

Pacific Nickel Mines Limited (*Pacific Nickel or the Company*) (**ASX: PNM**) is pleased to provide an update on its activities for the June 2022 Quarter. The Company's focus for the reporting period was advancement of the Company's laterite Direct Shipping Ore ("DSO") Kolosori 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

Registered Office

Pacific Nickel Mines Limited

Level 4, 283 George St

SYDNEY NSW 2000

PO Box 20480

World Square NSW 2002

Tel: +61 (0) 403 940 518

E: info@pacificnickel.com

W: www.pacificnickel.com

HIGHLIGHTS FOR THE JUNE 2022 QUARTER

Kolosori Nickel Project

- Signed a non-binding, indicative term sheet with a subsidiary of Glencore plc ("Glencore") for a US\$22m senior secured debt facility and 4+2 year nickel laterite DSO offtake agreement for all of Kolosori's nickel laterite production.¹
- Work continued on the Definitive Feasibility Study (DFS).
- Planning for construction of the wharf, haul road linking the mining areas, camp and mining facilities was undertaken.
- Australian Mine Design and Development (AMDAD) were appointed to review the Kolosori Project for project start-up factors and to prepare a reserve statement for the DFS.
- Key areas of focus include the water moisture content of the DSO and the haul road location and design.
- The 1 July 2022 lifting of Covid 19 border restrictions allows overseas consultants and contractors to visit the site.
- A LiDAR survey is currently being arranged to provide a detailed topographical map of the Kolosori area.
- Preparations are underway to construct a second field trial stockpile for detailed assessment of the DSO drying characteristics.
- The DFS will be finalised once the LiDAR survey and moisture content assessment have been completed.
- The Company has now received a Letter of Intent from the Minister of the Ministry of Mines, Energy and Rural Electrification advising that the Minister intends to issue a Mining Lease for the Kolosori Nickel Project.²

¹ ASX Announcement 15 June 2022 - Kolosori Offtake & Project Debt Mandate Awarded to Glencore

² ASX Announcement 11 July 2022 – Mining Lease Letter of Intent for Kolosori Nickel Project

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 high-quality DSO product, close proximity to the coast, no processing requirements, low capital route to DSO production and strong local landowner support.

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 including a moisture trial. The Company anticipates that the Minister of the Ministry of Mines, Energy and Rural Electrification will issue a Mining Lease for the Kolosori Nickel Project in the near term.

Mining Lease

Pacific Nickel continued to work through the regulatory approval process throughout the quarter and worked closely with the Mines Department to ensure that land boundaries were appropriately addressed in the Mining Lease application.

After the reporting period, it was announced that the Company had received a Letter of Intent from the Minister of the Ministry of Mines, Energy and Rural Electrification advising that he intends to issue a Mining Lease over the Kolosori Project to Pacific Nickel Mines Kolosori Ltd subject to Pacific Nickel Mines Kolosori Ltd entering into a Surface Access Rights Agreement with the landowners.

The Letter of Intent was issued by the Minister following an extra ordinary sitting of the Minerals Board on 6 July 2022 which recommended that a Letter of Intent be issued.

Pacific Nickel Mines Kolosori Ltd has entered into a Surface Access Rights Agreement with the landowners and is currently liaising with the Ministry regarding the issue of the Mining Lease.

Offtake & Project Finance

The Company has held meetings with several prospective offtakers and project financiers in respect of the provision of finance for the development of the Kolosori Nickel Project.

The Company received a number of proposals and after a thorough review entered into a non-binding indicative term sheet with Glencore for a 3-year, US\$22 million Pre-Export Finance Facility plus a 4-year offtake arrangement for all of Kolosori’s production which can be extended by a further 2 years by mutual agreement.

It is envisioned that the US\$22 million debt facility will comprise a US\$17 million construction tranche and a US\$5 million reserve tranche.

The Kolosori nickel laterite DSO Offtake pricing will be linked to market prices and subject to standard commercial adjustments for product quality.

Definitive Feasibility Study

During the quarter, work continued on finalisation of the Definitive Feasibility Study (DFS).

The Company appointed Australian Mine Design and Development (AMDAD) to review the DFS and to prepare a reserve estimate for the purposes of the DFS. AMDAD have focussed on a number of key issues including the water moisture content of the DSO and haul road location and design.

With the recent opening of the borders Solomon Islands from Covid 19 restrictions, the company can now allow overseas consultants and contractors to visit the site.

A LiDAR survey is currently being arranged by an experienced Australian contractor to provide a detailed topographical map for a reserve estimate and long term mine planning. The ability to conduct this survey has previously been restricted due to Covid 19 border closures. The Company is about to construct at the Kolosori Project site a second trial stockpile (approximately 1,500 tonnes) for detailed assessment of the drying characteristics of the DSO. The moisture content of the DSO is important for pricing and shipment handling.

The DFS will be finalised once the results of the LiDAR survey and moisture content assessment have been completed.

Pending the granting of a Mining Lease, the Company has been reworking its development timetable. One of the key considerations will be working around the wet season which is from mid-December to early April.

The priority for this year will be the development of the wharf and the haul road linking the wharf area to the mining areas.

JEJEVO NICKEL PROJECT (PNM 80%)

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.

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

OTHER TENEMENTS

During the quarter the Company submitted an application for a new Prospecting Licence (named Bugao Hograno) which is located close to the Kolosori Project. The tenement area is around 100 square kilometres and is within the same nickel belt on Isabel Island which holds the Kolosori and Jejevo Projects.

CORPORATE

Payments to related parties of the Company and their associates for Executive and Non-Executive fees totalled approximately \$97,000.

8,375,000 fully paid ordinary shares were released from escrow on 12 May 2022 following a 12 month voluntary escrow period. The shares were originally issued to the vendors of the Kolosori Nickel Project in May 2021.

EXPENDITURE SUMMARY

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

Activity	Expenditure (\$A000's)
Early Works/Exploration	482
Development Study	360
Community/Landowner	307
Tenement Fees/Licence	115
Total	1,264

SEPTEMBER QUARTER PLANNED ACTIVITIES

- Finalise the construction design of the wharf area and the haul road;
- Carry out a LiDAR survey for a detailed topographical map required for long term mine planning and the JORC reserve statement;
- Provide an updated Mineral Resource Estimate for the Kolosori Nickel Project;
- Construct a second trial stockpile for moisture content analysis of the DSO;
- Finalise the DFS;
- Finalise development funding for the Kolosori Nickel Project; and
- Commence critical path components for the development of the Kolosori project, subject to the grant of the mining lease and funding.

JUNE 2022 QUARTER – ASX ANNOUNCEMENTS

Further details of exploration results referred to in this Quarterly Activities Report can be found in the following ASX announcements:

11-July-2022	Mining Lease Letter of Intent for Kolosori Nickel Project
15-June-2022	Kolosori Offtake & Project Debt Mandate Awarded to Glencore
6-May-2022	Application for New BH Tenement and Kolosori Update
2-May-2022	Release of Shares from Voluntary Escrow
1-April-2022	Kolosori Nickel Project Update

These announcements are available for viewing on the Company's website under the News & Media tab.

TENEMENTS

Project	Tenement Number
SOLOMON ISLANDS – <i>Jejevo (80%)</i>	PL 01/18
SOLOMON ISLANDS – <i>Kolosori (80%)</i>	PL 02/22 (previously 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.

- END -

Authorised by the Board – 29 July 2022

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

Mr. Geoff Hiller
Executive Director & CEO

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



Pacific Nickel Mines Limited

Level 4, 283 George St Sydney NSW 2000
www.pacificnickel.com

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")

30-Jun-22

Consolidated statement of cash flows	Current quarter \$A'000	Year to date 12 months \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration and evaluation	(1,264)	(4,739)
(b) development		
(c) production	(82)	(83)
(d) staff costs	(99)	(847)
(e) administration and corporate costs		
1.3 Dividends received (see note 3)		
1.4 Interest received	1	7
1.5 Interest and other costs of finance paid	(2)	(38)
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	(1,446)	(5,700)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) tenements		
(c) property, plant and equipment	-	(268)
(d) exploration & evaluation		
(e) investments	(12)	(76)
(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	(12)	(344)

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 12 months \$A'000
3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	5,566
3.2 Proceeds from issue of convertible debt securities		17
3.3 Proceeds from exercise of options		(535)
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(1)	-
3.5 Proceeds from borrowings	-	(130)
3.6 Repayment of borrowings	(45)	
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	(46)	4,918

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	2,185	1,807
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,446)	(5,700)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(12)	(344)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(46)	4,918
4.5 Effect of movement in exchange rates on cash held		
4.6 Cash and cash equivalents at end of period	681	681

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	681	2,185
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)	681	2,185

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

Current quarter \$A'000
97
0

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

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)	(1,446)
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)	(1,446)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	681
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	681
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	0.5

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 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 entered into a non-binding, indicative term sheet with a subsidiary of Glencore plc for a US\$22m senior secured debt facility and 4+2 year nickel laterite DSO offtake agreement for all of Kolosori's nickel laterite production. The Company may in future seek to raise additional 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 working capital purposes as and when required given its success to date in fast tracking the development of the Kolosori 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 - This Company does expect to be able to continue operations and to meet its business objectives. The Company is confident that it will be able to raise the necessary funding for the ongoing project development and for working capital purposes as and when required given its success to date in fast tracking the development of 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: 29-Jul-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.