

KOLOSORI NICKEL PROJECT UPDATE – DEBT FINANCING AND COMPLETION OF NICKEL MARKETING STUDY

KOLOSORI UPDATE:

- **Negotiations with debt providers commences**
- **Completion of a global nickel marketing study**
- **Wharf design contract awarded to Resindo**

Pacific Nickel Mines Limited (ASX Code: PNM) (“**Pacific Nickel**” or “**Company**”) is pleased to provide an update on debt financing of the Kolosori nickel direct shipping nickel ore (DSO) project and the outcomes of a detailed study identifying market opportunities with end users in Asia.

DEBT FINANCE

As announced on 3 March 2022, the Company has held meetings with several prospective offtakers and project financiers to update them on the progress of the early works program. A Request for Proposal has been offered to a number of interested parties, which comprises the following elements including:

- An offtake contract for Kolosori’s life of mine DSO production; plus
- Debt finance and working capital facilities.

DSO MARKETING STUDY

PNM commissioned a DSO market study from specialist commodity research consultants CM Group to assist the Company to fully understand the sea borne DSO nickel market, to identify potential customers, and to understand how the Kolosori project would compete in the global market.

Key results from this study include:


- Nickel laterite (DSO) import volumes into China totalled 43.7 million tonnes in 2021, approximately 90% of which was sourced from mines in the Philippines. Around 60-70% of this demand originates from the Rotary Kiln Electric Furnace (RKEF) industry for the production of nickel pig iron (NPI), a key source of nickel units for stainless steel production.
- At the proposed production rate of ca. 1.3Mtpa, Kolosori will have a negligible impact on supply volumes.
- CM Group approached eight RKEF groups in China on an informal basis. Six of these expressed a high degree of interest in product from Kolosori.
- Typical grades of Philippines saprolite ore is in sharp decline, with average grades of 1.68% in 2018 reducing to 1.44% Ni in 2020 and 1.35% in 2021.
- Kolosori DSO compares very favourably against the Philippines “standard” DSO, offering:
 - ✓ Relatively high grades.
 - ✓ Relatively low moisture levels.
 - ✓ Very low phosphorous and sulphur levels.

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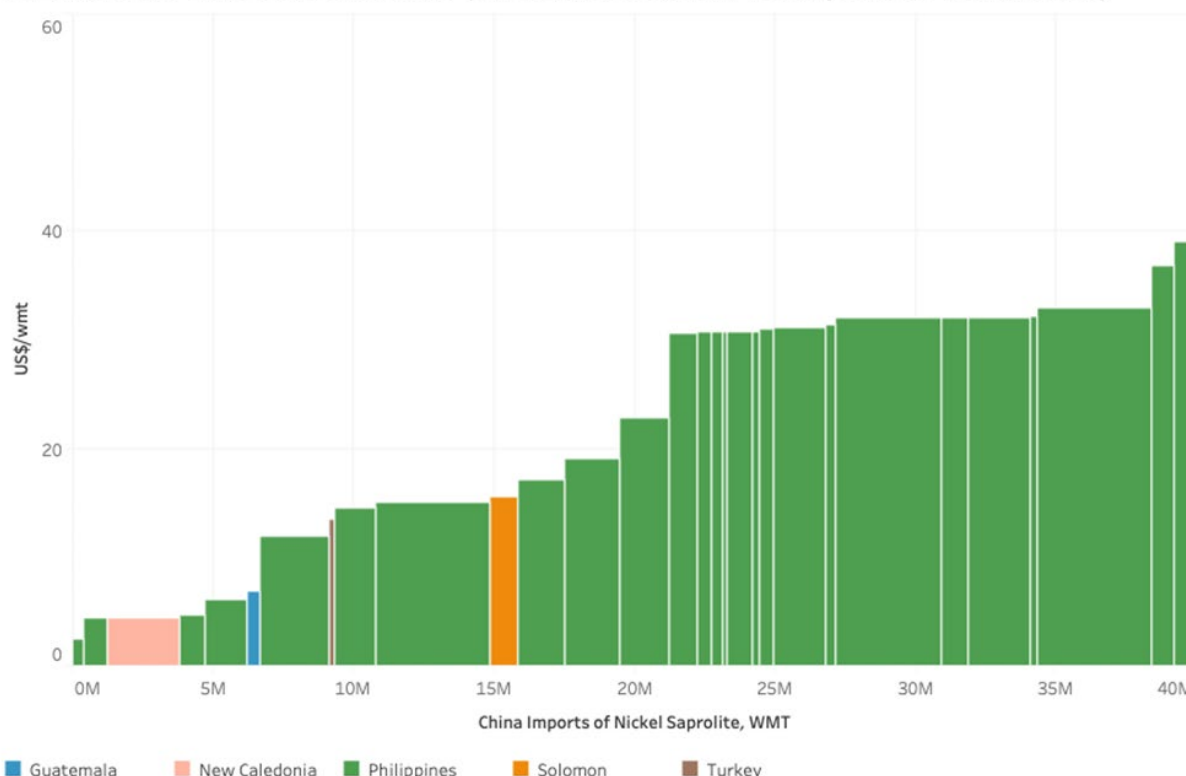
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- On a value-in-use (VIU) adjusted basis, cost and freight (CFR) cost basis, the Kolosori DSO product is forecast to be in the middle of the second cost quartile of global DSO suppliers.

Ni Laterite Ore Cash Cost Curve 2021 (CFR China, US\$/wmt, ViU-Adjusted to 1.3% Ni Base)



Source: "An Assessment of China's Nickel Laterite Ore Market", CM Group, March 2022

WHARF DESIGN CONTRACT

As outlined in PNM's release on 3 March 2022 the early works programme at Kolosori has been successfully completed¹. The next engineering phase of the Kolosori project is the final design of the ore-loading wharf. The wharf is the key infrastructure component of the project and work has now commenced with consultants Resindo Resource & Energy Group.

Pacific Nickel CEO Geoff Hiller commented:

"We are delighted with the outcome of the marketing study which clearly demonstrates that Kolosori can produce a low-cost, high-quality DSO product for North Asian markets. With the current state of nickel markets and the high level of interest from Chinese RKEF's we are hopeful of receiving competitive proposals for offtake finance. We are now focussed on the granting of the Mining Lease while we finalise the definitive feasibility study notwithstanding that we have already started the detailed engineering on the wharf construction. We remain committed to fast tracking the Project, which will be to the benefit of all stakeholders."

Authorised by the Board

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¹ Kolosori Nickel Project – Early Works Successfully Completed, 3 March 2022