

Kolosori Nickel Project Advances to Project Execution Stage

Pacific Nickel Mines Limited (ASX Code: PNM) (“**Pacific Nickel**” or “**the Company**”) is pleased to confirm that it has commenced works to execute development of its Kolosori Nickel Project (“**Kolosori Nickel Project**” or “**the Project**”) as contemplated in the Company’s Definitive Feasibility Study (**DFS** or **Study**) which was recently released to the market¹.

The Kolosori Nickel Project is held within Mining Lease ML 02/2022 on Isabel Island, Solomon Islands.

Recent developments for the Kolosori project include the following:

- Preliminary access works for the Haul Road have commenced.
- Construction of the DSO Loadout Wharf has commenced.
- Construction of 50-Man construction camp is nearing completion.
- Construction of bridge to cross creek from bottom of haul road to main stockpile and camp has commenced.
- Glencore is currently finalising a technical review following receipt of the DFS.
- Pacific Nickel and Glencore have advanced offtake and loan documentation.

Pacific Nickel CEO Geoff Hiller (recently returned from the Solomon Islands) commented:

“Given the outcome of the Definitive Feasibility Study which confirms the strong economic viability of the Kolosori Nickel Project, Pacific Nickel Mines is pleased to confirm that the project has moved into an execution stage and critical path construction work has commenced pending finalisation of financing facilities being offered by Glencore International”.

“The Company believes that the project holds relatively low technical risk and that capital payback will be achieved in under 12 months.”

“To achieve the outcomes indicated in the DFS, pre-production funding of US\$21.5 million is required. The Company has employed Blackbird Commodity Partners Pty Ltd as its corporate advisor to proceed with the implementation of a project financing offered by Glencore International AG (Glencore) on a non-binding indicative basis. The financing will provide a US\$22m senior secured debt facility with a three year repayment term. This debt facility remains subject to Glencore completing its final due diligence, completion of full documentation and receipt of various approvals including, most importantly, an Export Permit.”

“The Company anticipates that the Mines and Minerals Board will meet in early March to consider its application for an Export Permit.”

“During the course of my visit to site and from discussions with key stakeholders it is evident that Pacific Nickel Mines has the continued support of local landowners, local contractors and relevant Government Authorities and accordingly we remain confident that the Company will deliver the Kolosori Nickel Project in the current year”.

¹ ASX Announcement dated 1 February 2023 - Kolosori Nickel Project Definitive Feasibility Study Delivers Highly Attractive Economics

“Pacific Nickel Mines is committed to developing this Project for the for the benefit of all stakeholders. It will be a high quality nickel operation and will operate in accordance with the highest possible environmental standards for the overall benefit of the Solomon Islands and its people.”

Project Development

Key elements of the Project development	Current Status
Haul road	Preliminary access earthworks with a local contractor commenced. Major works once mining contractor mobilised on site.
DSO Loadout Wharf and port facilities including small stockpile area	Local Contractor on site to commence construction
Main Stockpile Area to the east of the wharf	Plans for relocation of main stockpile finalised
200-Man Main Camp	Construction by local contractor due to commence following drawdown of finance
50-man Construction Camp.	Construction nearing completion
Contract Mining Facility	Construction due to commence following drawdown of finance and mobilisation of mining contractor
Road access from haul road to eastern stockpile area and main camp	Construction due to commence following drawdown of finance and mining contractor mobilised.
Small bridge to cross creek from bottom of haul road to main stockpile and camp	Local Contractor on site to commence construction



Photo 1: Construction of 50-man construction camp nearing completion



Photo 2: Construction of eastern face of DSO Loadout Wharf commenced

In anticipation of the Glencore financing becoming available for drawdown the Company will proceed with discussions with barging and mining contractors. When the DSO loadout wharf is built, the mining contractor mobilised and haul road to the mining area completed, the Kolosori Nickel Project is expected to ramp up to full production (approx. 1.5 million wet metric tonnes per annum of direct shipping nickel ore) during 2023. Mining DSO operations are expected to commence in late Q3 2023 subject to financing and contractor mobilisation.

The Company will be seeking to increase the mine life of the Project via further exploration to convert current inferred resources of approximately 2 million tonnes (that are not included in the financial model) into indicated resources and carrying out drilling on the new areas identified in the exploration resource target of 2.5Mt to 4.0Mt at 1.2% - 1.6% Ni assessed by Mining One .



Photo 3: Local contractor equipment arriving on site for preliminary access earthworks and haul road construction

Highlights of the Definitive Feasibility Study

The definitive feasibility study (DFS) was based on a maiden Ore Reserve as set out in Annexure A of the DFS Summary Report forming part of the announcement referred to above. There is a low level of geological confidence associated with inferred mineral resources and there is no certainty that further exploration work will result in the determination of indicated mineral resources or that the production target itself will be realised.

The Study indicated that the Project will deliver attractive economic returns based on the two production cases considered:

- Pre-production capital expenditure of US\$18.6 million (both cases) excluding working capital (US\$ 21.5m including working capital)
- Mining inventory: 3.8 (Base Case) to 6.1 (Expanded Case) million wet metric tonnes (wmt) of ore
- An average nickel grade of 1.57% (Base Case) to 1.51% (Expanded Case) over the life of mine
- Production of up to 1.5 million wmt (both cases) Direct Shipping Ore (**DSO**) per year based on port throughput
- Post-tax NPV of US\$64 million (Base Case) to \$83 million (Expanded Case) (A\$91 million to A\$118 million) at a discount rate of 8.0%
- Post-tax IRR of 156% (Base Case) to 170% (Expanded Case)
- Capital payback less than one year in both cases

Key Study Parameters

The key parameters of the Study were as follows:

- Shallow open pit mining operation
- No processing or tailings dams required (as it is a direct ship ore)
- Initial haul road from first pit to the port area around 1.5 km
- Stockpile management a key to moisture control and loading DSO onto barges
- Barging ore less than 1km to 50,000 to 60,000 tonne geared ships for export
- Production of up to 1.5 wet mtpa based on port throughput.
- Saprolite shipped to China for the RKEF plants for the end use in the stainless steel industry

Financing

Glencore are currently finalising their technical review following receipt of the DFS. In the meantime the Company and Glencore have advanced offtake and loan documentation.

Cautionary Statement

The Study outcomes, production target and forecast financial information referred to in this announcement are based on accuracy levels for technical and economic assessments that are sufficient to support an estimation of Ore Reserves.

An updated JORC compliant Mineral Resource Estimate (**MRE**) for the Project was released on 23 November 2022. The initial Ore Reserve Statement for the Project dated 31 January 2023 is appended to the DFS Summary Report attached to the Company's ASX Announcement dated 1 February 2023 - Kolosori Nickel Project Definitive Feasibility Study Delivers Highly Attractive Economics. Pacific Nickel. The Company confirms that it is not aware of any new information or data that materially affects the information included in these releases. All material assumptions and technical parameters underpinning the MRE and the Ore Reserve continue to apply and have not materially changed.

The Mineral Resources and Ore Reserves underpinning the production target in the Study have been prepared by competent persons in accordance with the requirements of the JORC Code (2012).

Further information on Pacific Nickel is available at www.pacificnickel.com.

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

Please visit the company's website at www.pacificnickel.com