

Pacific Nickel Mines Limited (*Pacific Nickel or the Company*) (**ASX: PNM**) provides an update on its activities for the September 2024 Quarter.

ASX Code: PNM

ABN: 86 075 613 268

Issued Shares: 420,993,105

Performance Rights:
14,130,000

Directors

Terry Cuthbertson
James Dean
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THE SEPTEMBER 2024 QUARTER

Kolosori Nickel Project (PNM 80%)

- The Kolosori Nickel Project (Project) was put on hold while a weak nickel price, operational issues and project funding were addressed.
- Prior to this the Company was focusing on ramping up production to 1.5mpta which depended on improving ore mining rates to meet target production rates.
- The mine plan was also adjusted to target higher-grade (1.7% Ni) product for the remainder of the year, to achieve a premium DSO nickel price.
- Shipment scheduled for late June was not delivered until early July due mainly to mining equipment availability.
- Subsequently, mining equipment had been unavoidably demobilised from site by end of August 2024

Jejovo Nickel Project (PNM 80%)

- There was no work done on Jejovo during the period.

Corporate

- The Company entered into a trading halt on the ASX on 16 July 2024 and a subsequent voluntary suspension on 18 July 2024 while it holds discussions around project financing with Glencore International AG ("**Glencore**") in light of the operational issues and a weak nickel price outlook in the short and medium term.
- Glencore had previously reserved its rights with regard to the project debt as noted in ASX release dated 13 June 2024.
- The Company is currently in a voluntary suspension on the ASX until the earlier of an announcement by the Company regarding the above and the commencement of normal trading on 5 November 2024.
- The Company is reviewing a number of other business opportunities.

KOLOSORI NICKEL PROJECT (PNM 80%)

The Kolosori Nickel Project (“Project”) is a direct shipping ore nickel laterite operation located on Isabel Island in the Solomon Islands. The Company was focussed on ramping up to full ore production of around 1.5mtpa.

Operations

The major focus for the Company, during this weak nickel price, was to improve mining operations and production efficiencies to ensure that the Kolosori site can achieve at least two shipments per month during the dry season to achieve 1.5mtpa of ore shipped.

The last ship arrived in mid- June and departed early July.

The operation had been affected by a combination of factors in late June/early July from low machine availability, bad weather which also caused degradation of the haul road, which together continued to impact the mining schedule at the Kolosori Nickel operation.

The ongoing effect of these issues on the operations is that the shipment scheduled for early July was then delayed until late July/early August. This meant that additional working capital was required for the Project.

After a review of the Kolosori operation in early July, the Company in consultation with its Kolosori project financier Glencore International AG (“Glencore”) agreed that the best course of action in the short term was to cease operations and review the project in light of the operational issues and the weak nickel price outlook in the short to medium term.

By the end of August 2024, the mining equipment had unavoidably been demobilised from site.

The Company is working with Glencore to address the impact on creditors and working capital.

GLENCORE FINANCING

Glencore provided a US\$22m secure loan facility (“Loan Agreement”) for the development of the Kolosori Nickel Project. Pacific Nickel has worked in close collaboration with Glencore since the commencement of production in late December 2023. As disclosed on 13 June 2024, Pacific Nickel has not yet commenced repayment of the Glencore loan as originally anticipated and Glencore has reserved its rights with regard to the project debt.

TRADING HALT AND VOLUNTARY SUSPENSION ON THE ASX

The Company entered into a trading halt on the ASX on 16 July 2024 and a subsequent voluntary suspension on 18 July 2024 while it held discussions around project financing with Glencore in light of the operational issues and a weak nickel price outlook in the short and medium term.

The ongoing liquidity, working capital and continued financial viability of the Company (and the Project) is dependent on resolving the funding arrangements with Glencore. In the Company’s opinion, continued trading of the Company’s securities is likely to be materially prejudicial to its ability to finalise those discussions with Glencore.

The timetable for coming out of suspension is predicated on the outcome of the matters noted above.

The Company is currently in a voluntary suspension on the ASX until the earlier of an announcement by the Company regarding the above and the commencement of normal trading on 5 November 2024.

At this time, the Company is not in a position to provide an update on the status of the discussions.

CORPORATE

On 3 July 2024 Mr Gary Stewart was appointed Company Secretary following the resignation of Mr Andrew Cooke.

On 16 July 2024 the Company requested and was given a Trading Halt on the ASX.

On 18 July 2024, the Company requested and was given a Voluntary Suspension on the ASX.

On 2 August 2024, 2,740,000 shares were issued from performance rights held by local staff in the Solomon Island for performance in 2023. These shares have an escrow period of one year.

On 9 October 2024, Mr Geoff Hiller resigned as CEO and executive director of the Company.

On 14 October 2024, the Company requested and was given an extension to the Voluntary Suspension until 5 November 2024 while it carries out discussions with Glencore regarding the Kolosori project funding.

There were no payments to related parties of the Company and their associates or for Executive and Non-Executive management or Director fees.

The Company is reviewing a number of other business opportunities.

TENEMENTS

| Project | Tenement Number |
|-----------------------------------|---|
| SOLOMON ISLANDS - <i>Kolosori</i> | ML 02/22 |
| SOLOMON ISLANDS - <i>Jejevo</i> | PL 01/18 (mining lease application in Dec 2022) |

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 –

This report is dated 31 October 2024 and has been authorised by the Board.

Further Information

For further information, please contact the Company by email at info@pacificnickel.com or visit the Company's website at www.pacificnickel.com

Authorised by the Board.

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-Sep-24

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date 3 months \$A'000 |
|---|----------------------------|-------------------------------------|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 72 | 72 |
| 1.2 Payments for | | |
| (a) exploration and evaluation | - | - |
| (b) development | - | - |
| (c) production | (2,800) | (2,800) |
| (d) staff costs | - | - |
| (e) administration and corporate costs | (81) | (81) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | - | - |
| 1.5 Interest and other costs of finance paid | - | - |
| 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 | (2,809) | (2,809) |
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) entities | - | - |
| (b) tenements | - | - |
| (c) property, plant and equipment | - | - |
| (d) exploration, evaluation and construction development | - | - |
| (e) investments | - | - |
| (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 - Loan to non-controlling interest for funding the 20% of construction and development expenditures | (702) | (702) |
| 2.6 Net cash from / (used in) investing activities | (702) | (702) |

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 3 months \$A'000 |
|---|----------------------------|-------------------------------------|
| 3. Cash flows from financing activities | | |
| 3.1 Proceeds from issues of equity securities (excluding convertible debt securities) | - | - |
| 3.2 Proceeds from issue of convertible debt securities | - | - |
| 3.3 Proceeds from exercise of options | - | - |
| 3.4 Transaction costs related to issues of equity securities or convertible debt securities | - | - |
| 3.5 Proceeds from borrowings | 30 | 30 |
| 3.6 Repayment of borrowings | - | - |
| 3.7 Transaction costs related to loans and borrowings | - | - |
| 3.8 Dividends paid | - | - |
| 3.9 Other - advance from Glencore International AG | 3,325 | 3,325 |
| 3.10 Net cash from / (used in) financing activities | 3,355 | 3,355 |

| | | |
|---|------------|------------|
| 4. Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 Cash and cash equivalents at beginning of period | 538 | 538 |
| 4.2 Net cash from / (used in) operating activities (item 1.9 above) | (2,809) | (2,809) |
| 4.3 Net cash from / (used in) investing activities (item 2.6 above) | (702) | (702) |
| 4.4 Net cash from / (used in) financing activities (item 3.10 above) | 3,355 | 3,355 |
| 4.5 Effect of movement in exchange rates on cash held | (3) | (3) |
| 4.6 Cash and cash equivalents at end of period | 379 | 379 |

| | | |
|--|------------------------------------|-------------------------------------|
| 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 | 379 | 538 |
| 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) | 379 | 538 |

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

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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 |
|---|---|
| 33,238 | 33,238 |
| - | - |
| - | - |
| 33,238 | 33,238 |

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) |
|--|------------------------|--------------------|
| The secured loan amount is US\$22 million (AUD/USD:0.6619). In July 2023, the final US\$19 million (AUD/USD:0.667) was drawn. The loan is repayable upon the sale of the nickel ore. | Glencore International | Term SOFR plus 11% |

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) | (2,809) |
| 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) | (2,809) |
| 8.4 Cash and cash equivalents at quarter end (Item 4.6) | 379 |
| 8.5 Unused finance facilities available at quarter end (item 7.5) | - |
| 8.6 Total available funding (Item 8.4 + Item 8.5) | 379 |
| 8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3) | 0.1 |

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 relies on operating cash flows from the Kolosori Nickel Project (Project). The Company has had to cease operations and is currently in discussion with its Project lender, Glencore International AG (Glencore), regarding the funding of the Project in light of the impact of the operational issues and a weak nickel price outlook in the short to medium term. The ongoing liquidity, working capital and continued financial viability of the Company (and the Project) is dependent on resolving the funding arrangements with Glencore. Glencore has advanced funds to the Project to pay local creditors while negotiations continue.

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: Refer 8.8.1

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: This is dependent on the resolution of matters referred to in 8.8.1.

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: 31-Oct-24

Authorised 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.