

Finnish Minerals Group takes part in financing of its subsidiary Terrafame Ltd's battery chemicals plant – a significant investment for European battery manufacturing value chain

Terrafame Ltd has announced on 25 October 2018 the decision to construct a battery chemicals plant in Terrafame's industrial site in Sotkamo, Finland. Terrafame's goal is to have the plant completed at the end of 2020 and commercial production to commence at the start of 2021.

The intention of the investment is the further processing of Terrafame's current main product nickel-cobalt sulphide into nickel sulphate and cobalt sulphate, used in the manufacturing of lithium-ion batteries. The annual production capacity of the battery chemicals plant is 170,000 tonnes of nickel sulphate and 7,400 tonnes of cobalt sulphate.

The investment costs of the battery chemicals plant are in total approximately EUR 240 million. A funding package of USD 200 million related to the financing of the plant project was agreed by Terrafame, Finnish Minerals Group (previously Terrafame Group Ltd), Galena Asset Management, Trafigura Group and Sampo Plc in November 2017. In connection with the plant's final investment decision, the parties have agreed on an additional funding package of approximately EUR 100 million.

The investment decision is significant for the European battery manufacturing value chain

The mitigation of climate change will result in global demand of electric vehicles to increase significantly, which will also have an impact on the manufacturing and development of batteries. The size of the batteries used in electric and hybrid vehicles will grow along with the vehicles' increasing operating range requirements, and technological development will increase the share of nickel in lithium-ion batteries. Terrafame's battery chemicals plant will be able to produce nickel sulphate for approximately million electric vehicle batteries and cobalt sulphate for approximately 300,000 electric vehicle batteries each year.

"The battery chemicals plant investment will make Terrafame a significant producer of battery chemicals, especially nickel sulphate, also on a global scale. This is a very important investment for Terrafame and its owners as well as the whole Finnish and European electric vehicle battery manufacturing value chain. Terrafame's investment also improves the conditions for attracting more operators in the battery manufacturing value chain to Finland," says **Matti Hietanen**, CEO of Finnish Minerals Group.

"This investment is an important step in upgrading the value of Terrafame's production and improving its competitiveness in international markets. Due to the electrification of transport, the battery production value chain opens great potential for Finland and the investment takes the company's operations on a new level. Putting trust in Terrafame earlier on is now bearing fruit. The Finnish state is willing in its part to advance the development of the Finnish battery production value chain and to take forward the necessary efforts in research & development, operating

conditions of businesses as well as investments”, says the Finnish Minister of Economic Affairs **Mika Lintilä**.

“This strategic investment of EUR 240 million by Terrafame Ltd and the Finnish Mineral Group is yet another illustration of the dynamism created by the European Battery Alliance. Processing of raw materials will be key to building a competitive and complete battery value chain in a sustainable manner. I very much welcome this important contribution to our shared objective: the EU’s leadership in battery innovation and manufacturing,” says **Maroš Šefčovič**, Vice-President of the European Commission.

Key elements of the agreed financing arrangement:

- + The total value of the new funding package related to the construction of the battery chemicals plant is approximately EUR 100 million.
- + Trafigura has agreed to provide an approximately EUR 42 million (USD 50 million) loan facility.
- + Galena Fund has made a EUR 30 million equity investment commitment.
- + Finnish Minerals Group has made a EUR 30 million equity investment commitment. This will be carried out by allocating EUR 30 million to the plant project out of the still unutilised EUR 50 million investment commitment made by Finnish Minerals Group (previously Terrafame Group Ltd) in February 2017 to Terrafame Ltd.
- + The financial liabilities of Finnish Minerals Group in Terrafame Ltd will not increase due to the new financing arrangement.
- + The plant investment does not require new funding from the State of Finland.

Additional information on the central terms of the financing arrangement

Equity investments are carried out with the same price per Terrafame’s share as in previous financing arrangements related to Terrafame.

The current equity investment commitment gives Galena option rights to subscribe to Terrafame’s shares later with a total of approximately EUR 17 million. The subscription price carries a premium of 15% above the current subscription price.

The new loan does not give the creditor option rights or the right to subscribe Terrafame’s shares with the sum of accrued interests.

Trafigura and Terrafame have extended the current zinc sulphide agreement by five years.

Finnish Minerals Group (formerly Terrafame Group Ltd) made an EUR 50 million investment commitment in February 2017 as part of the previous funding package. Finnish Minerals Group’s share of the now agreed funding will be carried out by allocating EUR 30 million of the existing investment commitment to the plant project.

Terrafame's shareholder base

Taking into account previous financing arrangements, Terrafame Ltd has acquired a total of approximately EUR 188 million in equity funding from the Galena Fund, approximately EUR 179 million in debt funding from Trafigura and approximately EUR 46 million in debt funding from Sampo. In addition, Finnish Minerals Group (formerly Terrafame Group Ltd) has financed Terrafame with a total of EUR 456.8 million during the company's period of operation. The said sums contain all funding items, including the remaining undrawn investment commitments.

Finnish Minerals Group currently owns approximately 77.0%, Galena about 22.7% and Sampo about 0.3% of Terrafame. After the equity investments allocated to the battery chemicals plant investment, Finnish Minerals Group's shareholding will decrease to approximately 69.2% and Galena's shareholding will increase to approximately 30.6%. Finnish Minerals Group's shareholding in Terrafame can decrease to a minimum threshold of 50.1% in the future, if Trafigura, Galena and Sampo use their option rights and accrued interests are paid in shares. As a result, Galena's shareholding would total approximately 45% and Sampo's approximately 5%.

Additional information

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Finnish Minerals Group:

Finnish Minerals Group is a special-purpose company developing the Finnish battery and mining ecosystem. We operate as a long-term strategic owner of Terrafame Ltd and other battery and mining cluster holdings, manage the mining and battery investment programme, develop battery value chain initiatives, and coordinate R&D projects. Visit:

www.mineralsgroup.fi

Terrafame:

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. Visit: www.terrafame.com

Trafigura:

Founded in 1993, Trafigura is one of the largest physical commodities trading groups in the world. Trafigura sources, stores, transports and delivers a range of raw materials (including oil and refined products and metals and minerals) to clients around the world. The trading business is supported by industrial and financial assets, including 49.6 percent owned global oil products storage and distribution company Puma Energy; global terminals, warehousing and logistics operator Impala Terminals; Trafigura's Mining Group; and Galena Asset Management. The Company is owned by around 600 of its 3,935 employees who work in 62 offices in 35 countries around the world. Trafigura's revenue in 2017 totalled USD136.4 billion. Visit: www.trafigura.com.

Galena:

Galena Asset Management S.A. is the wholly-owned investment arm of the Trafigura Group and is authorized and regulated by the Swiss Financial Market Supervisory Authority (FINMA). For more than a decade Galena has operated at the intersection of financial and physical commodity markets, enabling leading institutional investors to access investment opportunities alongside the Trafigura group through funds or managed accounts. Galena's portfolio management specialists have built considerable experience in metals, minerals, oil, shipping and infrastructure. Galena acts independently, but derives significant benefits from its relationship with Trafigura, its principal anchor investor. Visit: www.galena-invest.com