneka Tambang (10%), which provides feedstock to the IWIP operations. The IWIP also has a seaport, an airport and other associated infrastructure, including over 2,000 MW installed power capacity. As with the IMIP, Tsingshan is collaborating with a number of partners across a range of projects within the IWIP. IWIP has over 50 RKEF lines (both operating and under construction), as well as a number of HPAL plants in the construction stage.

161 Industrial parks such as the IMIP and IWIP provide a range of benefits to investors, such as lower capital costs associated with the existing established infrastructure (seaport, airport and associated infrastructure), economies of scale from the concentration of a range of similar industrial plants and the pooling and blending of nickel ores, and corporate tax and withholding tax exemptions of up to 15 years[66] (depending on investment value)[67].

Demand for nickel

162 The stainless steel industry has historically been the key driver of demand for nickel, accounting for over two thirds of nickel consumption. More recently, however, there has been increasing demand (and expectations that this increased demand will continue) for Class 1 nickel from battery and EV producers, and other clean energy companies.

163 Nickel is used as a key alloying element in the production of stainless steel, and is also used in the production of steel plates, wires, and rods for construction projects. Over the five years prior to COVID-19, China was responsible for around 55% of the annual stainless steel produced globally, as shown below:

66 Plus a corporate tax exemption of 50% for an additional two years at the end of this period.

67 As noted above, the Indonesian Government intends to remove tax breaks for future NPI projects.

Global stainless steel production[(1)]

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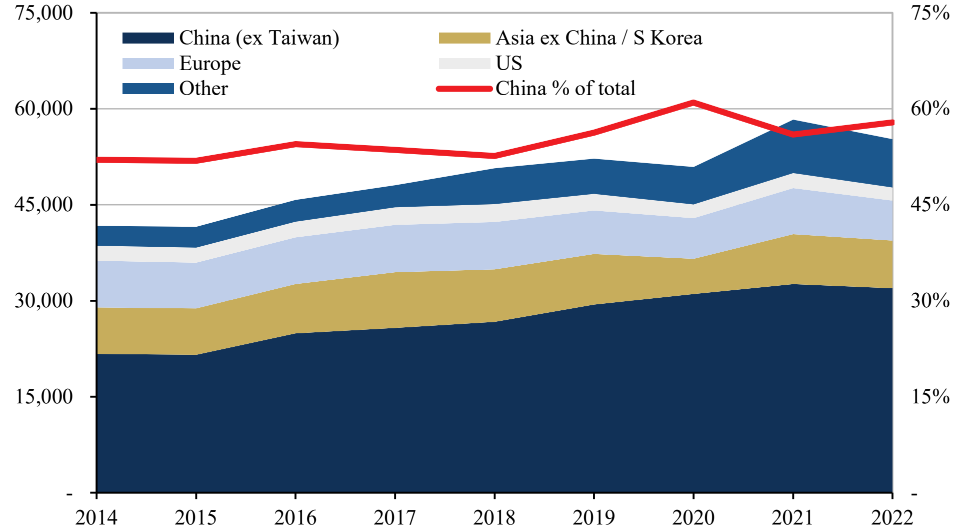

Note:
1 Data includes stainless steel shop production (slab / ingot equivalent) for each calendar year.
Source: World Stainless Association: *Stainless steel in figures* reports for 2019 and 2022, stainless steel production statistics data release for 2022, and LEA analysis.

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164 Annual stainless steel production in 2022 declined by 5.2% relative to 2021, which was driven by (inter alia)[68]:

(a) a 2.0% decrease in output in China, due to the introduction of strict lockdown policies across the country following a further outbreak of COVID-19, as well as a slowdown in the real estate sector; and

(b) declines of approximately 12.4% in Europe and 14.8% the United States of America (US), due to weak steel consumption and higher prices from increasing energy and raw material costs resulting from Russia's invasion of Ukraine[69].

165 The World Stainless Association's most recent forecasts (released in October 2022) show that global stainless steel consumption is expected to return to growth in 2023 (of 3.2%), driven primarily by expectations of strong demand from China and the broader Asia region[70].

166 Whilst nickel's current primary use is in the production of stainless steel, there is increasing demand for nickel for use in lithium-ion battery production[71] (particularly for the purposes of EVs). EV battery demand currently accounts for a relatively small proportion of global nickel consumption, however increasing sales of EVs (which have grown significantly over the past decade as shown below) are expected to continue to be a key driver of growth for battery grade nickel:

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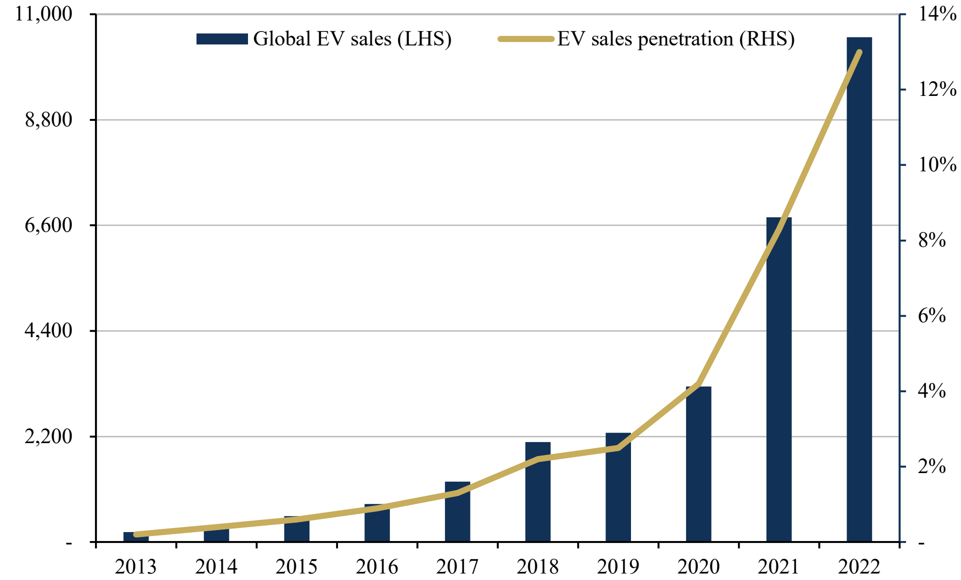
68 World Stainless Association: *Stainless steel in figures 2022* report and Organisation for Economic Co-operation and Development: *Steel Market developments: Q4 2022* report.

69 Costs for commodities, and energy related commodities in particular, increased significantly following Russia's invasion of Ukraine and have remained relatively high since.

70 Source: World Stainless Association: *Stainless Steel Markets Media Release* report dated 20 October 2022.

71 The use of nickel in battery cathodes helps deliver higher energy density and greater storage capacity at a lower cost which, when used to power EVs, helps deliver a longer range for vehicles.

Global EV sales
Total vehicles sold (thousands) and penetration (% of total vehicle sales)



Source: ev.volumes.com.

167 Global EV sales increased by 55.5% in 2022 (following 108.6% growth in the previous year) to reach 10.5 million vehicles and an EV sales penetration of 13.0% of total global vehicle sales[72]. As a result of the increasing uptake of EVs around the world, demand for nickel for battery production is expected to increase from 11% of global refined nickel demand in 2021 to 18% by 2024[73].

168 In addition to battery production, nickel is regarded as critically essential for the development of a number of other clean energy technologies, including geothermal and hydrogen energy, and to a lesser degree, nuclear, solar power and wind energy.

169 The International Energy Agency (IEA) has estimated annual demand requirements for nickel by 2030 and 2040 under two key scenarios:

(a) Stated Policies Scenario (STEPS) – which assumes there is no change to current government policy measures, noting that these measures fall short of the world's shared sustainability goals; and

(b) Sustainable Development Scenario (SDS) – which assumes all countries and companies achieve their announced net-zero emissions targets under the Paris Agreement on time and in full.

170 A summary of IEA's estimated annual demand requirements for nickel by 2030 and 2040 under STEPS and SDS are set out in the chart below:

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72 Noting that some of this demand has been stimulated by accommodative government policies towards the EV sector.

73 Source: *Resources and Energy Quarterly* for December 2022, issued by the Australian Government's Department of Industry, Science and Resources.

Nickel demand by sector
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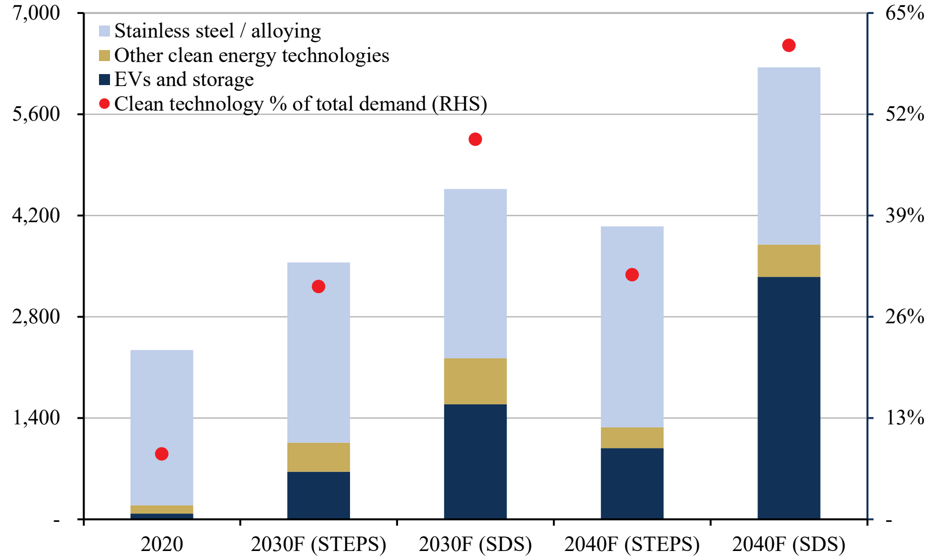


Source: IEA: *The Role of Critical Minerals in Clean Energy Transitions* report dated May 2021.

171 Increasingly strict global climate change policies are expected to influence future demand for nickel from the clean energy sector, as nations around the world continue to transition to green energy (albeit at various rates of adoption). For instance, key government policies that currently support clean energy technology development include[74]:

(a) China – in 2020, China announced it was targeting EV sales of 20% of all light and heavy vehicle sales by 2025. Additional plans to support this include the Chinese Government announcing (in January 2022) its ambition to develop sufficient charging infrastructure to meet the needs of 20 million EVs by 2025

(b) US – in 2021, the US Federal Government announced EV targets that include a 50% share of EV sales in all vehicle categories by 2030 and the construction of 500,000 public EV chargers. The targets were underpinned by existing incentives under the Bipartisan Infrastructure Law, which includes funding packages of US$7.5 billion to build charging infrastructure and US$3.0 billion for advanced battery supply chains

(c) Europe – in 2021, the European Union proposed its "Fit for 55" package, designed to reduce its greenhouse gas emissions by 55% by 2030. The package includes a proposal for zero emission vehicle sales for all new passenger cars and vans by 2035 (through its CO_2 emissions standard), and new mandated charging infrastructure deployment targets set under the Alternative Fuels Infrastructure Regulation.

172 Whilst recent targets set by government policies have provided significant tailwinds to the EV industry, major automakers around the world are simultaneously accelerating electrification plans in order to remain competitive, and in some markets, have set more ambitious targets than those set out in policy regulations. For example, over the 2015 to 2021 period, the

74 Source: IEA: *Global Electric Vehicle Outlook 2022* report, dated May 2022.

number of new EV models released by global manufacturers increased by a CAGR of approximately 34%[75].

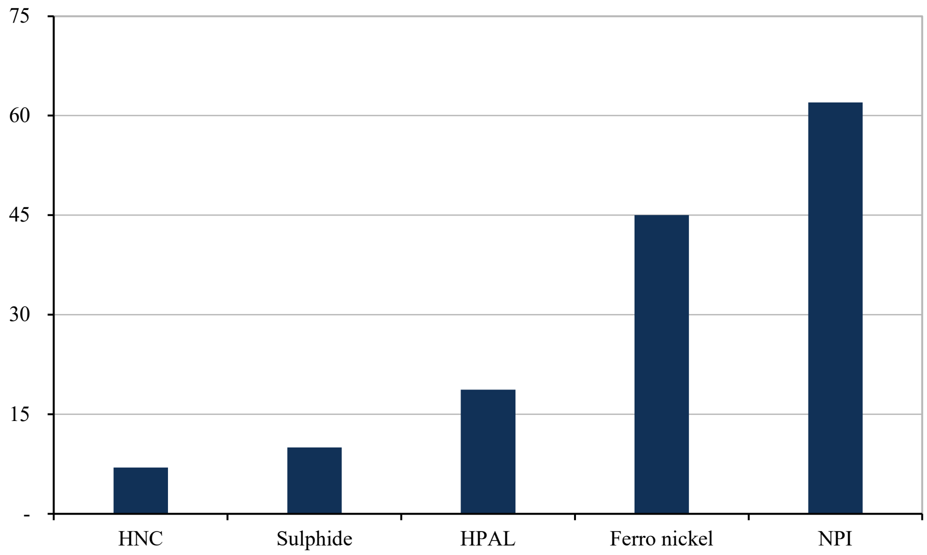
Environmental, Social and Governance (ESG)

173 In recent years the world has seen a significant shift in focus towards ESG issues, driven by a range of factors, including increased awareness of the impact of climate change and social inequality, as well as a growing recognition of the importance of good corporate governance. As a result, investors have increasingly sought out companies that demonstrate strong ESG practices, and governments have implemented new regulations to ensure that organisations are held accountable for their environmental and social impacts.

174 Given ESG concerns for battery and EV producers, the most highly sought after nickel products are those with a low carbon footprint. A summary of the carbon dioxide emissions produced by the various nickel refining methods is as follows:

CO_2 emissions by process

Tonnes of CO_2 per tonne of nickel



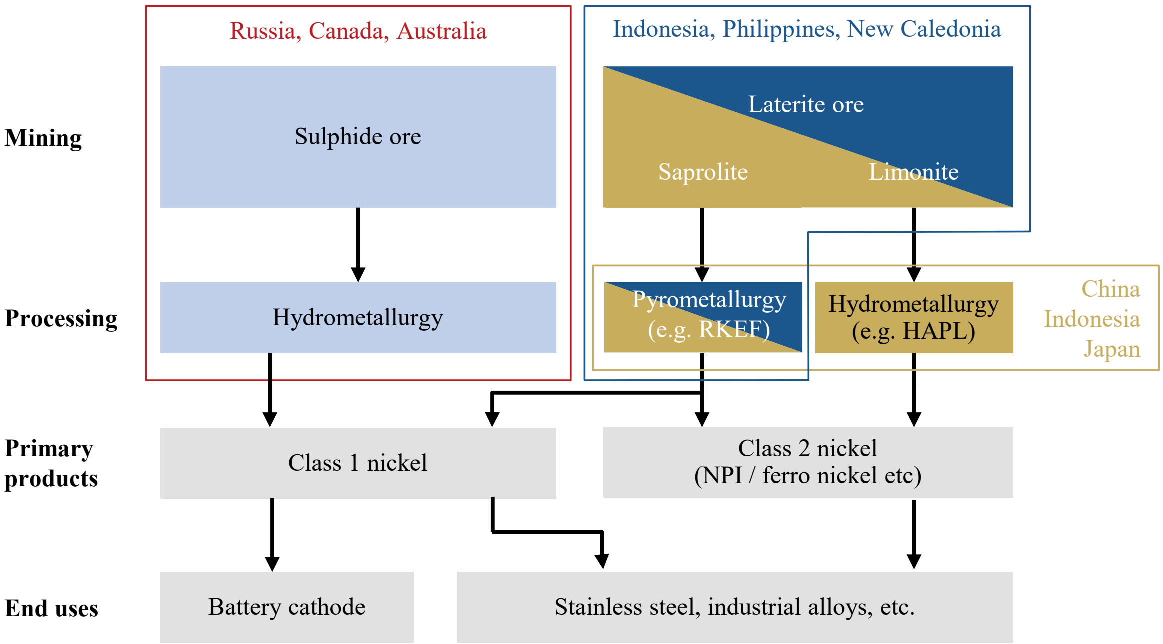
Source: IEA: *The Role of Critical Minerals in Clean Energy Transitions* report dated May 2021, MDPI: *Energy Consumption and Greenhouse Gas Emissions of Nickel Products* article dated 25 September 2022, Nickel Institute: *Ferronickel Life Cycle Data* report released in 2020, Nickel Industries and LEA analysis.

175 Nickel produced at HNC using the HPAL process currently has the lowest carbon emissions of all the nickel refining processes. Accordingly, such nickel is highly sought after for battery production purposes, particularly by the world's largest automotive companies.

176 An overview of the current supply chain of nickel products is summarised below:

75 Source: IEA: *Global Electric Vehicle Outlook 2022* report.

Nickel supply chain



Source: IEA: *The Role of Critical Minerals in Clean Energy Transitions* report dated May 2021, Nickel Industries and LEA analysis.

177 Many western EV manufacturers have minimum ESG standards that must be complied with, which, in some cases, includes operating a sustainable supply chain that minimises impacts on the environment. This presents a challenge for manufacturers looking to secure a long term supply of raw battery materials, which are often sourced from producers operating in jurisdictions that do not have strict ESG regulations[76]. Some EV producers have expressed a preference for "low-carbon" nickel, however "low-carbon" nickel is currently in limited supply and (as a result) is priced at a significant premium to other nickel products (anecdotally up to US$3,000 per tonne). It is understood that in order to address this issue, manufacturers are adopting a holistic approach (that is, if higher carbon is accepted for one metal, other metals will be low-carbon to offset).

178 Industry participants have responded to the need to reduce the environmental impacts of nickel production by undertaking a number of measures, including:

(a) transitioning current energy sources for mining and production operations to renewable energy and other lower-carbon emitting solutions. For instance, PT Vale, Indonesia's largest nickel producer, has committed to being carbon neutral by 2050, and supplies a large proportion of its energy needs in Indonesia through its three hydroelectric plants

(b) promoting biodiversity in local regions through activities such as wild animal habitats preservation and planting or maintaining vegetation, and

76 Recently, environmental groups urged Tesla to terminate its investment plans in Indonesia's nickel industry, citing concerns over deforestation, pollution of water bodies, and disruption to the livelihoods of Indigenous people as a result of nickel mining.

(c) conducting continuous effluent monitoring, managing waste water runoff and avoiding disposal of solid and liquid waste into natural bodies of water.

Outlook

179 Over the short to medium term, both the supply and demand for nickel are expected to continue to increase materially. According to the Resources and Energy Quarterly[77] for December 2022, global supply of mined nickel production is forecast to average 5.6% growth over the next two years, whilst refined nickel production is forecast to average 8.3% growth over the same period. As shown above by the IEA's 2030 and 2040 forecasts, demand for nickel over the medium to longer term is also expected to increase significantly, particularly from EV and battery producers.

180 Whilst there is potential that the NPI market (Class 2 nickel) will move into oversupply as new large NPI projects are developed in Indonesia, Class 1 nickel is expected to remain in relatively short supply due to demand from EV and battery producers. However, the ability to produce nickel matte from the RKEF NPI production process has the potential to bridge (at least to some extent) the gap in market fundamentals between the two nickel grades.

181 With global production heavily dependent on Indonesian supply, downside risks are implicitly heavily concentrated. For example, there are some concerns that supply infrastructure bottlenecks could emerge at the mine level (insufficient supplies of nickel ore to the industrial parks). Further, since Indonesian nickel output largely serves the Chinese market (particularly as regards NPI production), any disruption to Chinese demand (such as new COVID-19 outbreaks) could induce producers to ease back on planned supply growth.

[77] Issued by the Australian Government's Department of Industry, Science and Resources.

V Value of the HNC Acquisition

Overview

182 We have assessed the indicative value of the 10% interest in HNC (i.e. the HNC Acquisition) by applying the discounted cash flow (DCF) methodology, adopting high level forecast cash flows based on current steady state production capacity and a reasonable assessment of EBITDA margins. Nickel Industries' pro rata share of this indicative value has then been compared to the consideration for the HNC Acquisition (of US$270 million).

183 As cross checks we have had regard to:

(a) the implied Capital Intensity[78] of the HNC Acquisition in comparison to other significant HPAL projects (both existing and proposed)

(b) the return on investment and payback period of the HNC Acquisition.

Valuation on a DCF basis

184 Under the DCF methodology, the indicative value of HNC is equal to the net present value (NPV) of the estimated cash flows over the estimated operating period. In order to arrive at the NPV, the future cash flows are discounted using a discount rate which reflects the risk associated with the cash flow stream.

185 Nickel Industries has advised that:

(a) HNC is current operating at 110% of its nameplate capacity of 60,000 tpa

(b) the operating EBITDA margin of HNC was in excess of US$10,000 per tonne[79] during the December 2022 quarter.

186 Detailed cash flow projections for HNC are not yet available to the Company. As a result, our DCF valuation is based on limited high level forecasts of the free cash flows of HNC. As such, our DCF assessment can only be regarded as indicative. However, as the primary purpose of our indicative valuation is to assess whether the value of the HNC Acquisition is at least equal to the consideration of US$270 million rather than to determine a definitive valuation range, we consider this approach to be reasonable.

187 Free cash flow represents the operating cash flows on an ungeared basis (i.e. before interest) less taxation payments[80], capital expenditure and working capital requirements. The free cash flow on an ungeared basis is adopted to enable the indicative value of HNC to be determined irrespective of the level of debt funding employed.

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78 Capital Intensity is the project capital cost (or in the case of the HNC Acquisition, the purchase price) divided by annual nickel production capacity.

79 Based on a Q4 2022 LME nickel price of ~US$24,000 per tonne and assumed market payabilities of 85%, gross margins of in excess of US$10,000 per tonne are expected.

80 Also calculated on an ungeared basis.

188 For valuation purposes we have assumed a valuation date of 30 June 2023. Cash flows from HNC cover a period of 30 years, notwithstanding that the advised useful life of HNC is well in excess of this.

Cash flow projections

189 We set out below the major assumptions underlying the free cash flow projections used for the purposes of our DCF valuation:

(a) **mixed hydroxide precipitate (MHP) production output** – as indicated by Nickel Industries, HNC is currently operating at 110% of nameplate production capacity. For the purposes of our valuation, we have adopted this level of production, i.e. 6,600 tpa as representative of a sustainable production level[81]

(b) **cash margin** – given the margins achieved by HNC were in excess of US$10,000 per tonne in the December 2022 quarter, for the purpose of our DCF valuation we have adopted a margin of US$10,000 per tonne in CY23, reducing annually by around US$500 per tonne to CY28 (which allows for reducing nickel prices consistent with those adopted for our valuations of the NPI Projects and the Hengjaya Mine)

(c) **working capital** – as HNC is operating in excess of nameplate capacity it is already producing at a steady state. Therefore, no further allowance for working capital has been made

(d) **sustaining capital expenditure** – US$5 million per annum has been adopted as sustaining capital expenditure (reflective of the effective "as new" current status of the production facility)

(e) **income tax** – the assumed Indonesian corporate tax rate from 2023 is 22%. We understand that (consistent with other significant nickel related projects in Indonesia) HNC has been granted a tax holiday. Accordingly, we have allowed for the remainder of the tax holiday (some 14 years tax free and a further two years at 50%) before allowing for 22% tax payable on free cash generated by HNC

(f) **withholding tax** – the DCF model also includes an allowance for 10% withholding tax payable on dividends

(g) **discount rate –** we have adopted a discount rate of 10.5% per annum, consistent with our assessed cost of capital for Nickel Industries (refer Appendix D). We consider this discount rate to be appropriate as HNC is in full operation and is producing at 110% of nameplate capacity[82].

Sensitivity

190 As stated in Section VI, there are inherent qualifications that apply to cash flow projections on which DCF valuations are based. In addition, the cost of capital can vary between industry participants based on factors such as differing perceptions / acceptance of risk and willingness to assume debt funding obligations. It is important therefore not to credit the output of DCF models with a precision they do not warrant. It follows that any DCF valuation process

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81 Representing the 10% share being acquired of the facility's annual production of 66,000 tonnes.

82 This is likely to be conservative as the cost of capital for HNC is likely to be lower than the cost of capital for Nickel Industries given that HNC is a Class 1 nickel producer and Nickel Industries is predominantly a Class 2 nickel producer, and HNC has lower operating costs (and hence is more able to withstand price volatility) and a lower carbon footprint than Nickel Industries.

should consider a range of scenarios, having regard to the respective key valuation drivers of the enterprise being valued.

191 In assessing our valuation range for the valuation of a 10% interest in HNC we have therefore considered the sensitivity of value to changes in the key assumptions, as shown below:

DCF sensitivities			
Variable	**Base case assumption**	**Sensitivity %**	**Value range US$m**
Nickel production output	6,600 tpa	+ / - 10%	327 – 416
Cash margin assumptions	US$10,000 in CY23 reducing by 5% per year to CY28	US$10,000 in CY23 reducing by Nil to 10% per year to CY28	293 – 465
Discount rate	10.5%	11.5% to 9.5%	343 – 403

DCF value

192 Based on the above assumptions we have assessed the indicative value of a 10% interest in HNC ranging from US$340 million to US$400 million.

193 Our indicative assessed DCF value is therefore in excess of the US$270 million payable to Newstride for the HNC Acquisition.

Capital Intensity of nickel equivalent

194 The Capital Intensity of significant HPAL projects, predominantly in Indonesia, is set out in the following table:

Capital Intensity for global nickel projects					
Project	**Year**	**Plant**	**Ni capacity tpa**	**Capital cost US$m**	**Capital Intensity US$m/t**
VNC (Goro)	2010	HPAL	60,000	6,000	100,000
Ambatovy	2012	HPAL	60,000	5,500	91,667
Ramu(1)	2012	HPAL	34,000	1,490	43,823
Current Indonesian HPAL plants					
PT Halmahera Persada Lygend(2)	2018(3)	HPAL	54,000	1,500	27,778
HNC(4)	2019(3)	HPAL	60,000	1,600	26,667
QMB New Energy(5)	2019(3)	HPAL	50,000	1,600	32,000
Proposed / probable Indonesian HPAL plants					
PT Huafei	2021	HPAL	120,000	2,080	17,333(6)
Huayou (Pomalaa)	2022(7)	HPAL	120,000	4,500	37,500
Huayou (Sorowako)	2022(8)	HPAL	60,000	1,800	30,000
PT Huashan	2022	HPAL	120,000	2,604	21,700(6)
ENC(9)	2024	HPAL	67,000	2,300	34,328

Note:

1 The Ramu nickel project is located in Papua New Guinea and was the first successful HPAL project to achieve high capacity utilisation with relatively low operating costs.
2 Comprising a Phase 1 (37,000 tonnes) and Phase 2 (17,000 tonnes) plant operating on Obi Island. A third possible plant is proposed adding 60,000 tonnes, however no further details are available. Production commenced in mid-2021.
3 Date that construction commenced.
4 Original capital cost of HNC (HNC commenced production in December 2021).
5 This plant is not yet in full production, with production from the second phase expected to ramp up in 2023.
6 The relatively low capital costs for these projects reflects Tsingshan's cost advantage and significant experience in building such HPAL plants.
7 Project agreement signed by Huayou Cobalt and Vale in April 2022 to build a HPAL in Pomalaa, south-east Sulawesi. Ford Motor Company subsequently joined the partnership.
8 Project announced by Huayou Cobalt and PT Vale in September 2022 to build a HPAL in Sorowako in South Sulawesi Province.
9 The capital cost for ENC represents a cap, rather than the actual cost to build.

Source: Nickel Industries; *The Rise and Rise of Indonesian HPAL – But Can It Continue?* Angela Durant, Analyst, Wood Mackenzie, 12 December 2022; Mining Technology and LEA analysis.

195 The Capital Intensity for the historical global nickel projects including early HPAL plants is generally higher[83] than the Capital Intensity for the HNC Acquisition, which is US$40,709 (adopting production of 66,000 tonnes per annum and a project value of US$2.7 billion).

196 Whilst the Capital Intensity for the HNC Acquisition is above the Capital Intensity for the current and proposed projects[84], HNC is currently in production, operating at above nameplate capacity, and therefore bears no development, construction or execution risks[85]. HNC is also operating at the bottom of the cost curve and is estimated to have the lowest carbon footprint (of seven tonnes of carbon dioxide per tonne produced) of operating HPAL plants.

197 Further, the HNC Acquisition provides Nickel Industries with:

(a) the ability to acquire a further 10% interest in ONI at a price consistent with the price paid for the initial 70% interest (i.e. based on a total project cost of US$750 million). The initial interest was acquired prior to completion of the construction of ONI. LEA has assessed the value of the incremental interest in the range of US$130 million to US$150 million (reflecting the current commissioning / operational status of the facility)

(b) the opportunity to participate in ENC, which has a Capital Intensity of US$34,328 per tonne and incorporates the ability to produce both MHP (a nickel sulphate) and nickel cathode (i.e. a higher value product than MHP)[86]. When ENC and HNC are combined, the aggregate Capital Intensity reduces to US$34,918, which is higher than the indicated

83 Earlier projects were generally considered uneconomic (in part reflected in the high Capital Intensity).

84 Noting that the Capital Intensity for the PT Huafei and PT Huanshan plants are relatively low as they both reflect Tsingshan's cost advantage and significant experience in building such HPAL plants.

85 Noting that the Capital Intensity of HNC at the time of pre-construction (i.e. 2019) was comparable to the other HPAL projects.

86 Which is a product upgrade in comparison to the HPAL plants shown in the table above which only produce MHP.

Capital Intensity for the PT Huafei and PT Huashan plants, and broadly consistent with the Capital Intensity for Huayou (Pomalaa) and Hauyou (Sorowako).

Return on investment

198 HNC operated at an EBITDA margin of more than US$10,000 per tonne in the December 2022 quarter. At the proposed US$270 million investment, annual production of 6,600 tonnes of MHP and an EBITDA margin of US$10,000 per tonne, the pre-tax annual return is 24.4%. Adopting a more conservative EBITDA of US$8,000 per tonne results in an annual pre-tax return of 19.6%. These returns are significantly in excess of our assessed cost of capital for Nickel Industries.

199 Based on recent EBITDA margins, the HNC Acquisition also has a relatively short implied payback period for a project with an estimated remaining life in excess of 30 years.

VI Valuation of Nickel Industries prior to the Newstride Conditional Placement

Overview

200 The market value of Nickel Industries prior to the Newstride Conditional Placement (on a controlling interest basis) has been assessed by aggregating the market value of Nickel Industries' various economic interests in its NPI Projects and the Hengjaya Mine, less an allowance for unallocated corporate costs and net borrowings. This market value also allows for the impact of the Institutional Placement (which completed on 19 January 2023) and the SPP (which completed on 3 March 2023) i.e. the components of the Equity Raise that completed prior to the Newstride Conditional Placement.

201 The valuation of Nickel Industries' business operations has been made on the basis of market value as a going concern, defined as the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm's length within a reasonable timeframe. An overview of generally adopted valuation approaches is set out in Appendix C.

202 As set out in Section III, Nickel Industries has interests in the following assets:

(a) the NPI Projects:

  (i) an 80% economic interest in HNI, which comprises two operating RKEF lines within the IMIP (currently producing nickel matte)

  (ii) an 80% economic interest in RNI, which comprises two operating RKEF lines within the IMIP

  (iii) an 80% economic interest in ANI, comprising four RKEF lines within the IWIP

  (iv) a 70% interest in ONI, which comprises four RKEF lines within the IMIP. This project is currently in the ramp up stage

(b) an 80% economic interest in the Hengjaya Mine, which produces nickel laterite ore

(c) other early stage nickel exploration projects.

203 The valuation of Nickel Industries' respective interests in its NPI Projects and the Hengjaya Mine, as well as the Company's unallocated corporate costs have been undertaken by adopting the DCF methodology. Under the DCF methodology, the value of Nickel Industries' respective operations is equal to the NPV of the estimated cash flows of the respective operations over the estimated operating period (i.e. the free cash flows). In order to arrive at the NPV, the future cash flows are discounted using a discount rate which reflects the risks associated with the cash flow stream.

204 Free cash flow represents the operating cash flows on an ungeared basis (i.e. before interest) less taxation payments[87], capital expenditure and working capital requirements. The free cash flow on an ungeared basis is adopted to enable the value of the NPI Projects and Hengjaya Mine to be determined irrespective of the level of debt funding employed.

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87 Also calculated on an ungeared basis.

205 Whilst LEA believes the assumptions underlying the cash flow projections adopted for valuation purposes are reasonable and appropriate, it should be noted that:

(a) the major assumptions underlying the projections were formulated in the context of current economic, financial and other conditions

(b) the projections and the underlying assumptions have not been reviewed by an investigating accountant or technical expert for reasonableness or accuracy of compilation and application of assumptions

(c) future profits and cash flows are inherently uncertain

(d) by their nature, the projections do not take into account the operational flexibility available to management to react to changes in the market conditions in which Nickel Industries' NPI Projects and the Hengjaya Mine operate

(e) the achievability of the projections is not warranted or guaranteed by Nickel Industries or LEA, as they are predictions of future events that cannot be assured and are necessarily based on assumptions, many of which are beyond the control of Nickel Industries and its management; and

(f) actual results may be significantly more or less favourable.

206 For valuation purposes we have assumed a valuation date of 31 March 2023. Projected cash flows for each of the NPI Projects cover a period of 30 years from the date of commissioning[88], whilst the cash flows for the Hengjaya Mine cover a period of 25 years from the date of valuation (which is consistent with the mine life expected by Nickel Industries at present[89]). The respective cash flows for Nickel Industries' operating assets have been forecast in real terms (i.e. excluding inflation). Cash flows for the respective NPI Projects and the Hengjaya Mine have been determined on a 100% ownership basis, with allowance for Nickel Industries' economic interests therein on a pro-rata basis.

207 Reflective of the nature and the location of its assets, the cash flows for Nickel Industries respective operations are stated in US dollars (USD/US$). Accordingly, our valuation of Nickel Industries has been prepared in USD, with the resulting equity values converted to Australian dollars (AUD/A$) at a spot price as at or around 31 March 2023.

208 As a cross check for our assessed value of the equity in Nickel Industries we have had regard to the Nickel Industries share price adjusted for a premium for control (to enable a comparison on a theoretical like for like, controlling interest, basis).

Valuation of interests in NPI Projects

209 HNI and RNI have been operating since the first half of 2019 and ANI has been operating since January 2022. For the purposes of assessing the future cash flows for these projects we have had regard to the respective projects' historical operating performance. ONI commenced NPI production in late November 2022 at the first of its RKEF lines, with the

88 Noting that the expected useful life of the RKEF lines is well in excess of 30 years.

89 Noting that the Hengjaya Mine was granted a 20-year mining operation / production licence in 2012 and has two 10-year extension options. Therefore, around the valuation date, the current production licence has some 29 years to expiry. Furthermore, based on annual production levels assumed for valuation purposes, the JORC resources of the Hengjaya Mine also indicate a remaining mine life in excess of 25 years.

second RKEF line commissioned in December 2022, and the remaining two RKEF lines to be progressively commissioned in the first quarter of 2023. The ONI power plant remains on schedule to commence commissioning by the end of June 2023, and this is expected to enable ONI to achieve nameplate capacity around one month after commissioning of the power plant[90]. Prior to commissioning of the power plant, NPI production from ONI's RKEF lines will run at less than 100% of nameplate capacity, depending on power availability.

210 Given the recent commissioning and ramp up of ONI, and that the required Industrial Business Licence to enable commercial sales was only issued on 18 April 2023, limited historical operating results for ONI are available. Having regard to the similarities in operations (i.e. ONI is a replication of ANI[91]), Nickel Industries has advised that the historical operating results of ANI represent a reasonable proxy[92] for the estimated cash flows that are expected to be generated by ONI. Accordingly, the DCF valuation of ONI is based on the free cash flow projections derived by LEA having regard to, inter alia, the historical operating performance of ANI[92], adjusted where necessary to determine reasonable forecast parameters.

211 As the detailed cash flow projections for the NPI Projects are commercially sensitive, they have not been set out in our report. However, we set out below information on the major assumptions underlying the free cash flow projections.

Nickel metal production

212 Nickel metal production represents NPI production (tonnes) multiplied by the NPI grade. A summary of a range of nickel metal production statistics for the respective NPI Projects is set out below:

Nickel metal production					
NPI Project	**Annual nameplate capacity (tonnes)**	**CY21 production (tonnes)**	**CY22 production (tonnes)**	**March 2023 quarter (tonnes)**	**Average annual production(1) (tonnes)**
HNI	15,000	20,020	19,725(2)	5,060	20,906
RNI	15,000	20,391	20,082	4,750	20,549
ANI (started January 2022)	36,000	-	30,964	12,382	49,621(3)
ONI (started November 2022)	36,000	-	747	5,953	n/a
Total	102,000	40,411	70,771	28,145	91,168
Percentage of nameplate production					
HNI		133.5%	131.5%(2)	134.9%	136.8%
RNI		135.9%	133.9%	126.7%	138.5%
ANI		n/a	n/a	137.6%	137.8%(3)

90 With expectations that production will exceed nameplate capacity to a similar extent as HNI, RNI and ANI post this period.

91 These projects both comprise four next generation RKEF lines with nameplate annual production capacity of 36,000 tonnes of nickel metal (in NPI) on a 100% ownership basis and each project owns a captive 380 MW power plant which will provide the benefit of secure, integrated power supply.

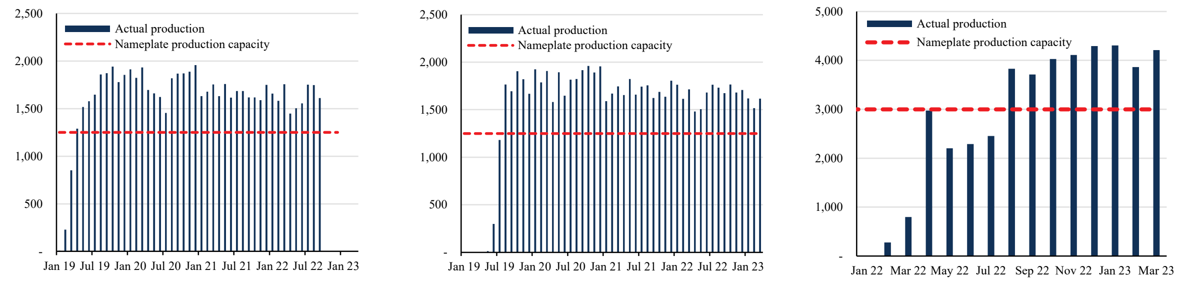
92 And to a lesser extent, the historical results of HNI and RNI.

Note:
1 Since nameplate capacity was exceeded.
2 CY22 production for HNI was modestly impacted by the transitioning from NPI to nickel matte production in the December 2022 quarter.
3 Based on production for the six months to March 2023 (annualised), i.e. a period representative of ongoing performance, following commissioning of the ANI power plant..
n/a – not applicable.

213 As shown above and below, following a short ramp up period post commissioning, HNI, RNI and ANI have all consistently significantly exceeded nameplate production capacity:

Nickel metal production (tonnes)

HNI	RNI	ANI



214 For the purposes of the DCF valuation, we have adopted nickel metal production equal to 130% of nameplate capacity for HNI, RNI and ANI. To allow for potential variations in future production, we have also considered scenarios at 125% and 135% of nameplate capacity. Whilst it is reasonable to expect that ONI will exceed nameplate capacity to a similar extent as Nickel Industries' other RKEF facilities, for valuation purposes we have conservatively adopted 120% of nameplate capacity, with scenarios at 115% and 125% of nameplate capacity also considered.

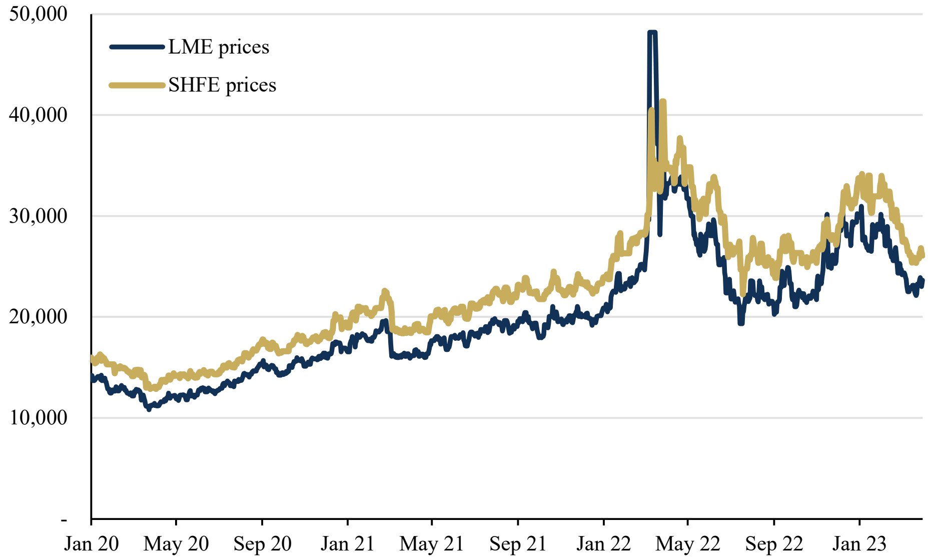
215 In the fourth quarter of 2022, Nickel Industries transitioned HNI to produce low grade nickel matte, which is converted to high grade nickel matte[93] at Shanghai Decent's conversion facility located at the IMIP. The recovery rate on the conversion (of low to high grade nickel matte) for the December 2022 and March 2023 quarters was some 93.2% (i.e. 6.8% of the nickel metal is lost in the conversion process), and we understand that this is indicative of the ongoing expected recovery rate. Accordingly, for valuation purposes we have assumed ongoing future production of nickel matte at HNI and have allowed for a recovery rate of 93% in determining the level of (high grade) nickel matte production for HNI.

Nickel prices

216 The benchmark LME and Shanghai Futures Exchange (SHFE) nickel prices from 1 January 2020 to 31 March 2023 are shown below. We note that the LME and SHFE nickel prices have been broadly consistent over this period.

93 Low grade nickel matte is not a readily saleable product.

Historical nickel pricing (US$ per tonne)[1]
1 January 2020 to 31 March 2023



Note:
1 SHFE prices are based on one month forward contract prices.
Source: Bloomberg.

Analyst forecast prices and forward nickel prices

217 Analyst LME nickel price forecasts as at or around the valuation date, as well as average forward nickel prices, are set out below:

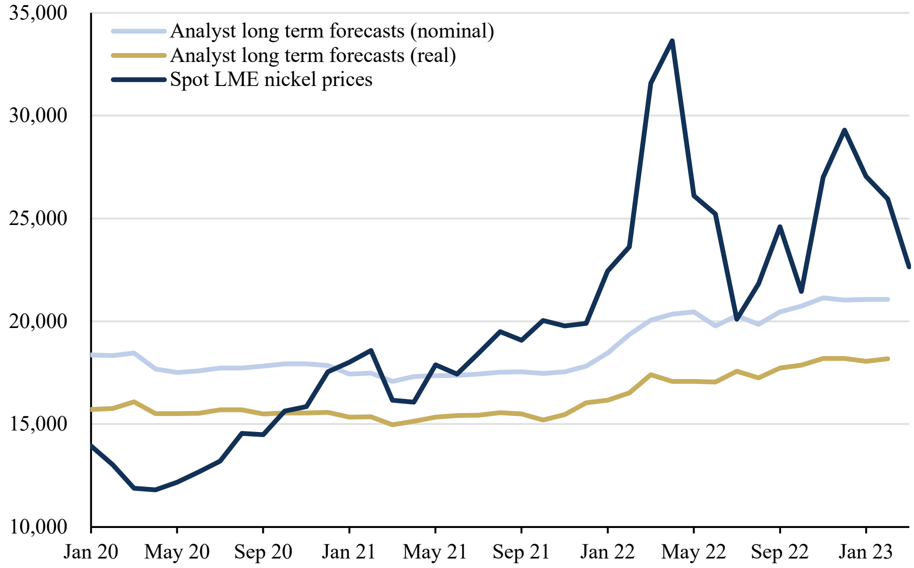
LME nickel price forecasts

	2023 US$/t	2024 US$/t	2025 US$/t	2026 US$/t	2027 US$/t	Long term[1] US$/t
Analyst forecasts						
Average (nominal prices)	22,313	21,147	20,832	20,325	19,938	21,064
Median (nominal prices)	22,046	20,818	20,000	19,841	20,000	21,724
Number of analysts	27	26	21	17	16	9
Average (real prices)[2]	22,174	20,553	19,801	18,894	18,126	18,179
Median (real prices)[2]	21,909	20,234	19,010	18,445	18,183	18,000
Number of analysts	27	26	21	17	16	9
Forward prices						
Forward nickel prices (nominal)	24,866	25,943	26,875	27,797	28,650	29,206[3]
Forward nickel prices (real)[2]	24,754	25,183	25,515	25,809	26,016	26,082[3]

Note:
1 Analyst long term nickel prices relate to 2028 to 2032.
2 In the absence of real nickel price forecasts for 2023 to 2027, the nominal prices over this period have been adjusted to remove assumed inflation (of 2.25% per annum).
3 Nickel forward prices as at 31 March 2023 only extend to 17 June 2028 and as such the prices for 2028 cover a 5.5 month period.
na – not available.
Source: Consensus Economics and Bloomberg.

218 The analyst long term nickel price estimates in real terms (i.e. excluding inflation) were between US$15,000 to US$16,000 per tonne during 2020 to 2021, and due to rising nickel prices, these have subsequently increased to around US$18,000 per tonne.

Long term nickel price forecasts and spot nickel prices[(1)] ($US per tonne)
January 2020 to March 2023



Source: Consensus Economics and Bloomberg.

NPI prices

219 As discussed in Section III, there has been a significant increase in NPI supply in recent years from production in Indonesia, with a substantial amount of new NPI capacity in the process of being commissioned or constructed. Due to lower NPI production costs in Indonesia (refer paragraph 148), the potential exists for Indonesian NPI to continue to displace higher cost Chinese NPI production and hence Chinese NPI production could be expected to continue to have an influence on the level of NPI prices.

220 Partially offsetting this additional supply is an expected continuation of the conversion of some existing NPI production capacity in Indonesia to nickel matte production, noting that 20 RKEF lines in Indonesia have either recently transitioned to produce nickel matte or are in the process of being transitioned to produce nickel matte[94]. Whilst the potential therefore exists for additional Indonesian NPI production to be converted into nickel matte production, we understand that the following constraints would have to be overcome for this to happen:

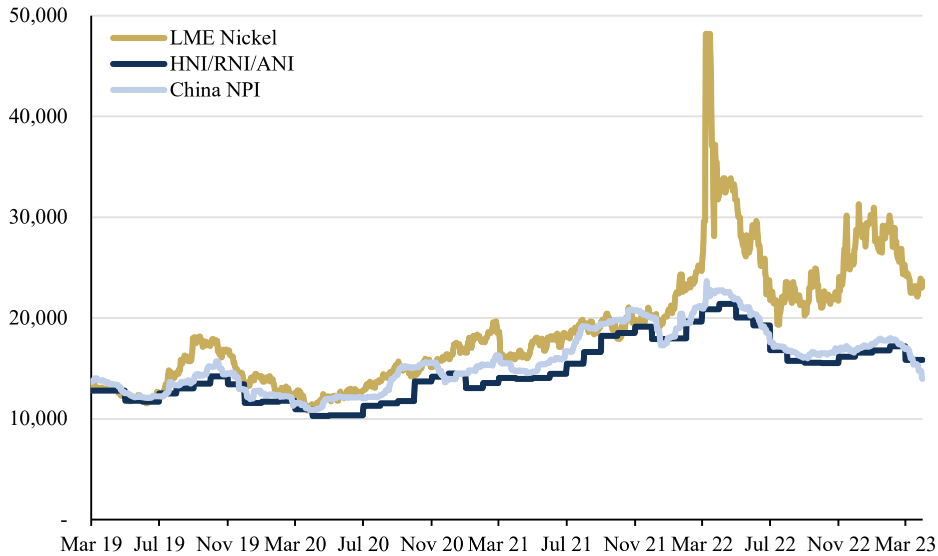
(a) upgrading to high grade nickel matte requires a purpose built facility, the technology for which is owned by Tsingshan, the world's largest stainless steel producer and a significant user of NPI. Tsingshan may therefore limit the level of NPI production that is repurposed to nickel matte to ensure an adequate level of NPI supply

94 We understand that all of this nickel matte production has secured conversion capacity to enable the low grade nickel matte to be upgraded to a high grade product.

(b) there is limited land in proximity to existing RKEF plants available for constructing such purpose built "converting" plants.

221 Prior to 2022, notwithstanding the inherent differences in end use of Class 1 and Class 2 grade nickel, NPI prices broadly followed benchmark LME nickel prices, with a premium or discount depending on the level of adjustment. However, increasing demand for Class 1 nickel products (in particular from EV and battery producers), combined with increasing supply of Class 2 nickel products from Indonesia (predominantly NPI), has led to the bifurcation of Class 1 and Class 2 nickel prices, which is highlighted in the following chart:

Historical nickel pricing (US$ per tonne)[1]
1 March 2019 to 31 March 2023



Note:
1 China NPI price represents 8% to 12% grade NPI.
Source: Nickel Industries and Bloomberg.

222 A summary of the average NPI prices since 2019 and the level of "payability" of NPI prices in comparison to the LME nickel price is as follows:

Payability of NPI

Year	Average spot LME nickel prices	Average NPI prices	Payability %
2019	13,932	12,733	91.4%
2020	13,793	11,864	86.0%
2021	18,459	15,750	85.3%
2022	26,187	18,094	69.1%
Q1 2023	26,043	16,601	63.7%

223 In regard to the above, we note that:

(a) NPI prices have not been as volatile as LME nickel prices over the 2019 to Q1 2023 period

(b) the bifurcation of NPI prices and LME nickel prices increased over 2022, with NPI prices for Nickel Industries' respective RKEF projects beginning the year at around 85% of LME nickel prices and finishing the year at around 60% (reflecting, in part, the inherently different end use of Class 1 and Class 2 grade nickel)

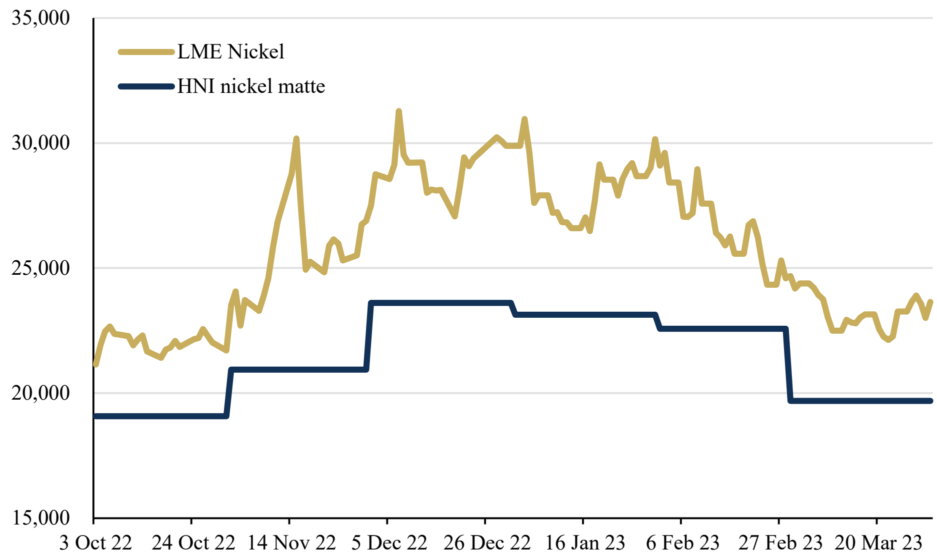
(c) whilst the implied level of payability reduced over each of the above years, NPI prices have generally increased over the above period (aside from a small reduction in 2020)

(d) the NPI market is ostensibly a Chinese-orientated market with prices increasingly a function of individual contract negotiations between buyer and seller. Whilst indicative prices are published by a number of sources, there are numerous adjustments applied to the published prices to account for specification composition, freight and foreign exchange.

Nickel matte prices

224 Nickel matte pricing is based on the SHFE nickel main contracts price[95], adjusted for payabilities. The average level of payabilities for HNI's nickel matte in the relatively short period available (i.e. since October 2022) has been 82.5% in comparison to LME nickel prices, as shown below:

Historical nickel matte pricing (US$ per tonne)(1)
2 October 2022 to 31 March 2023



Source: Nickel Industries and Bloomberg.

Nickel, NPI and nickel matte prices adopted

225 Having regard to the above, for the purposes of our DCF valuation we have adopted the following LME, NPI and nickel matte prices:

95 As shown in paragraph 216, SHFE nickel prices have historically tracked LME nickel prices.

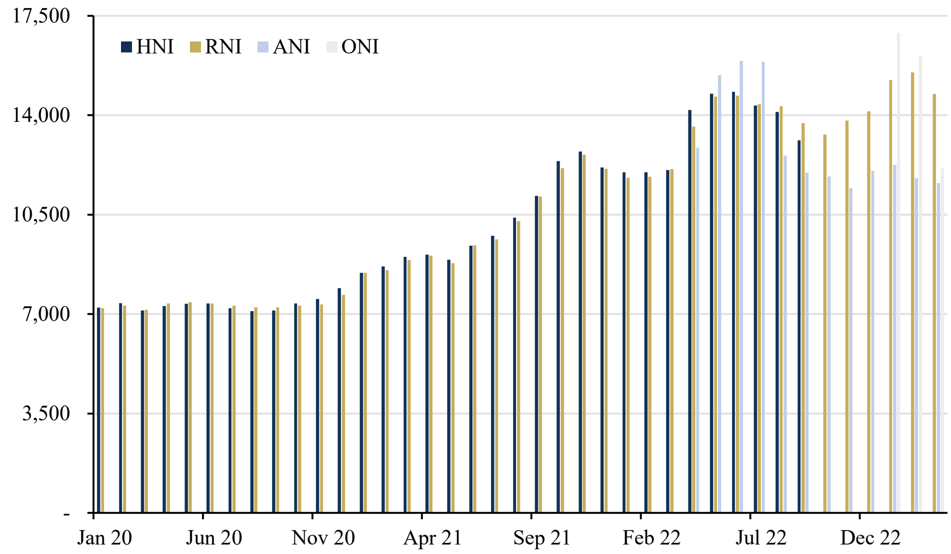
LME, NPI and nickel matte prices (real) adopted (US$ per tonne)						
	2023	**2024**	**2025**	**2026**	**2027**	**2028+**
LME nickel price (real)	23,500	22,000	21,000	19,500	18,500	18,000
Nickel matte payabilities[(1)]	82.5%	82.5%	82.5%	82.5%	82.5%	82.5%
High grade nickel matte	19,388	18,150	17,325	16,088	15,263	14,850
NPI price	15,500	15,000	14,500	14,000	13,500	13,000
Implied NPI price payabilities[(2)(3)]	66.0%	68.2%	69.0%	71.8%	73.0%	72.2%

Note:
1 Based on the historical average level of payabilities for the December 2022 and March 2023 quarters.
2 NPI prices adopted as a percentage of LME (Class 1) nickel prices.
3 We consider an implied payability factor of around 70% of the LME nickel price to be appropriate in considering a future NPI price to adopt for valuation purposes.

Cash operating costs

226 The quarterly historical cash operating costs per tonne for HNI[96], RNI, ANI and ONI since 2020 are set out in the chart below:

Quarterly operating cash costs (US$ per tonne of nickel production)[(1)]



Note:
1 Cash cost per tonne includes ore costs, electricity, reductant and smelting coal costs, other operating costs and management expenses but excludes depreciation and interest charges.

227 As indicated above, during most of 2020 cash operating costs for both HNI and RNI were relatively consistent at around US$7,300 per tonne. However, from late 2020 to around mid-2022, the cash operating costs per tonne for HNI and RNI (and ANI from April 2022) increased significantly, and have remained at relatively high levels, due to rising costs for

96 Given additional costs, and a 93% recoverability factor (which increases costs in comparison to NPI production), the cash costs for HNI since transitioning to nickel matte production are not shown in the chart.

coal, electricity and nickel ore[97]. Notwithstanding this, Nickel Industries' ANI and ONI RKEF operations remain in the lowest operating cost quartile for NPI production globally.

228 As shown in the chart above, post commissioning of the ANI power plant in July 2022, ANI's cash operating costs per tonne reduced materially due to the associated savings in power costs (with these savings elevated in the current high energy cost environment). Over the longer term, however, these power cost savings are expected to reduce to more normal levels (along with coal and energy prices generally) and for the purpose of our valuation we have assumed a long term power cost saving of 20% from owning the ANI power plant (which is consistent with Nickel Industries' estimate for power cost savings)[98] as well as other cost savings at ANI (which benefits from next generation technology and greater scale relative to HNI and RNI). Nickel Industries also expects cash operating costs on a per tonne basis for ONI to be similar to those for ANI.

229 Following HNI's transition to nickel matte production from October 2022, the cash costs at HNI have increased due to the additional costs incurred in the nickel matte production and conversion process, combined with the lower recovery rate (at a 93% recovery rate, costs on an equivalent per tonne of nickel produced basis increase by 7.5%)[99]. We have allowed for this cost differential in the valuation of HNI.

230 For the purposes of our DCF, we have therefore adopted the following cash operating costs per tonne of nickel production:

Adopted cash operating costs (US$ per tonne)[(1)]

	2023	2024	2025	2026	2027	2028+
NPI production costs						
RNI	14,000	12,500	11,500	10,500	9,500	9,000
ANI / ONI	11,500	10,500	9,900	9,300	8,500	8,100
Nickel matte production costs						
HNI	15,965	14,352	13,277	12,202	11,126	10,589

Note:
1 Cash cost per tonne includes nickel ore costs, electricity, reductant and smelting coal costs, other operating costs and management expenses.

231 We have cross checked our adopted cash operating costs to the implied EBITDA per tonne and EBITDA margins and consider these reasonable having regard to the historical performance of HNI, RNI and ANI (adjusted as appropriate for the lower energy costs at ANI).

Potential NPI export tax

232 In an effort to encourage further refining of Class 2 nickel products such as NPI and ferronickel, the Indonesian Government has proposed a tax on the export of these partially

97 Costs for commodities, and energy related commodities in particular, increased significantly following Russia's invasion of Ukraine and have remained relatively high since.

98 The valuation of the ANI and ONI power stations is therefore implicitly included in the respective values of ANI and ONI.

99 The additional costs have been more than offset to date by the higher prices received for nickel matte.

refined nickel products from Indonesia. The current intention is for an export tax rate ranging from nil to 11.5% depending on the level of LME nickel prices[100], with some offsets against Indonesian coal costs.

233 As at the date of this report, details of the potential export tax had not been legislated, and as such uncertainty exists as to the ultimate form of the tax (and if the tax will actually be introduced). In the circumstances, we consider it prudent, and potentially conservative, to make some allowance for the potential NPI export tax in our valuation of the NPI Projects[101]. On this basis, we have adopted the following assumptions:

(a) a tax introduction date of 1 July 2024

(b) a tax rate of 3.5% of the LME nickel price (which equates to around 5.0% of the NPI prices adopted), noting that this results in a reduction in EBITDA at the respective NPI Projects[101] ranging from US$600 to US$700 per tonne of NPI produced.

Sustaining capital expenditure and depreciation

234 Aside from sustaining capital expenditure, the respective capital costs for the Company's NPI Projects had been incurred at the valuation date. Based on Nickel Industries' experience at HNI, RNI and ANI (capital expenditure for which subsequent to commissioning has been modest to date) and its understanding of ONI, we have assumed sustaining capital expenditure of US$0.5 million per annum at HNI and RNI and US$1.0 million per annum at ANI and ONI[102].

235 Depreciation of the upfront capital expenditure has been based on a 20 year useful life of the respective NPI Projects, which is consistent with the tax treatment for these assets. For simplicity, we have assumed that sustaining capital expenditure and depreciation are equal.

Working capital

236 An allowance for working capital for ONI to reach a steady state of production has been included in the DCF, similar to that historically required to reach a steady state of production for each of HNI, RNI (adjusted for relative size) and ANI.

Corporate tax

237 The Indonesian corporate tax rate is 22%. However, HNI, RNI, ANI and ONI have been granted material corporate income tax relief as outlined in paragraph 121 and summarised as follows:

Nickel Industries – tax concessions

	100% corporate tax reduction to	50% corporate tax reduction to	Exception from withholding tax to
HNI	2025	2027	2025
RNI	2025	2027	2025
ANI	2031	2033	2031
ONI	2032	2034	2032

100 We understand industry participants have raised concerns about the proposed tax being linked to LME nickel prices given the bifurcation of LME nickel and NPI prices and the inherent differences in nickel products / markets.

101 Excluding HNI, following its transition to nickel matte production.

102 An allowance for repairs and maintenance is also included in the cash operating costs adopted for valuation purposes.

238 The DCF model also includes an allowance for 10% withholding tax payable on dividends distributed to the Singaporean holding company. No withholding tax is expected to be payable on dividend distributions from Singaporean companies.

Discount rate

239 As set out in Appendix C, we have assessed the weighted average cost of capital (WACC) for Nickel Industries at 10.5% (real) per annum.

240 Whilst the ONI project is yet to hit targeted production levels and there is potentially additional risk for this project relative to the existing operating RKEF projects, ONI has been funded and built and is fully operational (aside from the commissioning of the ONI power plant, which is expected to commence shortly). As stated above, to allow for the different stage of development of ONI (which is ramping up), we have adopted 120% of nameplate capacity, with scenarios at 115% and 125% of nameplate capacity also considered (which compares to production equal to 130% of nameplate capacity for HNI, RNI and ANI and scenarios at 125% and 135% of nameplate capacity).

Alternate scenario analysis

241 There are inherent qualifications that apply to cash flow projections on which DCF valuations are based. In addition, the cost of capital can vary between industry participants based on factors such as differing perceptions / acceptance of risk and willingness to assume debt funding obligations. It is important therefore not to credit the output of DCF models with a precision they do not warrant. It follows that any DCF valuation process should consider a range of scenarios, having regard to the respective key valuation drivers of the enterprise being valued. Accordingly, LEA has also considered the impact of alternate assumptions for the key business drivers to provide some indication of the sensitivity of the NPV outcome to changes in those assumptions. It should be noted that the scenarios do not (nor do they purport to) represent the range of potential outcomes (i.e. there is a wide range of potential outcomes outside these scenarios). They are simply theoretical indicators of the sensitivity of the NPV to the alternative assumptions adopted.

242 A description of each of the additional scenarios considered is outlined in the table below:

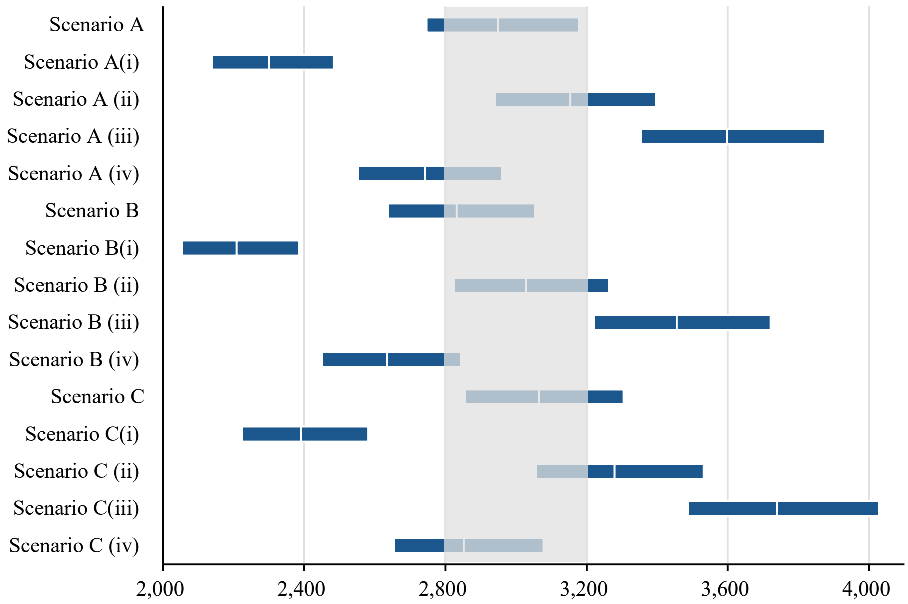
Nickel Industries – NPI Projects DCF scenario assumptions

Scenario	Description
Scenario A	As described above (HNI, RNI and ANI at 130% of nameplate capacity and ONI at 120% of nameplate capacity)
Scenario A(i)	Scenario A adjusted to reflect nickel prices that are 10% lower and cash operating costs that are 5% lower
Scenario A(ii)	Scenario A adjusted to reflect nickel prices that are 5% lower and cash operating costs that are 10% lower
Scenario A(iii)	Scenario A adjusted to reflect nickel prices that are 10% higher and cash operating costs that are 5% higher
Scenario A(iv)	Scenario A adjusted to reflect nickel prices that are 5% higher and cash operating costs that are 10% higher
Scenarios B to B(iv)	Scenario A to A(iv) except assumed nickel metal production for HNI, RNI and ANI at 125% of nameplate capacity and ONI at 115% of nameplate capacity
Scenarios C to C(iv)	Scenario A to A(iv) except assumed nickel metal production for HNI, RNI and ANI at 135% of nameplate capacity and ONI at 125% of nameplate capacity

Valuation outcomes and value range adopted

243 As indicated above, we have considered the cash flows of the NPI Projects on a 100% ownership basis and have allowed for Nickel Industries' economic interests on a pro-rata basis. The aggregate NPV outcomes for Nickel Industries' combined pro-rata[103] interests in the NPI Projects relative to LEA's assessed valuation range are set out diagrammatically below:

Nickel Industries – aggregate pro rata interest in NPI Projects by scenario (US$m)(1)(2)(3)



Note:
1 The low and high of our assessed valuation range is represented by the grey shaded area.
2 The low and high value range of each scenario reflects a +/- 1.0% range on our adopted discount rates set out at paragraph 239 above. The white line represents the NPV outcome for each scenario based on the mid-point of our discount rate range.
3 The value attributable to the respective tax holidays for the NPI Projects included in the valuation scenarios ranges from US$325 million to US$425 million.

244 In regard to the valuation scenario outcomes shown above, we note that these are potentially conservative given that:

(a) since reaching steady state operations, HNI, RNI and ANI have on average consistently exceeded their nameplate production capacity by 36.8%, 38.5% and 37.8% respectively, which is higher than both the base and high case production scenarios adopted for these projects for valuation purposes (which are 130% and 135% of nameplate capacity); and

(b) the scenarios for ONI assume 115%, 120% and 125% of nameplate capacity, and current expectations are that ONI operates at a similar percentage level in excess of nameplate capacity to HNI, RNI and ANI.

Adopted DCF value for NPI Projects

245 Based on the above, we have adopted a combined value for Nickel Industries' pro-rata interest in the NPI Projects ranging from US$2.8 billion to US$3.2 billion. As indicated in the diagram above, this range reflects a greater weighting towards the assumed Scenario A (and

103 Pro-rata of the individual project values on a 100% ownership basis.

its variants) production performance, which (whilst arguably conservative as mentioned above) we regard as appropriate for the purpose of this report.

Valuation of 80% interest in the Hengjaya Mine

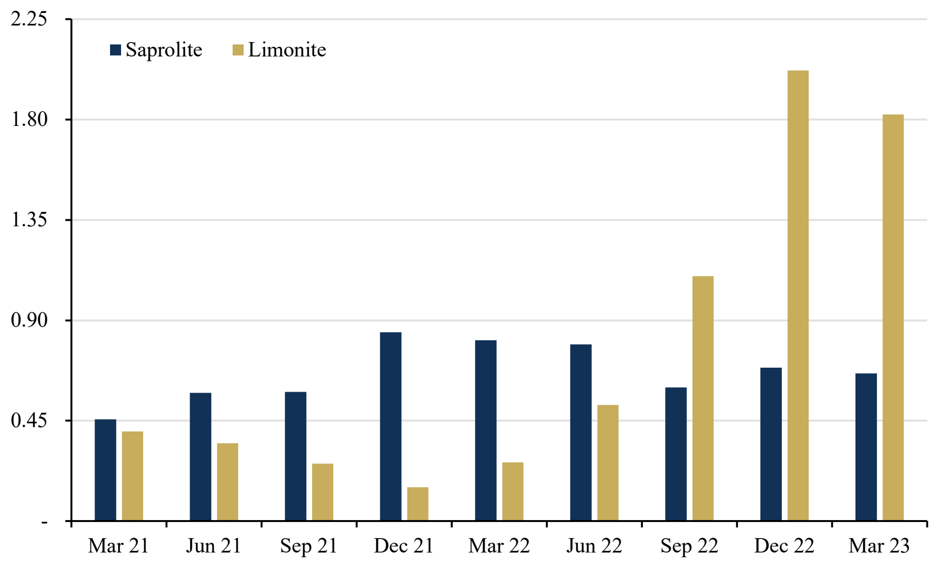
246 As stated above, the value of the Hengjaya Mine has been assessed as at 31 March 2023 in real terms by adopting the DCF methodology (i.e. consistent with the valuation of the NPI Projects) and adopting a 25 year mine life. We set out below information on the major assumptions underlying the free cash flow projections.

Mine production

247 A summary of the quarterly production for the Hengjaya Mine for 2021 and 2022 is shown below, noting that due to recent expansion initiatives undertaken at the mine as well as increasing demand for limonite from HPAL plants recently commencing production at the IMIP, limonite production at the mine increased significantly in recent quarters:

Hengjaya Mine production (2021, 2022 and Q1 2023)

Mt



248 Other key operating data for the Hengjaya Mine for 2021, 2022 and Q1 2023 is as follows:

Hengjaya Mine production (2021, 2022 and Q1 2023)						
	Quarterly information				Annual information	
	Jun 22	**Sep 22**	**Dec 22**	**Mar 23**	**2021**	**2022**
Saprolite tonnes mined (WMT)	792,630	599,790	687,831	662,004	2,457,694	2,890,575
Limonite mined (WMT)	520,862	1,098,186	2,020,027	1,822,636	1,161,599	3,902,276
Total tonnage mined	1,313,492	1,697,976	2,707,858	2,484,640	3,619,293	6,792,851
Overburden mined (BCM)[1]	826,553	390,940	438,796	398,017	2,787,895	2,592,937
Strip ratio[2]	0.63	0.23	0.16	0.16	1.60	0.38
Mine EBITDA (US$m)	18.4	10.2	16.1	13.0	22.0	53.6
Saprolite						
Tonnes sold (WMT)	673,664	565,624	725,523	677,089	2,169,972	2,674,947
Average grade sold (%)	1.74	1.73	1.67	1.57	1.76	1.71
Average price received (US$/t)	52.43	42.88	42.48	44.56	36.48	44.42
Average production cost[3] (US$/t)	26.02	26.91	28.47	28.75	24.20[4]	26.49[4]
Limonite						
Tonnes sold (WMT)	258,212	185,271	400,922	113,138	na	844,405
Average grade sold (%)	1.19	1.14	1.19	1.17	na	1.18
Average price received (US$/t)	14.69	17.24	18.42	18.29	na	17.01
Average production cost[3] (US$/t)		7.99	7.01	3.67	na	5.93

Note:
1 Bank cubic metres (BCM).
2 The strip ratio treats limonite as overburden in 2021.
3 Average costs for both mining and freight.
4 Average costs include amortisation and depreciation costs of US$0.79 per tonne for 2021 and US$0.90 per tonne for 2022, as well as exploration drilling costs of US$0.59 per tonne for 2021 and US$1.79 per tonne for 2022.
na – not available.

249 Mine annual production for 2022 increased to 6.8 Mt (comprised of 2.9 Mt saprolite and 3.9 Mt of limonite) and Nickel Industries commenced supplying commercial quantities of limonite to the IMIP during the year. Limonite ore (that has historically been treated as overburden) has also been stockpiled and as at 31 March 2023, this stockpile had increased to 7.22 million WMT of limonite ore at an average grade of 1.07%.

250 The Hengjaya Mine achieved record production levels in the December 2022 quarter due to numerous mine expansion initiatives implemented over 2021 and 2022 that have focused on increasing production levels whilst lowering unit costs. Specifically, during the December 2022 quarter:

(a) the Hengjaya Mine set a new production record of combined saprolite and limonite ore mined of 2,707,858 WMT, a 59.5% increase on the previous quarter (which in itself was a quarterly mine production record)

(b) sales of limonite to HPAL plants located at the IMIP (which commenced in April 2022) increased to 400,922 WMT from 185,271 WMT in the previous quarter[104].

104 Supply of limonite to the IMIP is expected to increase significantly during 2023 and thereafter.

251 With the majority of operational improvements now fully implemented, in conjunction with opening new mine areas at the Bete Bete and Central Pit operations, the Hengjaya Mine has been able to successfully operate at targeted increased production levels. The jetty has also operated at a significantly higher capacity since its expansion and upgrade and now caters for multiple barges at once, whilst the finalisation of the 6.5 kilometres of mine haul road to the IMIP is planned to be completed in the September 2023 quarter. Internal haul roads connecting several Bete Bete and Central pits are now in full operation and have been a significant contributor to improved mining efficiencies, as has the upgrade of the size of the trucking fleet to 35t-45t trucks.

252 Extensive drilling during 2021 and 2022 has continued to prepare the mine for higher production rates in future years. Grade control infill drilling continues in the Central Pit areas to enhance the rolling 12-month mine plan, whilst the Bete Bete areas continue to be drilled with new exploration commencing in areas east of the Central Pit operations.

253 Having regard to the recent expansion of the mine, and the plans envisaged by Nickel Industries' management (including increasing levels of limonite production), for valuation purposes the following production levels have been adopted over the forecast period:

(a) 3.0 Mtpa of saprolite ore in 2023 and 3.5 Mt in 2024 and thereafter; and

(b) 4.5 Mtpa of limonite ore in 2023, increasing to 6.5 Mtpa from 2024.

Nickel prices adopted

254 At paragraph 225 above we set out the LME nickel prices we have adopted for the purposes of deriving NPI and nickel matte prices for the NPI Projects. Given the price of saprolite ore is directly related to LME nickel prices, we have also used these LME prices (adjusted for average nickel grades and moisture content etc.) to derive the saprolite prices for DCF valuation purposes. On this basis, we have adopted a saprolite price of US$43.2 per WMT from 2023, decreasing to US$33.1 per WMT (real) over the forecast period, reflecting a similar price reduction to the forecast saprolite prices.

255 The prices adopted for valuation purposes for the sale of limonite are US$18.0 per WMT from 2023, decreasing to US$13.8 per WMT (real) over the forecast period, which is based on recent prices received for limonite and a similar sized reduction to the saprolite price assumptions.

Cash costs and capital expenditure

256 The Hengjaya Mine employs a contract miner that is paid on a per tonne of saprolite and limonite ore produced basis[105]. This per tonne cost includes allowance for mine capital expenditure (covering the equipment and machinery required to perform mining operations).

257 Mine capital expenditure that is not covered by the contract miner is expected to be relatively modest in 2023, with these funds to be directed towards the completion of expansion initiatives (in particular the completion of the haul road directly connecting the mine and the IMIP). Post these expansion initiatives, capital expenditure not covered by the contract miner

105 Reflecting the geology of the Hengjaya Mine, the limonite ore sits above the saprolite ore and hence costs for mining the limonite ore are significantly lower than those for saprolite ore.

(including allowance for drilling) is expected to continue to be modest (at approximately US$2 million per annum).

258 Excluding non-cash costs (i.e. depreciation and amortisation) and drilling costs (the costs for which have been relatively high recently due to the extensive drilling program being undertaken), operating cash costs in 2022[106] were US$23.8 per tonne. Operating cash costs adopted for valuation purposes, which cover both mining and freight costs and reflect the full benefits of the expansion initiatives either previously undertaken or expected to be completed in 2022, are as follows:

(a) saprolite – US$24.0 per WMT of saprolite ore production for 2023, reducing to US$23.0 per WMT in 2024 and thereafter

(b) limonite – US$9.5 per WMT of limonite ore production for 2023 and US$8.5 per WMT in 2024 and thereafter.

259 We have also allowed for corporate costs of some US$1.5 million per annum, based on historical levels of expenditure, which are not expected to change materially.

Working capital

260 Mine working capital requirements, including the stockpiling of ore (such as for the limonite ore), have been allowed for in the DCF calculations. In this regard we note that given mine operations are undertaken through a contract mining structure, working capital requirements are modest.

Discount rate

261 As set out in Appendix C, we have assessed the WACC for Nickel Industries at 10.5% (real) per annum. We have adopted a discount rate of 11.0% (real) per annum for the Hengjaya Mine, which is slightly higher than the discount rate assessed for Nickel Industries and takes into account the inherent risks of the nickel mining operations, which are partially offset by the nature of operations at the mine (which are undertaken on a contract miner basis).

Potential sell down to 49%

262 Nickel Industries holds an 80% economic interest in the Hengjaya Mine with the remaining 20% owned by an Indonesian partner, the Wijoyo family. The mine is owned via PT Hengjaya, an Indonesian company in which (consistent with prevailing regulations) Nickel Industries will be required to sell down to 49% by 2028, noting that this sell down is to be undertaken at market value[107].

263 For valuation purposes we have therefore assumed that any notional sell down (at the valuation date) of Nickel Industries' ownership interest in the Hengjaya Mine (to meet the above requirement) would be undertaken at a market value equivalent to our assessed valuation of the mine. On this basis there is no required adjustment to our valuation.

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[106] Given recent expansion initiatives have increased mine efficiency and reduced unit costs, we do not consider the historical operating cash costs at the Hengjaya Mine prior to 2020 as reasonably indicative of ongoing operating costs.

[107] To the extent market value is not offered by any potential purchaser, we understand that the sell down is unable to proceed.

Valuation summary

264 Based on the above, our valuation for 100% of the Hengjaya Mine (including allowance for the limonite stockpile) ranges from US$470 million to US$530 million. On a pro rata basis, the value of Nickel Industries' 80% interest in the Hengjaya Mine is US$376 million to US$424 million.

265 As set out in Section III there are significant reserves of nickel ore at the Hengjaya Mine, together with further exploration areas where there are identified prospects of increasing these nickel ore reserves based on planned future drilling programmes. Our valuation of the Hengjaya Mine assumes annual future mining of these nickel ore reserves at the current rate of 3.0 Mt of Saprolite ore in 2023, increasing to 3.5 Mtpa in 2024 and thereafter and 4.5 Mt of limonite ore in 2023 increasing to 6.5 Mtpa in 2024 and thereafter. There is significant ongoing demand for nickel ore from HNI, RNI and ONI[108] and the other RKEF projects operating at the IMIP. In the event the activities at the Hengjaya Mine are up-scaled and annual rates of production of nickel ore are increased in response to this demand, our valuation of the Hengjaya Mine would increase.

Valuation of corporate costs

266 Nickel Industries' unallocated corporate costs (i.e. costs which are not reflected in the respective valuations of the NPI Projects or the Hengjaya Mine) primarily relate to Directors' fees and consultants' expenses, in addition to listed company costs. After reviewing the level of unallocated corporate costs and discussing these with Nickel Industries management, we have adopted unallocated ongoing corporate costs of US$5.5 million to US$6.5 million per annum for valuation purposes[109].

267 We have assessed the (negative) value of these corporate costs by adopting the DCF methodology over a 30 year period, which is consistent with the forecast period for the NPI Projects, and have applied a discount rate of 10.5% per annum (consistent with the discount rate determined in Appendix C for Nickel Industries).

268 On this basis, the value of the unallocated corporate costs has been assessed at negative US$55 million to US$65 million.

Net debt

269 As at 31 March 2023, Nickel Industries had net debt of some US$316.3 million, calculated as follows:

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108 The combined annual requirements for which are some 8.8 Mt of saprolite ore.

109 Given current Australian tax arrangements, we have conservatively assumed these corporate costs are not tax deductible.

Nickel Industries – net debt as at 31 March 2023	Nickel Industries 100% US$m	Nickel Industries interest %	Nickel Industries interest US$m
Nickel Industries cash	154.2	100.0	154.2
Cash raised from debt restructure	95.0	100.0	95.0
Surplus working capital	100.0	100.0	100.0
HNI cash	19.6	80.0	15.7
RNI cash	12.8	80.0	10.2
ANI cash	50.8	80.0	40.6
ONI cash	24.6	70.0	17.2
Hengjaya Mine cash	13.1	80.0	10.5
Total cash	470.1		443.5
Senior Unsecured Notes	(245.6)	100.0	(245.6)
New Senior Unsecured Notes	(400.0)	100.0	(400.0)
Working capital facility (ANI / ONI)	(13.8)	80.0 / 70.0	(10.3)
Total borrowings	(659.4)		(655.9)
Net debt	(189.3)		(212.4)

270 In addition to the above, Nickel Industries will incur some US$4.0 million of transaction costs. Notwithstanding a small proportion of these transaction costs are associated with undertaking the proposed Newstride Conditional Placement, the approval of the Newstride Conditional Placement will not result in any incremental transactions costs of significance. Accordingly we have allowed for the full US$4.0 million of transaction costs in our assessed value of Nickel Industries prior to the Newstride Conditional Placement.

Other assets / liabilities

271 Whilst Nickel Industries has recently entered into a number of agreements to either farm-in or to acquire nickel exploration / development projects, the Company's interests in these projects are not material in the context of the valuation of the operating assets owned by Nickel Industries. As a result, for the purpose of our report, we have conservatively placed no value on these assets as at the valuation date.

Share capital outstanding

272 As indicated above, we have allowed for the impact of the Institutional Placement and SPP in our assessed value of Nickel Industries. Accordingly, we have adopted 3,024.3 million fully paid ordinary shares on issue, which includes the shares issued pursuant to the Institutional Placement and the SPP, calculated as follows:

Nickel Industries – share capital[1]	Shares on issue (million)
Shares on issue (pre Equity Raise)	2,731.3
Shares issued under the Institutional Placement (issued on 23 January 2023)	259.1
Shares issued under the SPP (issued on 3 March 2023)	33.9
Shares on issue	3,024.3

Valuation summary

273 Given the above, we have assessed the value of Nickel Industries shares prior to the Newstride Conditional Placement on a controlling interest basis as follows:

Nickel Industries – valuation summary (Pre Newstride Conditional Placement)	Para	Low US$m	High US$m
Assessed value of interests in NPI Projects	245	2,800.0	3,200.0
Assessed value of interest in Hengjaya Mine	264	376.0	424.0
Corporate costs	268	(55.0)	(65.0)
Enterprise value		3,121.0	3,559.0
Net debt	269	(212.4)	(212.4)
Transaction costs	270	(4.0)	(4.0)
Net debt and other liabilities		(216.4)	(216.4)
Equity value – controlling interest basis		2,904.6	3,342.6
Adopted USD:AUD rate	Note 1	0.67	0.67
Equity value – controlling interest basis (A$m)		4,335.2	4,989.0
Fully diluted shares on issue (million)[1]	272	3,024.3	3,024.3
Equity value – controlling interest basis (A$/share)		1.43	1.65

Note:
1 As indicated above, we have assessed the value of Nickel Industries in USD. For the purposes of our valuation we have adopted an USD:AUD exchange rate of A$0.67, which is broadly consistent with the average USD:AUD exchange rate for the month of March 2023.

Cross check to share trading in Nickel Industries

274 We have cross checked our assessed value of Nickel Industries on a controlling interest basis by reference to the market prices of Nickel Industries shares on the ASX prior to the announcement relating to the Acquired Assets and the Conditional Placement, adjusted for a premium for control. We note that:

(a) as set out in Section III, Nickel Industries shares are actively traded, which indicates that the listed market price is likely to be a reasonably reliable reference point for the portfolio value of Nickel Industries shares

(b) Nickel Industries has a market capitalisation of around A$2.7 billion[110], it is researched and analysed by eight investment analyst firms and has a number of institutional investors on its register

(c) significant information has been disclosed in relation to Nickel Industries operations in its financial reports and stock exchange announcements.

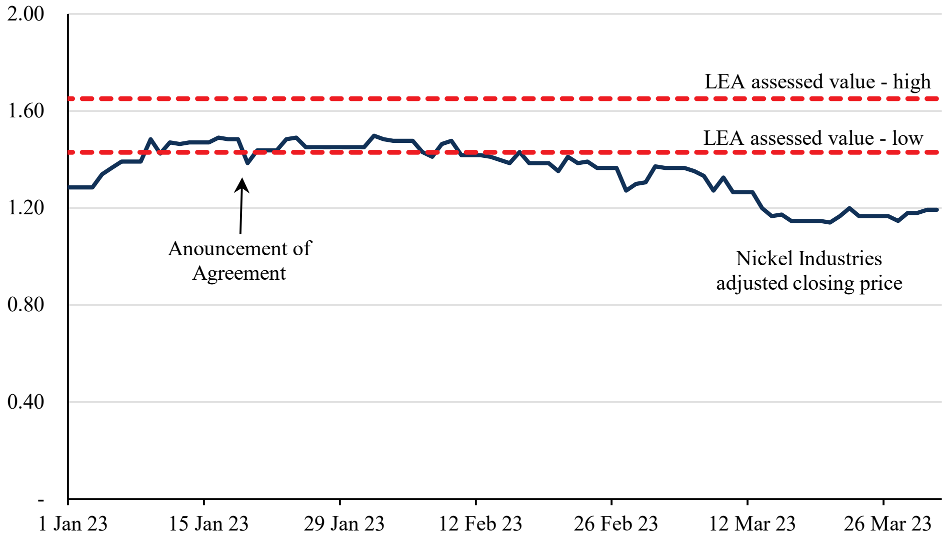
275 Empirical analysis undertaken by LEA indicates that the average premium paid above the listed market price in successful takeovers in Australia ranges between 30% and 35% (assuming the pre-bid market price does not reflect any speculation of the takeover)[111].

110 As at 31 March 2023.

111 LEA has analysed the control premiums paid in successful takeovers and other change in control transactions involving cash consideration in Australia over the period 2000 to 2020. LEA's study covered around 500

Accordingly, we set out below a comparison of the recent share trading in Nickel Industries (adjusted for a control premium of 32.5%) relative to our assessed controlling interest value of Nickel Industries:

Comparison of assessed values to share trading in Nickel Industries(1)(2) (A$)
1 October 2021 to 31 March 2023



Note:
1 The Nickel Industries close price has been adjusted for a control premium of 32.5%.
2 LEA assessed low and high value of A$1.43 and A$1.65 per share (refer paragraph 273).
Source: Bloomberg and LEA analysis.

276 Since the announcement of Agreement with Shanghai Decent on 18 January 2023, share trading in Nickel Industries (adjusted for a premium for control) was initially relatively consistent with the low end of our assessed valuation range, with the subsequent reduction in the share price coinciding with volatility in global nickel prices, together with an increased level of economic uncertainty generally. Accordingly, we consider our assessed controlling interest value of Nickel Industries prior to the Newstride Conditional Placement to be reasonable.

transactions in all sectors excluding real estate investment trusts, based on data sourced from Bloomberg, Connect4 and public company transaction documents and ASX announcements. Scrip transactions were excluded from the analysis because the value of the scrip consideration can vary materially depending on the date of measurement.

VII Valuation of Nickel Industries post the Newstride Conditional Placement

Methodology

277 The value of Nickel Industries following the Newstride Conditional Placement has been derived by aggregating:

(a) the enterprise value of Nickel Industries prior to the Newstride Conditional Placement[112]

(b) the additional assets that will be purchased (i.e. the Acquired Assets[113] and Acquired Options) under the terms of the Agreement

(c) the laterite assets / opportunities to be purchased[114]

(d) the net cash raised by the Newstride Conditional Placement (after assumed payments for the assets to be acquired) and allowance for the shares issued from the raising.

Pro-forma impact of Newstride Conditional Placement

278 Following approval and completion of the Newstride Conditional Placement, Nickel Industries will secure the Acquired Assets[113] and Acquired Options and will look to acquire additional laterite assets to support the growth aspirations in Class 1 battery grade nickel products. As indicated at paragraph 38, the Newstride Conditional Placement will contribute toward the funding of these assets (specifically the HNC Acquisition).

279 Post the Newstride Conditional Placement, Nickel Industries:

(a) will acquire an indirect 10% interest in HNC from Newstride for US$270 million

(b) will acquire an additional 10% interest in ONI for US$75 million, increasing the Company's total interest in ONI to 80%

(c) will secure the Acquired Options, being:

  (i) an option for participation in, and construction of, ENC for US$25 million

  (ii) an option to invest in and construct a low-grade to high-grade nickel matte converter at the IMIP for ONI for US$15 million

(d) intends to apply US$60 million towards assessment of new near-term nickel laterite opportunities, including resource acquisitions, associated feasibility studies and land acquisition

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112 The value is also prior to the other components of the Conditional Placement.

113 Including the ability to transition two RKEF lines at ANI from producing NPI to producing nickel matte. This was announced to the ASX on 8 March 2023 and hence was not included in the Agreement with Shanghai Decent which was announced to the ASX on 18 January 2023. However, we understand that the agreement to transition two RKEF lines at ANI to nickel matte would not have eventuated but for the Agreement with Shanghai Decent.

114 We have assumed that these assets will only be acquired (for the indicated US$60 million) once the ENC option has been secured and therefore they are considered a post Newstride Conditional Placement asset. This assumption has no comparative value implications as the net cash position has been similarly adjusted (reduced) by US$60 million.

(e) is expected (subject to market conditions) to transition two RKEF lines at ANI to produce nickel matte in early 2024.

280 As indicated at paragraph 41, some US$445 million[115] is required to purchase the Acquired Assets, Acquired Options and the laterite assets with some US$276 million[116] to be satisfied by the shares to be issued under the Conditional Placements (and the remainder from the Institutional Placement and SPP). This leaves a further US$169 million consideration payable to purchase the Acquired Assets, Acquired Options and the laterite assets.

281 In addition, there are no incremental transaction costs of significance associated with the approval of the Newstride Conditional Placement and the number of ordinary shares on issue will also increase (refer paragraph 288 below).

282 Regarding the valuation of the Acquired Assets[113], Acquired Options and the laterite assets / opportunities, we note that:

(a) in Section V we have assessed the indicative value of a 10% interest in HNC at US$340 million to US$400 million

(b) we have assessed the value of an additional 10% interest in ONI at US$130 million to US$150 million

(c) notwithstanding the prospects for the assets relating to the Acquired Options, and the likelihood of increased value for these assets over the medium to long term, we have conservatively valued the Acquired Options at the price at which Nickel Industries will acquire these for

(d) regarding the value of the laterite assets to be purchased, we have assumed that any amount paid will reflect the market value of these assets

(e) the uplift in value for ANI from transitioning two RKEF lines to produce nickel matte has been assessed by comparing the value for ANI when producing NPI at all four RKEF lines[117] in comparison to the value for ANI when two RKEF lines are producing NPI and two RKEF lines are producing nickel matte[118]. This provides an uplift in the value of ANI in the order of US$100 million.

283 Having regard to the above, a summary of the controlling interest enterprise value of Nickel Industries post the Newstride Conditional Placement is as follows:

115 Being the US$495 million shown at paragraph 41 less the US$46 million in cash for general corporate purposes and the US$4 million allocated for transaction costs.

116 Calculated as 405 million shares to be issued at A$1.02 per share and adopting a USD:AUD rate of A$0.67 (which is consistent with the exchange rate for the month of March 2023 adopted for valuation purposes).

117 Which is the basis for the valuation included in Section VI.

118 Having regard to the nickel matte price and cash cost assumptions adopted in Section VI for the valuation of HNI.

Nickel Industries – controlling interest value			
	Para	Low US$m	High US$m
Enterprise value pre Newstride Conditional Placement	273	3,121	3,559
Value of 10% interest in HNC	192	340	400
Value of additional 10% interest in ONI	282	130	150
Value of ENC option	282	25	25
Value of ONI nickel matte option	282	15	15
Value of laterite assets to be purchased	282	60	60
Value increase for ANI from nickel matte conversion at two lines	282	100	100
Enterprise value post Newstride Conditional Placement		3,791	4,309

Minority interest discount

284 Consistent with the requirements of RG 111, the value of Nickel Industries shares after the Newstride Conditional Placement must be assessed on a minority interest basis. Empirical research undertaken by LEA on takeover premiums and minority interest discounts indicates that standard discounts for minority interests generally range from 20% to 25% of the full underlying (controlling interest) equity value of a company, with the high end of the range generally reflecting companies with little or no net debt.

285 In the circumstances of Nickel Industries we have had regard in particular to:

(a) the purpose of the Newstride Conditional Placement (i.e. the HNC Acquisition)

(b) our view on the appropriate long-term level of debt (relative to equity) as assessed in Appendix D, noting that the current level of debt (in funding percentage terms) is lower, reflective of the recent significant equity capital raisings and the associated desire of the Company to maintain funding flexibility as regards (inter alia) the potential exercise of the Acquired Options

(c) the comparative position of the Company pre and post the Newstride Conditional Placement.

286 Accordingly, we have applied a discount of 20%[119] to our assessed post Newstride Conditional Placement (controlling interest) enterprise value, which we consider appropriate in the circumstances.

Shares on issue post Newstride Conditional Placement

287 Pursuant to the Newstride Conditional Placement, Nickel Industries will issue some 381.4 million new ordinary shares based on the raising size of US$260.6 million[120] (A$389.0 million) and the issue price of A$1.02 per share. A further 23.2 million shares will be issued (at a price of A$1.02) to Wanlu and Mr Lochtenberg pursuant to the other components of the Conditional Placement.

119 The minority discount applied is 25% at the equity level, and when factoring in a 25% gearing level (which aligns with the gearing level used to determine the Nickel Industries' WACC as shown in Appendix D), results in a minority discount of 20% at the enterprise level.

120 Based on a USD:AUD rate of A$0.67, which is consistent with the exchange rate for the month of March 2023 adopted for valuation purposes.

288 Following completion of the Newstride Conditional Placement, Nickel Industries will have some 3,428.8 million ordinary shares on issue:

Shares on issue post raising(1)	Shares (million)
Pre Equity Raise	2,731.3
Shares issued under the Institutional Placement (issued on 24 January 2023)	259.1
Shares issued under the SPP (issued on 3 March 2023)	33.9
Post Institutional Placement and SPP	3,024.3
Shares issued under the Newstride Conditional Placement	381.4
Shares issued under the Conditional Placement to Wanlu and Mr Lochtenberg	23.2
Shares on issue post the Conditional Placement to Newstride	3,428.8

Note:
1 Rounding differences may exist.

Minority interest value

289 Based on the above and the analysis in the preceding sections, we have therefore assessed the minority interest value of Nickel Industries shares following the Newstride Conditional Placement as follows:

Nickel Industries – minority interest value	Para	Low US$m	High US$m
Enterprise value post Newstride Conditional Placement – controlling interest basis	283	3,791.0	4,309.0
Minority interest discount(1)	Note 1	(758.2)	(861.8)
Enterprise value post Newstride Conditional Placement – minority interest basis		3,032.8	3,447.2
Net debt (prior to Newstride Conditional Placement)	269	(212.4)	(212.4)
Transaction costs	270	(4.0)	(4.0)
Consideration payable for the balance of the Acquired Assets, the Acquired Options and the laterite assets	280	(168.5)	(168.5)
Net debt and other liabilities (post Newstride Conditional Placement)		(384.9)	(384.9)
Equity value – minority interest basis		2,647.9	3,062.3
USD:AUD exchange rate	Note 2	0.67	0.67
Equity value – minority interest basis (A$m)		3,952.0	4,570.6
Shares on issue (post Newstride Conditional Placement) (m)	288	3,428.8	3,428.8
Value per share – minority interest basis (A$/share)		1.15	1.33

Note:
1 Based on an adopted minority interest discount of 20%.
2 As indicated above, we have assessed the value of Nickel Industries in USD. For the purposes of our valuation we have adopted an USD:AUD exchange rate of A$0.67, which is broadly consistent with the average USD:AUD exchange rate for the month of March 2023.

Recent share trading (post Equity Raise announcement)

290 A summary of the trading in Nickel Industries shares post the announcement of the Agreement with Shanghai Decent up to 31 March 2023 is set out below:

Nickel Mines – share price history (post Equity Raise announcement)					
Time periods	Low A$	High A$	VWAP(1) A$	Number traded (m)	Value traded A$m
18 January 2023 to 31 March 2023	0.85	1.17	1.01	662	669

Note:
1 Volume weighted average price (VWAP).
Source: Bloomberg.

291 Since the announcement of the Equity Raise up to 31 March 2023, Nickel Industries shares have traded between A$0.85 and A$1.17 and closed at A$0.90[121]. The VWAP over this period was A$1.01.

292 The low end of our assessed value of Nickel Industries shares (both pre and post the Newstride Conditional Placement) on a minority interest basis is above the level of trading in Nickel Industries shares, however, we note that there has been volatility in global nickel prices in recent periods, together with an increased level of economic uncertainty generally. In addition, the assessed value of Nickel Industries post the Newstride Conditional Placement reflects information that may not be fully reflected in the Nickel Industries share price, such as the recent market activity in respect of Indonesian HPAL operators[122] and the market value of the assets to be acquired (i.e. the market value of HNC).

121 The relatively wide share price trading range reflects increased volatility due to external factors (as detailed in paragraph 124).

122 On 12 April 2023, Harita Nickel, which operates two laterite nickel mining projects and three HPAL lines with a capacity of 55,000 tonnes listed on the Indonesian Stock Exchange. The implied market capitalisation was some US$5.5 billion.

VIII Evaluation of the proposed transactions

Assessment of fairness – HNC Acquisition

293 In our opinion, the HNC Acquisition is fair and reasonable to Nickel Industries Shareholders. We have formed this opinion for the reasons set out below.

294 Pursuant to RG 111, a related party transaction is "fair" if the value of the financial benefit being offered by the entity to the related party is equal to or less than the value of the assets being acquired. In our opinion the Proposed Transaction is fair as:

(a) the price of the HNC Acquisition (of US$270 million) is less than the NPV of the Company's pro rata share of the estimated future free cash flows from the project based on current rates of production and EBITDA generated by the HNC Project (refer Section V)

(b) the HNC Acquisition:

   (i) is an attractive investment proposition in terms of the Capital Intensity of the HNC Acquisition relative to other HPAL projects and having regard to the relative stage of development (refer paragraphs 194 to 197)

   (ii) is estimated to provide a return on investment that exceeds the Company's cost of capital and has a relatively short implied payback period for a long life project (refer paragraphs 198 to 199).

Assessment of reasonableness – HNC Acquisition

295 Pursuant to RG 111, a related party transaction is reasonable if it is fair. Consequently we have concluded that the HNC Acquisition is both fair and reasonable to Nickel Industries Shareholders[123].

Assessment of fairness – Newstride Conditional Placement

296 In our opinion, the Newstride Conditional Placement is not fair. We are of this opinion for the following reasons.

297 RG 111 requires that the fairness of the Newstride Conditional Placement be assessed by comparing the controlling interest value of Nickel Industries shares prior to implementation of the Newstride Conditional Placement with the portfolio value of Nickel Industries shares following implementation (being the deemed "consideration" delivered to Nickel Industries shareholders). In order for the Newstride Conditional Placement to be "fair" under RG 111, the portfolio value of Nickel Industries shares following implementation of the Newstride Conditional Placement must be equal to, or greater than, the controlling interest value of Newstride Conditional Placement shares before implementation.

298 This comparison is set out below:

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[123] In considering the reasonableness of the HNC Acquisition we have also had regard to the related advantages noted at paragraphs 320(a)(i), 320(b), 320(c) and 320(d) below.

"Fairness" value comparison[1]				
	Section	**Low A$ per share**	**Mid-point A$ per share**	**High A$ per share**
Controlling interest value of Nickel Industries shares prior to the Newstride Conditional Placement	VI	1.43	1.54	1.65
Portfolio interest value of Nickel Industries shares following the Newstride Conditional Placement	VII	1.15	1.24	1.34
Extent to which the portfolio interest value post implementation of the Newstride Conditional Placement is less than the controlling interest value of Nickel Industries shares before implementation		(0.28)	(0.30)	(0.32)

Note:
1 The per share values have been rounded to the nearest cent.

299 Based on the above we have concluded that the Newstride Conditional Placement is not fair to Nickel Industries Shareholders when assessed under RG 111.

Assessment of reasonableness – Newstride Conditional Placement

300 Under RG 111 the Newstride Conditional Placement is reasonable if, notwithstanding not being fair but after considering other significant factors, the expert is of the opinion that the advantages of the Newstride Conditional Placement outweigh the disadvantages from the perspective of Nickel Industries Shareholders.

301 Consequently, we set out below the advantages and disadvantages of the Newstride Conditional from the perspective of Nickel Industries Shareholders.

Position of Nickel Industries Shareholders

302 In considering whether the Newstride Conditional Placement is reasonable, we have initially considered whether Nickel Industries Shareholders are likely to be better off from a value perspective if they approve the Newstride Conditional Placement by comparing the value of Nickel Industries shares pre and post the Newstride Conditional Placement on a consistent portfolio basis.

303 Accordingly, we have reduced our controlling interest value prior to the Newstride Conditional Placement by a minority interest discount[124] in order to estimate the corresponding portfolio interest value of Nickel Industries shares prior to the Newstride Conditional Placement.

304 On this basis, we note that the Newstride Conditional Placement (as evaluated) is value accretive for Nickel Industries shareholders:

124 Consistent with the approach adopted in Section VII, we have applied a 20% minority interest discount to our assessed enterprise value.

Comparative value of Nickel Industries shares[1]	Section	Low A$ per share	Mid-point A$ per share	High A$ per share
Portfolio interest value of Nickel Industries shares before the Newstride Conditional Placement[2]	VIII	1.12	1.21	1.30
Portfolio interest value of Nickel Industries shares following the Newstride Conditional Placement	VII	1.15	1.24	1.33
Increase in portfolio interest value of Nickel Industries shares due to the Newstride Conditional Placement		0.03	0.03	0.03
% increase		*2.7%*	*2.5%*	*2.3%*

Note:
1 The per share values have been rounded to the nearest cent.
2 Being our controlling interest value prior to the Newstride Conditional Placement, less a minority interest discount of 20% at the business or enterprise value. The minority discount applied is 25% at the equity level, and when factoring in a 25% gearing level (which aligns with the gearing level used to determine the Nickel Industries' weighted average cost of capital (WACC) as shown in Appendix D), results in a minority discount of 20% at the enterprise level.

305 The majority of the US$4 million total transaction costs which will be incurred under the Equity Raise were associated with the Institutional Placement and SPP, noting the minor component attributable to the Newstride Conditional Placement will be incurred irrespective of whether the Newstride Conditional Placement is approved by shareholders. As a result, there are no additional transaction costs of significance attributable to the approval of the Newstride Conditional Placement.

306 Based on the above, the Newstride Conditional Placement is, prima facie, reasonable to Nickel Industries Shareholders when considered solely from a portfolio value perspective.

Impact on control

307 If the Newstride Conditional Placement is approved there will be an impact on the voting power and ownership of Nickel Industries. Shanghai Decent (which currently has a relevant interest in Nickel Industries shares of approximately 19.2%[125]) will increase its relevant interest in Nickel Industries to 28.1% as follows:

125 Prior to the Institutional Placement and SPP Shanghai Decent's shareholding in Nickel Industries was 21.3%.

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	-	-
Post Institutional Placement and SPP	3,024.3	581.8	19.2
Newstride Conditional Placement	381.4	381.4	100.0
Conditional Placement to Wanlu and Mr Lochtenberg	23.2	-	-
Shares on issue post the Conditional Placement to Newstride	3,428.8	963.1	28.1

308 Therefore, if the Newstride Conditional Placement is approved Shanghai Decent will increase its interest in Nickel Industries from 21.3% prior to the Equity Raise to some 28.1% of issued capital, an interest which from a regulatory perspective implicitly reflects an increase of control over the Company and the ability for Shanghai Decent to block a special resolution. However:

(a) the Newstride Conditional Placement is not expected to have an impact on the day to day operations or control of the Company (noting that Shanghai Decent will not have any additional Board representation)

(b) under the creep provisions, as set out in s611(9) of the Corporations Act, a holder of more than 20% interest may acquire an additional 3% interest every six months.

Proposed issue price of shares

309 As noted above, pursuant to the Conditional Placement, Nickel Industries shares will be issued at A$1.02 per share. In contrast:

(a) our controlling interest value of Nickel Industries prior to the Conditional Placement is A$1.43 to A$1.65 per share

(b) our minority interest value of Nickel Industries prior to the Conditional Placement is A$1.15 to A$1.33 per share.

310 Thus, the issue price of A$1.02 per share:

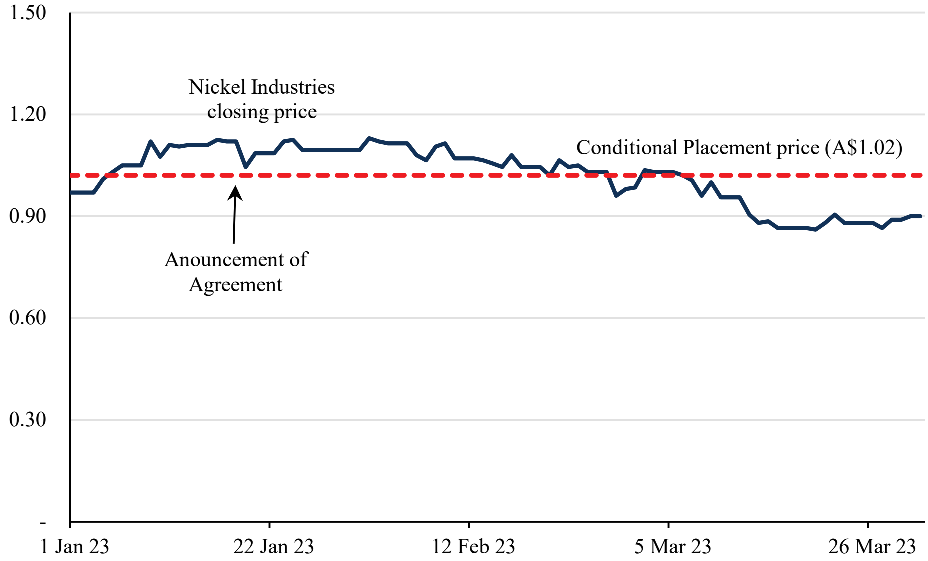
(a) is materially lower than our valuation range for Nickel Industries shares on a 100% controlling interest basis (primarily due to the absence of a control premium being paid[126])

(b) is below the lower end of our valuation range for Nickel Industries shares on a portfolio interest basis (noting that capital raisings of the nature of the Equity Raise are generally placed at a discount to pre capital raising share prices).

126 Which we do not consider unreasonable having regard to the factors outlined at paragraph 308.

311 In addition to the above, we note that the issue price of A$1.02 represents a price broadly consistent with share trading in Nickel Industries shares initially following the announcement of the Agreement, and a premium to more recent share trading in Nickel Industries:

Share trading in Nickel Industries relative to proposed issue price (A$)
1 October 2022 to 31 March 2023



Source: Bloomberg and LEA analysis.

312 Further, the issue price of the Conditional Placement at A$1.02 is consistent with the issue price of the recently completed Institutional Placement and SPP. In this regard, we note that both the Institutional Placement and SPP, which were undertaken with full disclosure of the proposed Newstride Conditional Placement, were fully subscribed[127] and successfully completed on 19 January 2023 (Institutional Placement) and 3 March 2023 (SPP) respectively.

313 In addition to the above, Nickel Industries shareholders should note that in light of the recent volatility in Nickel Industries shares the issue price of A$1.02 represents a material premium to the more recent trading in Nickel Industries shares.

Strategic partnership with Shanghai Decent

314 On 22 November 2021 the Company announced it had signed a multi-faceted MoU with Shanghai Decent, outlining a framework for future collaborations between the parties over the next several years. The MoU consolidated and expanded the strong existing strategic partnership between the parties and outlined a plan for Nickel Industries to participate in numerous future development projects that Tsingshan has planned across Indonesia, including outlining a framework under which both parties will collaborate on future energy projects aimed at delivering reduced carbon emissions and cleaner energy solutions.

315 Consistent with the MoU, on 18 January 2023 Nickel Industries announced that it had executed an Electric Vehicle Battery Supply Chain Strategic Framework Agreement with

127 In the case of the SPP, the number of shares subscribed for and ultimately issued exceeded the originally targeted amount.

Shanghai Decent, including binding agreements to purchase the Acquired Assets and Acquired Options.

316 The financial, operational and strategic partnership with Shanghai Decent has been very beneficial to Nickel Industries shareholders to date and has resulted in Nickel Industries becoming a globally significant, low-cost producer of NPI. The next stage of this partnership prioritises the Company's expansion into Class 1 nickel production with reduced carbon emissions. The Newstride Conditional Placement is consistent with (and a continuation) of this established relationship. In addition, if the Newstride Conditional Placement is not approved, Nickel Industries will remain primarily a producer of Class 2 nickel products, which are predominantly used in the stainless steel industry.

Dilution of existing shareholder interests

317 If the Newstride Conditional Placement is approved, the interests of non-associated Nickel Industries shareholders will be diluted as they will collectively hold 71.9% of Nickel Industries shares after the related share issue to Shanghai Decent.

318 However, it should be noted that Nickel Industries' non-associated shareholders are likely to be diluted in any event, as Nickel Industries would have required additional equity capital[128] to fund the Acquired Assets if the Newstride Conditional Placement was not in place.

Likelihood of receiving a future takeover offer

319 Shanghai Decent currently owns approximately 19.2% of Nickel Industries (on a fully diluted basis), which is sufficient to block a full takeover by another party. A potential bidder seeking to take over Nickel Industries would therefore need to persuade Shanghai Decent to accept its offer in order to obtain control of Nickel Industries. The Newstride Conditional Placement does not affect this reality. We therefore consider that the Newstride Conditional Placement has no impact on the potential for a third party to make a takeover offer for Nickel Industries. Further, given the relationship between Nickel Industries and Shanghai Decent (from both a historical and future intentions perspective), the likelihood of a takeover offer from a third party is considered remote.

Conclusion

320 Based on the above we summarise below the advantages and disadvantages of the Newstride Conditional Placement:

Advantages

(a) the Equity Raise (including the Newstride Conditional Placement) is being undertaken primarily to fund the acquisition of the Acquired Assets and Acquired Options, and to provide funds for corporate purposes. With respect to the Acquired Assets:

(i) the Newstride Conditional Placement is directly linked to securing the indirect 10% interest in HNC which is value accretive for Nickel Industries shareholders and initiates Nickel Industries' entry into the EV supply chain and the related production of Class 1 battery grade nickel products, broadening its customer base

[128] We consider any capital raising by Nickel Industries would be likely to require a significant component of institutional funding and it would not be uncommon for institutional placements to be made at a discount to the prevailing share price.

(ii) the Equity Raise also funds the acquisition of the additional 10% interest in ONI on favourable terms and aligns Nickel Industries' interests in its RKEF plants providing incremental production capacity and value to the Company. The ONI Acquisition is also value accretive to Nickel Industries shareholders as we have assessed the value increment to be in the range of US$130 million to US$150 million, which is materially higher than the acquisition consideration of US$75 million

(b) the Acquired Options (which are a component of the Agreement and are linked to the approval of the Newstride Conditional Placement) 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 ENC 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. Given the current level of interest and potential investment in Class 1 nickel production from existing and potential industry participants, if Nickel Industries shareholders reject the Newstride Conditional Placement, it is uncertain whether a comparable opportunity will arise for the benefit of Nickel Industries in the short to medium term

(c) Nickel Industries has established a financial, operational and strategic partnership with Shanghai Decent and Tsingshan which has been very beneficial to Nickel Industries shareholders and has resulted in Nickel Industries becoming a globally significant, low-cost producer of NPI. The Newstride Conditional Placement is consistent with and a continuation of this established relationship. If Nickel Industries shareholders' rejection of the Newstride Conditional Placement adversely affected this relationship, the impact on value for Nickel Industries could be significant

(d) the Newstride Conditional Placement is value accretive on a comparative portfolio interest basis. Further, this assessment does not incorporate any value uplift for ENC and future nickel conversion opportunities at ONI which are anticipated to be value accretive for the shareholders of Nickel Industries (implying a value for the Acquired Options potentially significantly in excess of the related acquisition cost)

Disadvantages

(e) pursuant to the Newstride Conditional Placement, Shanghai Decent will increase its interest in Nickel Industries from 21.3%[129] to 28.1% of issued capital, an interest which from a regulatory perspective implicitly reflects an increased degree of control over the Company, principally by means of the ability to block a proposed special resolution. However:

(i) the Newstride Conditional Placement is not expected to have an impact on the day to day operations or control of the Company (noting that Shanghai Decent will not have any additional Board representation)

129 Prior to the impact of the Institutional Placement and SPP.

(ii) under the creep provisions, as set out in s611(9) of the Corporations Act, a holder of more than a 20% interest may acquire an additional 3% interest every six months

(f) the Newstride Conditional Placement is not "fair" when assessed based on the guidelines set out in RG 111. This is because the Newstride Conditional Placement does not provide value to Nickel Industries shareholders which is equal to the full controlling interest value of Nickel Industries shares prior to the Newstride Conditional Placement. However, this is to be expected as the Newstride Conditional Placement does not involve a takeover offer (or similar proposal) for 100% of Nickel Industries shares and forms part of a longer term investment strategy.

321 As indicated above there are a number of advantages and disadvantages associated with the Newstride Conditional Placement. However, the Newstride Conditional Placement (as part of the Equity Raise) enables Nickel Industries to finance the HNC Acquisition and gain material exposure to the Class 1 nickel market and EV battery supply chain industry. In addition, when combined with the additional ONI interest and Acquired Options, the HNC Acquisition will continue the financial, operational and strategic partnership with Shanghai Decent and Tsingshan, and therefore in our opinion, the Newstride Conditional Placement is reasonable and in the best interests of Nickel Industries Shareholders.

322 For the reasons set out above, in our opinion, the Newstride Conditional Placement is therefore not fair but is reasonable to Nickel Industries Shareholders in the absence of a superior proposal.

Appendix A

Financial Services Guide

Lonergan Edwards & Associates Limited

1 Lonergan Edwards & Associates Limited (ABN 53 095 445 560) (LEA) is a specialist valuation firm which provides valuation advice, valuation reports and IERs in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.

2 LEA holds Australian Financial Services Licence No. 246532, which authorises it to provide a broad range of financial services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

Financial Services Guide

3 LEA has been engaged by Nickel Industries to provide general financial product advice in the form of an IER in relation to the HNC Acquisition and the Newstride Conditional Placement. The Corporations Act requires that LEA include this Financial Services Guide (FSG) with our IER.

4 This FSG is designed to assist retail clients in their use of the general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

General financial product advice

5 The IER contains general financial product advice only and has been prepared without taking into account your personal objectives, financial situation or needs.

6 You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Fees, commissions and other benefits we may receive

7 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the entity who engages us. In the preparation of this IER, LEA is entitled to receive a fee estimated at A$210,000 plus GST.

8 Neither LEA nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.

9 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our

directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.

10 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

Complaints

11 If you have a complaint, please raise it with us first. LEA can be contacted by sending a letter to the following address:

Level 7
64 Castlereagh Street
Sydney NSW 2000
(or GPO Box 1640, Sydney NSW 2001)

12 We will endeavour to satisfactorily resolve your complaint in a timely manner.

13 Please note that LEA is only responsible for the preparation of this IER. Complaints or questions about the Notice of Meeting should not be directed toward LEA as it is not responsible for the preparation of this document.

14 If we are not able to resolve your complaint to your satisfaction within 30 days of your written notification, you are entitled to have your matter referred to the Australian Financial Complaints Authority, an external complaints resolution service. You will not be charged for using the Australian Financial Complaints Authority service.

Compensation arrangements

15 LEA has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of the *Corporations Act 2001* (Cth).

Appendix B

Qualifications, declarations and consents

Qualifications

1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared hundreds of IERs.

2 This report was prepared by Ms Julie Planinic and Mr Jorge Resende, who are each authorised representatives of LEA. Ms Planinic and Mr Resende have over 24 years and 21 years' experience respectively in the provision of valuation advice (and related advisory services).

Declarations

3 This report has been prepared at the request of the Independent Directors of Nickel Industries to accompany the Notice of Meeting to be sent to Nickel Industries shareholders. It is not intended that this report serve any purpose other than as an expression of our opinion as to whether or not the HNC Acquisition and Newstride Conditional Placement is fair and reasonable to Nickel Industries shareholders not associated with Shanghai Decent.

4 LEA expressly disclaims any liability to any Nickel Industries shareholder who relies or purports to rely on our report for any other purpose and to any other party who relies or purports to rely on our report for any purpose whatsoever.

Interests

5 At the date of this report, neither LEA, Ms Planinic nor Mr Resende have any interest in the outcome of the HNC Acquisition and Newstride Conditional Placement. With the exception of the fee shown in Appendix A, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.

6 We have considered the matters described in ASIC Regulatory Guide 112 – *Independence of experts*, and consider that there are no circumstances that, in our view, would constitute a conflict of interest or would impair our ability to provide objective independent assistance in this engagement.

7 Nickel Industries shareholders should be aware that LEA prepared an IER report in March 2022 with respect to the issue of shares to Shanghai Decent and has also issued a number of IERs in connection with the Company's acquisition of its NPI Projects in the period June 2019 to December 2021.

8 LEA had no part in the formulation of the HNC Acquisition, the Newstride Conditional Placement or any other transaction being considered as part of the Notice of Meeting. Its only role has been the preparation of this report.

Appendix B

Indemnification

9 As a condition of LEA's agreement to prepare this report, Nickel Industries agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of Nickel Industries which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

Consents

10 LEA consents to the inclusion of this report in the form and context in which it is included in the Notice of Meeting.

Appendix C

Valuation approaches

1 RG 111 outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:

(a) the DCF methodology

(b) the application of earnings multiples appropriate to the businesses or industries in which the company or its profit centres are engaged, to the estimated future maintainable earnings or cash flows of the company, added to the estimated realisable value of any surplus assets

(c) the amount that would be available for distribution to shareholders in an orderly realisation of assets

(d) the quoted price of listed securities, when there is a liquid and active market and allowing for the fact that the quoted market price may not reflect their value on a 100% controlling interest basis

(e) any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.

2 Under the DCF methodology the value of the business is equal to the NPV of the estimated future cash flows including a terminal value. In order to arrive at the NPV the future cash flows are discounted using a discount rate which reflects the risks associated with the cash flow stream.

3 Methodologies using capitalisation multiples of earnings or cash flows are commonly applied when valuing businesses where a future "maintainable" earnings stream can be established with a degree of confidence. Generally, this applies in circumstances where the business is relatively mature, has a proven track record and expectations of future profitability and has relatively steady growth prospects. Such a methodology is generally not applicable where a business is in start-up phase, has a finite life, or is likely to experience a significant change in growth prospects and risks in the future.

4 Capitalisation multiples can be applied to either estimates of future maintainable operating cash flow, EBITDA, EBITA, EBIT or net profit after tax. The appropriate multiple to be applied to such earnings is usually derived from stock market trading in shares in comparable companies which provide some guidance as to value and from precedent transactions within the industry. The multiples derived from these sources need to be reviewed in the context of the differing profiles and growth prospects between the company being valued and those considered comparable. When valuing controlling interests in a business an adjustment is also required to incorporate a premium for control. The earnings from any non-trading or surplus assets are excluded from the estimate of the maintainable earnings and the value of such assets is separately added to the value of the business in order to derive the total value of the company.

5 An asset based methodology is applicable in circumstances where neither a capitalisation of earnings nor a DCF methodology is appropriate. It can also be applied where a business is no longer a going concern or where an orderly realisation of assets and distribution of the proceeds is proposed. Using this methodology, the value of the net assets of the company are adjusted for the time, cost and taxation consequences of realising the company's assets.

Appendix D

Assessment of discount rate

Principles

1 The determination of the discount rate or cost of capital for an asset requires identification and consideration of the factors that affect the returns and risks of that asset, together with the application of widely accepted methodologies for determining the returns demanded by the debt and equity providers of the capital employed in the asset.

2 The discount rate applied to the projected cash flows from an asset or business represents the financial return that will be demanded before an investor would be prepared to acquire (or invest in) the asset or business. Discount rates for assets or businesses are frequently evaluated using the WACC which is a function of the cost of equity and the cost of debt (and related debt to equity levels).

3 Reflective of the nature and the location of its operations, the cash flows for Nickel Industries are stated in USD. Accordingly, we have referenced USD yields / rates of return as appropriate in determining a discount rate for Nickel Industries.

WACC

4 The generally accepted WACC formula is the post-tax WACC (without adjustment for dividend imputation), as shown below:

WACC formula

$$\boldsymbol{WACC = R_e \frac{E}{V} + R_d(1-t)\frac{D}{V}}$$

where:

R_e	=	expected equity investment return or cost of equity in nominal terms
R_d	=	interest rate on debt (pre-tax)
t	=	corporate tax rate
E	=	market value of equity
D	=	market value of debt
V	=	market value of debt plus equity

5 We have used the capital asset pricing model to derive the cost of equity for Nickel Industries. The formula for deriving the cost of equity using the capital asset pricing model is as follows:

Cost of equity calculation

$$\boldsymbol{R_e = R_f + \beta_e\left[E(R_m) - R_f\right]}$$

where:

R_e	=	expected equity investment return or cost of equity in nominal terms
R_f	=	risk-free rate of return
$E(R_m)$	=	expected market return
$E(R_m) - R_f$	=	market risk premium (MRP)
β_e	=	equity beta

6 It is appropriate to use a debt cost equivalent to that likely to be incurred by Nickel Industries assuming it were to raise debt finance in the capital market on the valuation date. Given that the majority of Nickel Industries' income is generated overseas and classified as conduit foreign income, the tax benefit associated with interest costs incurred by the holding company is dependent upon the level of assessable income generated in Australia. Whilst there is some income generated that is taxable in Australia, this is expected to increase over time. Therefore, we have conservatively assumed that the Company receives around one third of the tax shield associated with its debt funding.

7 The elements adopted in the calculation of the discount rate for Nickel Industries using the WACC are detailed as follows.

Discount rate for Nickel Industries

Risk-free rate

8 For the purpose of our valuation of Nickel Industries we have adopted a long-term risk-free rate of 3.75% per annum, which is equivalent to the average yield on the 30-year US Government Bond for the month of March 2023 (note, this is the longest term US Treasury Bond on issue).

Market risk premium

9 The MRP represents the additional return above the risk-free rate that investors require in order to invest in a well-diversified portfolio of equity securities (i.e. the equity market as a whole). Having regard to academic studies and empirical evidence[130], as well as the average market risk premium calculated over the longer term, we have adopted a long-term MRP of 6.0%.

Equity beta

10 In determining the appropriate equity beta for Nickel Industries, we have considered (inter-alia):

(a) the risks associated with the business of Nickel Industries

(b) the beta estimates of global companies primarily engaged in nickel mining and/or nickel processing.

Risk factors of Nickel Industries

11 We have considered the key business risks associated with Nickel Industries which are summarised below:

(a) input price risks – the Company is exposed to risks associated with the volatility and prices of nickel[131] and energy related costs (in particular coal)

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[130] Including research published by Professor Aswath Damadaran (Stern University New York) and Duff & Phelps.

[131] Nickel ore (and the cost thereof) is a key input into all the RKEF processing facilities in which Nickel Industries has an interest. Production of nickel ore from the Hengjaya Mine (in which Nickel Industries has an 80% interest) provides (in part) a natural hedge against these ore input costs.

Appendix D

(b) reliance on Tsingshan – Nickel Industries is heavily reliant on Tsingshan as operator of its NPI Projects and as a purchaser of NPI produced from all of its RKEF processing facilities[132]

(c) manufacturing disruption risk – a disruption at any of the facilities at which Nickel Industries' operations are based (i.e. the IMIP and IWIP) has the potential to adversely affect production capacity and earnings.

Betas of comparable companies

12 The equity betas of global companies primarily engaged in nickel mining and/or nickel processing are as follows:

Listed company betas

Company	Relative Index	Market cap A$m[(1)]	Gearing[(2)] %	Bloomberg Beta[(3)]	Bloomberg RSQ[(4)]	Obs[(5)]
Nickel Industries	S&P/ASX 200 Index	2,721	33.4	1.07	0.15	48
MMC Norilsk Nickel	Moex Russia Index	44,128	26.5	0.59	0.33	48
IGO Ltd	S&P/ASX 200 Index	9,943	1.0	1.19	0.27	48
Vale Indonesia	Jakarta Composite Index	6,589	(17.3)	1.87	0.39	48
Eramet SA	Cac 40 Index	4,486	22.6	1.56	0.26	48
Nickel Asia Corp	Psei - Philippine Se Idx	2,534	(22.0)	1.04	0.14	48
Mincor Resources	S&P/ASX 200 Index	753	(7.2)	1.11	0.15	48
Panoramic Resources	S&P/ASX 200 Index	308	16.2	1.47	0.22	48
Poseidon Nickel	S&P/ASX 200 Index	126	(12.8)	1.00	0.05	48
			Average	1.21		
			Median	1.11		

Note:
1 Market capitalisation obtained from Bloomberg as at 31 March 2023.
2 Gearing equals net debt divided by enterprise value. Negative levels indicate a net cash position.
3 Based on four years of monthly returns to 31 March 2023.
4 R-squared (RSQ) measures the reliability of the beta estimate. Industry sector betas generally have a higher RSQ value and are typically more reliable.
5 Number of observations.

13 The above betas vary widely which reflects differences in size, leverage and operational risks. None of the other listed companies are directly comparable to Nickel Industries and the international companies are generally much larger in size. Individual stock betas are also generally less reliable than industry betas. As a result, it is important to also consider the related RSQ values shown above.

Conclusion

14 Having regard to the above, we have adopted an equity beta of 1.1 to 1.2 for Nickel Industries.

132 Going forward, the Company will also be reliant on Tsingshan / Shanghai Decent for the design and construction of the low-grade to high-grade nickel matte converter at ONI, as well as ENC (assuming the respective options in respect of these facilities are exercised by the Company).

Country risk premium (CRP)

15 The three major types of risk associated with an investment in a foreign country are:

(a) political risk, which includes risks such as changes in the regulatory or legal environment, political expropriation, fiscal changes, the blocking of the capital markets and market intervention policies

(b) economic risk, which includes all variations in such macroeconomic parameters as interest rates and gross domestic product

(c) currency risk, such as exchange rate volatility as well as the gradual depreciation of the local currency over time.

16 Where these risks are greater, particularly in cases where investments are located in emerging countries, it has become common practice for investors to (appropriately) seek a higher rate of return on these investments to account for the increased country risk. This risk adjustment is commonly reflected in practice by adding a CRP (i.e. risk margin) to the corresponding discount rate for an equivalent investment in a mature market (noting that in this instance we adopt the US as the mature market).

Quantitative estimates of CRP

17 The most widely used proxy for the CRP (for an emerging country) is the "default spread" that investors seek for buying bonds issued by the emerging country (relative to the developed country which is being used as the benchmark for the determination of the "mature market" cost of equity).

18 It should be noted that a country's "default spread" measures the CRP for a debt instrument, not an equity instrument. Intuitively, the CRP for an equity instrument (i.e. equity CRP) should be larger due to greater risk associated with an equity investment. The extent to which equity CRP exceeds the debt CRP (or "default spread") is directly related to the relative volatility of the local equity and bond markets.

Conclusion

19 Having regard to relevant academic studies and empirical evidence, together with our assessment of the political risk of operating in Indonesia, we have adopted an equity CRP for Indonesia of 3.0%. Whilst we consider this risk premium appropriate to Indonesia overall, it is arguably conservative in the case of Nickel Industries having regard to factors including the (high-level) relationship established between Tsingshan and the Indonesian Government, and the positive tax concessions provided to the RKEF operations at the IMIP and IWIP in which Nickel Industries holds equity interests.

Specific risk premium

20 Given the following factors, we have adopted a specific risk premium of 0.5% when assessing the WACC for Nickel Industries:

(a) demand for nickel is anticipated to remain robust over the long term, due to the rising popularity of clean energy technologies and the related electrification of vehicles and appliances. There has also been a recent notable increase in the supply of nickel, both in its mined and (particularly) refined forms, most of which is from Indonesia. Whilst demand for refined nickel may exceed supply in longer term, there is the potential for oversupply of refined nickel (specifically in the form of NPI) in the short to medium term

(b) the nickel industry faces a range of ESG concerns, and in particular the level of carbon emissions from refining nickel. NPI production is also one of the more polluting of the nickel refining processes; and

(c) the nickel price has been increasingly volatile in recent periods.

Cost of debt

21 A long term cost of debt of 10.5% to 11.5% per annum has been adopted. This reflects a borrowing margin of around 6.75% to 7.75% above the adopted risk-free rate. In forming this opinion, we have also considered, inter alia:

(a) the issuance of US$400 million New Senior Unsecured Notes during April 2023[133] at an interest rate of 11.25% per annum. These notes mature in October 2028[134]

(b) the issuance of US$225 million Senior Secured Notes during August 2022 at an interest rate of 10.0% per annum, maturing August 2025[134]. Note the Senior Secured Notes were subsequently repurchased by the company in April 2023

(c) the issuance of US$325 million Senior Unsecured Notes, in two tranches during March 2021 (US$175 million) and September 2021 (US$150 million), which were consolidated to form a US$325 million single series of notes. The Senior Unsecured Notes have a coupon interest rate of 6.5% per annum and mature on 1 April 2024. Note, US$79.4 million of the Senior Unsecured Notes were subsequently repurchased by the company in April 2023.

22 As a result of the recent debt restructuring, the bonds on issue for Nickel Industries now comprises:

(a) US$400 million of New Senior Unsecured Notes

(b) US$245.6 million of Senior Unsecured Notes.

Debt to debt plus equity ratio

23 We have assumed that over the long term the business operations of Nickel Industries are financed by a combination of 75% equity and 25% debt.

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133 Whilst this debt restructuring was undertaken subsequent to the valuation date, it is considered relevant to the assessment of the cost of debt for valuation purposes.

134 The notable increase in this rate in comparison to previous debt raisings by the Company was due to a combination of higher interest rates generally (as interest rates globally have risen in response to rising inflation) and the material volatility in global nickel prices around the time of the respective debt raisings, which increased debt financing costs for companies such as Nickel Industries at the time.

Appendix D

Calculation of WACC

24 Based on the above, the discount rate range for Nickel Industries is as follows:

Nickel Industries – assessment of discount rate			
Parameters	**Low %**	**Midpoint %**	**High %**
Beta	1.1	1.15	1.2
MRP	6.0	6.0	6.0
Risk-free rate	3.75	3.75	3.75
Cost of equity	10.4	10.7	11.0
Specific risk premium	0.5	0.5	0.5
Country risk premium	3.0	3.0	3.0
Adjusted cost of equity	13.9	14.2	14.5
Cost of pre-tax debt	10.5	11.0	11.5
Tax rate[1]	10.0%	10.0%	10.0%
Cost of post-tax debt	9.5	9.9	10.4
Proportion of equity funding (%)	75.0	75.0	75.0
Proportion of debt funding (%)	25.0	25.0	25.0
WACC / discount rate nominal (after tax)	12.8	13.1	13.4
Forecast inflation[2]	2.25	2.25	2.25
WACC / discount rate real (after tax)	10.3	10.6	10.9

Note:

1 Given that the majority of Nickel Industries' income is generated overseas and treated as conduit foreign income, the tax benefit associated with interest incurred by the holding company is dependent upon the level of assessable income generated in Australia. Whilst there is some income generated that is taxable in Australia, this is expected to increase over time. Therefore we have conservatively assumed that the Company receives around one third of the tax shield associated with its debt funding.

2 Given that the cash flows in our DCF model have been forecast in real terms, we have calculated the equivalent real discount rate having regard to the level of inflation implied by the difference between US Government Bonds and US Treasury Inflation Indexed Bonds. Based on trading in these securities during March 2023, inflation implied by the 30-year US Government Bonds compared to the relevant US Treasury Inflation Indexed Bonds (i.e. implied inflation for 30 years from this date) was 2.22%.

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25 Based on the above we have adopted a real (post-tax) discount rate of 10.5% per annum (around the midpoint of the discount rate range calculated above) for Nickel Industries.

Appendix E

Glossary

Term	Meaning
A$ / AUD	Australian dollars
Acquired Assets	10% interests in HNC and ONI
Acquired Options	The option to collaborate with Shanghai Decent on the participation in and construction of ENC, and the option to invest in and construct a low-grade to high-grade nickel matte converter for ONI
Agreement	Electric Vehicle Battery Supply Chain Strategic Framework Agreement between Nickel Industries and Shanghai Decent
ANI	Angel Nickel Project, comprising four RKEF lines within the IWIP, together with a captive 380 MW power plant
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
BCM	Bank cubic metres
CAGR	Compound annual growth rate
Capital Intensity	Project capital cost divided by annual nickel production capacity
Conditional Placement	Includes the Newstride Conditional Placement (US$270 million), the placement to Wanlu (US$15 million) and the placement to Non-Executive Director Mr Mark Lochtenberg (US$1.4 million)
Corporations Act	*Corporations Act 2001 (Cth)*
CoW	Contract of Work
CRP	Country risk premium
CY	Calendar year
DCF	Discounted cash flow
DSO Ban	Indonesian export ban of direct shipping of unprocessed minerals
EBIT	Earnings before interest and tax
EBITA	Earnings before interest, tax and amortisation of acquired intangibles
EBITDA	Earnings before interest, tax depreciation and amortisation
ENC	Excelsior Nickel Cobalt Project
Equity Raise	Equity raise comprising the Institutional Placement, the Conditional Placement and SPP
ESG	Environmental, Social and Governance
EV	Electric vehicle
FIRB	Foreign Investment Review Board
FSG	Financial Services Guide
FY	Financial year
HBA	The Indonesian reference price for thermal coal
Hengjaya Mine	Hengjaya Mineralindo Nickel Mine, a large tonnage, high grade nickel laterite deposit located in the Morowali Regency of Central Sulawesi, Indonesia
HNC	PT Huayue Nickel Cobalt
HNC Acquisition	The acquisition of an indirect 10% interest in HNC by Nickel Industries from Newstride
HNI	Hengjaya Nickel Project, comprising two RKEF lines at the IMIP
HPAL	High-pressure acid leach
IEA	International Energy Agency
IER	Independent expert's report
IMIP	Indonesia Morowali Industrial Park
Institutional Placement	The US$185 million fully underwritten, institutional placement

Appendix E

Term	Meaning
IUP	Izin Usaha Pertambangan, a mining business licence granted for performing production operation activities in Indonesia
IWIP	Indonesia Weda Bay Industrial Park
JORC	Joint Ore Reserves Committee
kWh	Kilowatt hour
kWp	Kilowatt peak
LEA	Lonergan Edwards & Associates Limited
LME	London Metal Exchange
MHP	Mixed hydroxide precipitate
MoU	Memorandum of understanding
MRP	Market risk premium
Mt	Million tonnes
Mtpa	Million tonnes per annum
MW	Megawatt
MWh	Megawatt hour
MWp	Megawatt peak
New Senior Unsecured Notes	In April 2023, Nickel Industries issued a total of US$400 million of senior unsecured notes with a coupon interest rate of 11.25% per annum, maturing on 21 October 2028
Newstride	Newstride Development Limited
Newstride Conditional Placement	The US$270 million non-underwritten placement to Newstride (or its nominee)
Nickel Industries / Company	Nickel Industries Limited
Nickel Industries Shareholders / Nickel Industries non-associated shareholders	Shareholders of Nickel Industries not associated with Shanghai Decent
NPI	Nickel pig iron
NPI Projects	Collectively, HNI, RNI, ANI and ONI
NPV	Net present value
ONI	Oracle Nickel Project, comprising four RKEF lines within the IMIP, together with a captive 380 MW power plant
ONI Acquisition	The acquisition by Nickel Industries of an additional 10% in ONI
PT Hengjaya	PT Hengjaya Mineralindo
RG 111	Regulatory Guide 111 – *Content of expert reports*
RKEF	Rotary kiln electric furnace
RNI	Ranger Nickel Project, comprising two RKEF lines at the IMIP
RSQ	R-squared
SDS	Sustainable Development Scenario
Senior Secured Notes	In August 2022, Nickel Industries issued a total of US$225 million of Senior Secured Notes with a coupon interest rate of 10.0% per annum, maturing on 23 August 2025
Senior Unsecured Notes	In March 2021 and September 2021, Nickel Industries issued a total of US$325 million of Senior Unsecured Notes with a coupon interest rate of 6.5% per annum, maturing on 1 April 2024
SESNA	PT Sumber Energi Surya Nusantara
Shanghai Decent	Shanghai Decent Investment (Group) Co., Ltd
SHFE	Shanghai Futures Exchange
Siduarsi Nickel-Cobalt Project	An early-stage nickel and cobalt exploration project in the Papua province of Indonesia
SPP	A non-underwritten share purchase plan to eligible shareholders in Australia and New Zealand. The SPP completed on 3 March 2023 and raised A$34.6 million

Appendix E

Term	Meaning
STEPS	Stated Policies Scenario
Tablasufa Nickel Project	A 5,000-hectare Production Operation IUP located on the northeast coast of West Papua, Indonesia
tpa	Tonnes per annum
Tsingshan	Tsingshan Holding Group
US	United States of America
US$ / USD	United States dollars
US$/t	US dollars per tonne
USGS	United States Geological Survey
VWAP	Volume weighted average price
WACC	Weighted average cost of capital
Wanlu	Shanghai Wanlu Investment Co. Ltd
WANOS	Weighted average number of shares outstanding
WMT	Wet metric tonnes