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Terrafame decides to invest in battery chemicals plant

Multi-metal company Terrafame's Board of Directors has made a positive investment decision on 24 October 2018 regarding the battery chemicals plant. The plant, which will produce chemicals used in electric vehicle batteries (EVB), will be located at the company's current industrial site in Sotkamo, Finland. Terrafame has already entered into major technology agreements with key equipment suppliers.

"Terrafame has reached the planned target level in the ramp-up of the metals production. During the ramp-up, net sales have also improved, along with profitability. The company's Board of Directors considers this a good time for making new decisions regarding the future," says **Lauri Ratia**, Chairman of the Board of Directors at Terrafame.

Starting the production of battery chemicals will clearly improve the company's profitability and contribute to the opportunities to invest in continuous improvement of operations. At the same time it will open up to new and current employees unique opportunities to develop their own skills.

"We have taken the plant project forward with determination since the autumn of 2017, so the investment decision made by the Board is an expected one. Our production technology enables low carbon footprint of nickel and cobalt sulphates needed for electric vehicle batteries. Our goal is to complete the plant by the end of 2020, with commercial production commencing at the start of 2021," states **Joni Lukkaroinen**, CEO of Terrafame.

The demand for electric vehicles has been growing rapidly, which is reflected in the manufacturing and development of batteries. The size of batteries used in electric and hybrid vehicles grows along with the operational demands of cars, and the share of nickel in li-ion batteries increases. A significant share of Terrafame's nickel and cobalt sulphate production is already being allocated to manufacturing EVB chemicals, although the further processing into chemicals is currently done outside of Terrafame.

"Our own battery chemicals plant takes us further in the value chain and closer to the end users. It allows us to provide a large customer base with high-quality nickel and cobalt sulphates, which are produced in a process optimized for Terrafame's ore. Simultaneously, Terrafame becomes a significant operator in an industry that advances the reduction of carbon dioxide emissions in transportation," says **Janne Palosaari**, Chief Commercial Officer.

The investment costs of the battery chemicals plant amount to approximately EUR 240 million. A financial package of USD 200 million on the funding of the plant project, agreed by Finnish Minerals Group (previously Terrafame Group Plc), Galena Asset Management, Trafigura Group and Sampo Plc was published in November 2017.

In connection with the plant's final investment decision on 24 October 2018, the parties have agreed on a complementary financing package of approximately EUR 100 million, consisting of

an EUR 43 million loan offered by Trafigura and an EUR 60 million equity investment obligation granted by Galena Private Equity Resources Fund and Finnish Minerals Group. Finnish Minerals Group's share of the funding will be carried out by reallocating EUR 30 million to the plant project from the EUR 50 million investment commitment granted to Terrafame Plc in February 2017.

Finnish Minerals Group's financial responsibility in Terrafame Plc will not increase due to the new financial arrangement, and no new funding has been required from the State of Finland. Additional information on the financing entity can be found on Finnish Minerals Group's website at www.mineralsgroup.fi.

Further information:

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Terrafame Ltd is a Finnish multi-metal company producing nickel, zinc, cobalt and copper at its mine and metals production plant located in Sotkamo, Finland. We are now planning the processing of our main product, nickel-cobalt sulphide, into nickel and cobalt sulphates suitable for electric vehicle batteries. Our aim is to conduct environmentally sustainable, safe and profitable operations. www.terrafame.com