

Pacific Nickel Mines Limited (*Pacific Nickel or the Company*) (**ASX: PNM**) is pleased to provide an update on its activities for the March 2022 Quarter. The Company's focus for the reporting period was the fast track development of the Company's Kolosori Laterite Direct Shipping Ore ("DSO") Nickel Project in the Solomon Islands.

ASX Code: PNM

ABN: 86 075 613 268

Issued Shares: 271,275,856

Options:

Exp 17/6/24 @ \$0.09
71,156,464

Exp 30/9/23 @ \$0.06
11,500,000

Performance Rights:
6,400,000

Directors

Terry Cuthbertson
James Dean
Geoff Hiller
Rob Thomson

Top Shareholders

James Dean
Terry Cuthbertson
Michael John McCahill <ATF
MJ McCahill TA/C>
Sean McCahill Properties Ltd

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HIGHLIGHTS FOR THE MARCH 2022 QUARTER

Kolosori Nickel Project

- Successfully completed the Early Works program, including:¹
 - Construction of infrastructure including an access road, camp site and stockpile site.
 - Excavation of a test pit to assess mining and stockpile designs and to calibrate grade control methods.
 - Completion of a geotechnical assessment, including drilling of the proposed nickel DSO loadout wharf site.
 - An assessment of quarry sites to provide materials for wharf and road construction.
- Advanced the Regulatory approval process for a Mining Lease.
- Continued discussions with several prospective off-takers and project financiers, with several indicative finance proposals received.²
- Commissioned and received a DSO marketing study from specialist commodity research consultants CM Group.³
- Progressed the Definitive Feasibility Study, which is scheduled to be completed early second quarter.
- Finalising the construction design of the wharf (which is the critical element of the Front End Engineering Design study being carried out by Resindo).

Corporate

- Completed a Share Purchase Plan (SPP) to existing eligible shareholders of the Company raising a total of \$340,500⁴

¹ ASX Announcement 03 March 2022 – Kolosori Nickel Project – Early Works Completed Successfully

² ASX Announcement 01 April 2022 – Kolosori Nickel Project Update

³ ASX Announcement 10 March 2022 – Kolosori Nickel – Debt Financing & Nickel Marketing Study

⁴ ASX Announcement 05 January 2022 – Share Purchase Plan Completed

KOLOSORI NICKEL PROJECT (PNM 80%)

The Kolosori Nickel Project (“Project”) is an advanced stage direct shipping ore nickel laterite project progressing to development located on Isabel Island in the Solomon Islands. The project has several positive aspects including its close proximity to the coast, no processing requirements, low capital route to direct shipping ore production and local landowner support. A development consent was received for the Kolosori Project in December 2021 and the Company is now awaiting determination of its application for a Mining Lease.

The Company is continuing to work through the regulatory approvals process and expects to receive a mining lease for the Kolosori Project shortly. We understand that the Solomon Islands Mines and Minerals Board has recently met to consider the Mining Lease Application for the development of the Kolosori Project. The timing for this meeting was delayed due to the outbreak of COVID-19 in the Solomon Islands in January 2022 and the resulting temporary closure of the Mines Department and other government departments. We understand that the Mines Department will now action the requirements of the Mines and Minerals Board to finalise the Mining Lease process.

The Company is currently finalising a Definitive Feasibility Study (“DFS”) and the Front End Engineering Design (“FEED”). The Early Works Program, which was completed in March 2022, provided valuable input for the DFS and FEED.

Early Works Program

Following a successful drilling program at the Kolosori Project during the end of 2021 and completion of a positive Scoping Study, the Company decided to fast-track the project development timeline by initiating an Early Works program. The program commenced in December 2021 and was completed in early March 2022.

The work was successfully led on site by the Company’s General Manager Operations, Mike James in cooperation with Solomon Island consultants and contractors who are also likely to be involved in the construction and operation of the Project. The Company is pleased that the Early Works were able to be completed on time in the Wet Season under trying conditions whereas the Project will normally operate during the course of the Dry Season, which is typically from April to December.

The main components of the Early Works program included:

- Construction of infrastructure including an access road, camp site and stockpile site;
- Excavation of a test pit to assess mining and stockpile designs and to calibrate grade control methods;
- Completion of a geotechnical assessment, including drilling, of the proposed nickel DSO load-out wharf site; and
- An assessment of the quarry sites to provide construction materials for wharf and road construction.



Photo 1. Preparation of road from temporary base camp to initial Test Pit site

Test Pit

One of the key components of the Early Works program was the excavation of a test pit to assess mining and stockpile designs to calibrate grade control methods.

The exploration team completed a series of grade control holes in the test pit area where mining operations are likely to be conducted over the first 2 years of operations. The grade control holes were closely spaced (approximately 10m apart) and enabled a reconciliation of the block model grades and grade control drilling with grades from the mined material.

The material from the test pit was stockpiled so that moisture content could be analysed over time to measure its drying characteristics. As part of this analysis, some of the stockpiles are being covered with tarpaulins and some are left uncovered.

This test pit has also provided the Company with additional valuable information which will be used in the Definitive Feasibility Study (DFS), including:⁵

- General suitability of the proposed mining equipment (including in wet conditions which may be encountered in the worst-case).
- Confirmation that the ore and overburden are free-dig and will not require blasting, which matches with initial conclusions from the exploration drill holes.
- Confirmation of preferred excavator and truck fleet requirements and associated data for the purpose of finalising aspects of the DFS and for ongoing discussions with potential mining contractors.

⁵ ASX Announcement 03 March 2022 – Kolosori Nickel Project – Early Works Completed Successfully

Approximately 6,000 tonnes of saprolite ore and 1,500 tonnes of transition saprolite were mined and stockpiled from the test pit.



Photo 2. Mining of Test Pits



Photo 3. Saprolite on Stockpile Pad

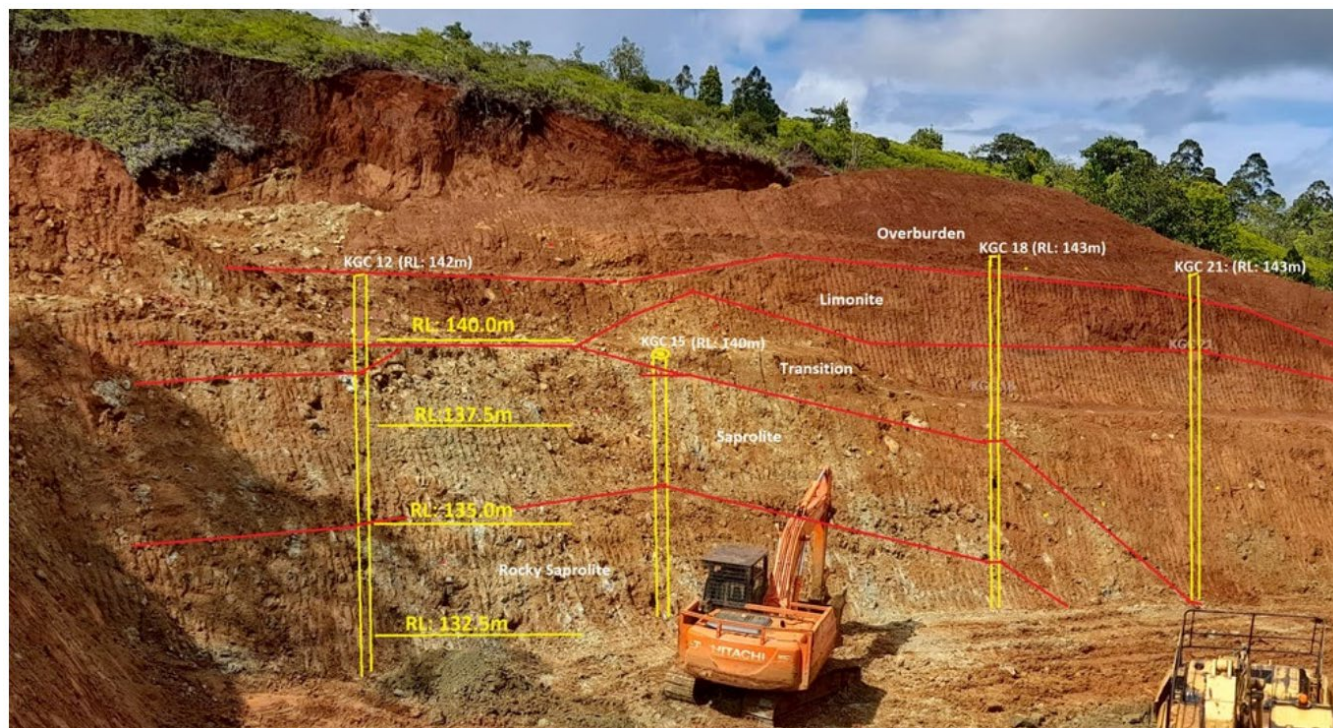


Photo 4. Test Pit with Lithology and Drill Hole Locations Marked

Geotechnical Work

The primary geotechnical focus of the Early Works program was to carry out an assessment of the ground conditions at the wharf site to enable early construction of the wharf and associated facilities. Three geotechnical holes were drilled in the wharf area and the geotechnical team demobilised from site. The visual results from the drilling were consistent with expectations for the initial port design.⁶

Results from this program have been fed into the DFS, which is currently being undertaken by the Company and design consultants Resindo Engineers.

⁶ ASX Announcement 09 February 2022 – Early Works Update – Kolosori Nickel Project



Photo 5. Geotechnical Drilling for Wharf Construction

Quarry Site Investigations

During the Early Works program, the Company investigated potential quarry sites, working with geotechnical consultants, using an excavator to expose and dig material suitable for rock armouring and rock fill needed for the wharf construction.

DSO Marketing Study

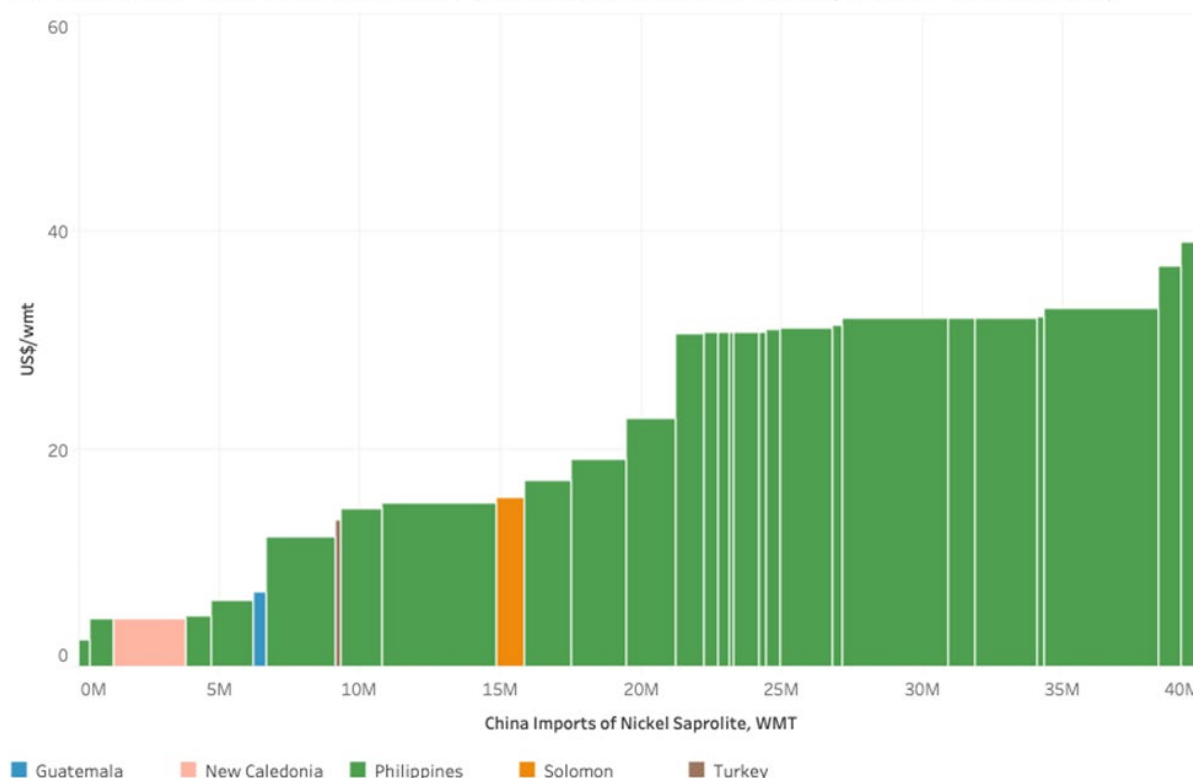
The Company commissioned a DSO market study from specialist commodity research consultants CM Group to assist the Company in understanding the sea borne DSO nickel market, to identify potential customers, and to evaluate how the Kolosori project would compete in the global market.

Key results from this study include:⁷

- 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
- 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.

⁷ ASX Announcement 10 March 2022 – Kolosori Nickel – Debt Financing & Nickel Marketing Study

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

Following the completion of the geotechnical assessment as part of the Early Works Program, 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.

Debt Financing

During the reporting period the Company held meetings with several prospective offtakers and project financiers in respect of the provision of finance for the development of the Kolosori Nickel Project. A Request for Proposal was offered to a number of interested parties, which comprised an offtake contract for Kolosori’s life of mine DSO production and debt finance and working capital facilities.

Subsequent to the period the Company has received a number of proposals, which are currently being reviewed.⁸

⁸ ASX Announcement 01 April 2022 – Kolosori Nickel Project Update

JEJEVO NICKEL PROJECT

The Jejevo Nickel Project is an advanced stage direct shipping ore nickel laterite project with excellent potential for development, located on Isabel Island in the Solomon Islands.

Jejevo Exploration

No exploration work was conducted at the Jejevo Nickel Project during the period.

CORPORATE

A Share Purchase Plan (SPP) to existing eligible shareholders of the Company was completed raising a total of A\$340,500.⁹ The SPP was initiated in November 2021 following the Company's announcement on 29 October 2021 confirming a placement of 52.5 million fully paid ordinary shares (Shares) at \$0.10 which raised \$5.25 million (Placement). The SPP was undertaken to allow existing shareholders of the Company the opportunity to participate in the capital raising on the same terms offered to the Placement participants.

During the quarter 347,017 options with an exercise price of 9c per share were exercised raising a total of \$31,231.53.

Payments to related parties of the Company and their associates for Executive and Non-Executive fees and interest on loans totalled approximately \$122,000.

Pacific Nickel currently has on issue:

- 271,275,856 fully paid ordinary shares.
- 11,500,000 options with expiry 30/9/2023 @ \$0.06
- 71,156,464 options with expiry 17/6/2024 @ \$0.09
- 6,400,000 performance rights

The Company has engaged Mr. Michael Thorby as Commercial Manager to be based in the Solomon Islands to assist in the timely development of the Kolosori Project and its subsequent operations. Michael is a qualified accountant and has over 20 years of experience as a Commercial Manager in the resources sector having worked on projects across Australia and Indonesia.

JUNE QUARTER PLANNED ACTIVITIES

- Receive a Mining Lease for the Kolosori Nickel Project;
- Complete the construction design of the wharf area;
- Provide an updated Mineral Resource Estimate for the Kolosori Nickel Project;
- Finalise the DFS;
- Finalise development funding for the Kolosori Nickel Project; and

⁹ ASX Announcement 05 January 2022 – Share Purchase Plan Completed

- Subject to funding and mining lease approvals commence critical path components for the development of the Kolosori project – these include wharf construction and ordering long lead items.

EXPENDITURE SUMMARY

A summary of the exploration and project evaluation expenditures for the quarter is provided as follows:

Activity	Expenditure (\$A000's)
Tenement Fees/Licence	85
Community/Landowner	74
Development Study	350
Early Works Program	644
Exploration	143
Total	1,296

2022 MARCH QUARTER – ASX ANNOUNCEMENTS

This Quarterly Activities Report contains information extracted from ASX market announcements reported in accordance with the 2012 edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves” (“2012 JORC Code”). Further details (including 2012 JORC Code reporting tables where applicable) of exploration results referred to in this Quarterly Activities Report can be found in the following announcements lodged on the ASX:

1-Apr-2022	Kolosori Nickel Project Update
10-Mar-2022	Kolosori Nickel Project – Debt Financing & Nickel Marketing Study
3-Mar-2022	Kolosori Nickel Project – Early Works Completed Successfully
9-Feb-2022	Early Works Update – Kolosori Nickel Project
5-Jan-2022	Early Works Update – Kolosori Nickel Project
5-Jan-2022	Share Purchase Plan Completed

These announcements are available for viewing on the Company’s website under the News & Media tab. Pacific Nickel confirms that it is not aware of any new information or data that materially affects the information included in any original ASX announcement.

TENEMENTS

Project	Tenement Number
SOLOMON ISLANDS - <i>Jejevo</i>	PL 01/18
SOLOMON ISLANDS - <i>Kolosori</i>	PL 05/19
QUEENSLAND – <i>EPM (100%)</i>	EPM 18908

No Exploration/Mining Tenements were Acquired/Disposed of during the Quarter.

No Beneficial Interest in Farm-In or Farm-Out were Acquired/Disposed of during the Quarter.

Further Information

For further information, please contact the Company on +61 (0) 403 940 518 or by email at info@pacificnickel.com or visit the Company's website at www.pacificnickel.com

- END -

This report is dated 20 April 2022 and has been authorised by the Board.
For further information please contact:

Mr. Geoff Hiller
Executive Director & CEO

Mr. Andrew J. Cooke
Company Secretary
Email: acooke@pacificnickel.com



Pacific Nickel Mines Limited

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Rule 5.5

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Pacific Nickel Mines Limited

ABN

86 075 613 268

Quarter ended ("current quarter")

31-Mar-22

Consolidated statement of cash flows	Current quarter \$A'000	Year to date 9 months \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration and evaluation	(1,296)	(3,475)
(b) development		
(c) production	-	(1)
(d) staff costs		
(e) administration and corporate costs	(143)	(748)
1.3 Dividends received (see note 3)		
1.4 Interest received	3	6
1.5 Interest and other costs of finance paid	(18)	(36)
1.6 Income taxes paid (received)		
1.7 Government grants and tax incentives		
1.8 Other		
1.9 Net cash from / (used in) operating activities	(1,454)	(4,254)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) tenements		
(c) property, plant and equipment	(2)	(268)
(d) exploration & evaluation		
(e) investments	(29)	(64)
(f) other non-current assets		
2.2 Proceeds from the disposal of:		
(a) entities	-	-
(b) tenements		
(c) property, plant and equipment		
(d) investments		
(e) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
2.6 Net cash from / (used in) investing activities	(31)	(332)

ASX Listing Rules Appendix 5B (17/07/20)

+See chapter 19 of the ASX Listing Rules for defined terms.

Mining exploration entity or oil and gas exploration entity quarterly report

Consolidated statement of cash flows	Current quarter \$A'000	Year to date 9 months \$A'000
3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	340	5,566
3.2 Proceeds from issue of convertible debt securities		
3.3 Proceeds from exercise of options	6	17
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(105)	(534)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	(85)	(85)
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material)		
3.10 Net cash from / (used in) financing activities	156	4,964

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	3,514	1,807
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,454)	(4,254)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(31)	(332)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	156	4,964
4.5 Effect of movement in exchange rates on cash held		
4.6 Cash and cash equivalents at end of period	2,185	2,185

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	2,185	3,514
5.2 Call deposits		
5.3 Bank overdrafts		
5.4 Other (provide details)		
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,185	3,514

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Current quarter \$A'000
122
0

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangement available to the entity
Add notes as necessary for an understanding of the sources of finance available to the entity.

- 7.1 Loan facilities
- 7.2 Credit standby arrangements
- 7.3 Other (please specify)
- 7.4 **Total financing facilities**

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000

7.5 Unused financing facilities available at quarter end

-

- 7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Facility description	Lender	Interest rate (pa)	Maturity Date

Mining exploration entity or oil and gas exploration entity quarterly report

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,454)
8.2 (Payments for exploration & evaluation classified as investing activities (Item 2.1(d))	-
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(1,454)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	2,185
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	2,185
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	1.5

Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.

8.8 If Item 8.7 is less than 2 quarters please provide answers to the following questions:

8.8.1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

The Company expects that its current level of expenditure is likely to decrease over the next 2 quarters as the Early Works program at the Kolosori Project was completed during the March 2022 quarter and ongoing development expenditure at Kolosori will be controlled pending the granting of a Mining Lease and until arrangements for a project base funding for development at Kolosori has been resolved.

8.8.2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

The Company has initiated discussions with several prospective offtakers and project financiers to assist the Company with funding for the development of the Kolosori Project. The Company may in the future seek to raise additional equity funding for some project expenditure and ongoing working capital. The Company is confident that it will be able to raise the necessary funding for the ongoing development of the Kolosori Nickel Project and for working capital purposes as and when required given its success to date in fast tracking the development of the Kolosori Nickel Project and the financial parameters associated with the development of the Kolosori Nickel Project, the prospectiveness of the Jejevo Nickel Project and other prospects in the Solomon Islands.

8.8.3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Yes - the Company does expect to be able to continue its operations and to meet its business objectives. The Company is confident that it will be able to raise the necessary funding for the ongoing development of the Kolosori Nickel Project and for working capital purposes as and when required given its success to date in fast tracking the development of the Kolosori Nickel Project and the financial parameters associated with the development of the Kolosori Nickel Project, the prospectiveness of the Jejevo Nickel Project and other prospects in the Solomon Islands. Furthermore, the Company has the ability to control or limit further exploration and development expenditure as required.

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 20-Apr-22

Authorised by: By the Audit Committee
(Name of body or officer authorising release - see note 4)

Notes

- 1 This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
- 2 If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
- 3 Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
- 4 If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
- 5 If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.