

Pacific Nickel Mines Limited (*Pacific Nickel or the Company*) (**ASX: PNM**) provides an update on its activities for the June 2024 Quarter. The Company's focus for the reporting period was ramping up production at the Kolosori Nickel Project, in the Solomon Islands, in which the Company hold an 80% interest.

ASX Code: PNM

ABN: 86 075 613 268

Issued Shares: 418,253,105

Performance Rights:
16,870,000

Directors

Terry Cuthbertson
James Dean
Geoff Hiller
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HIGHLIGHTS FOR THE MARCH 2024 QUARTER

Kolosori Nickel Project (PNM 80%)

- The Company focused on ramping up production operations to 1.5mpta which depended on improving ore mining rates to meet target production rates.
- The mine plan was adjusted to target higher-grade (1.7% Ni) product for the remainder of the year, to achieve a premium DSO nickel price.
- Total nickel ore shipped for the quarter ~124,000t plus one shipment of ~55,000 tonnes in early July.
- Mining rates impacted by unseasonal wet weather (over 700mm rainfall in May) and mining equipment availability.
- Subsequent to the quarter, the Project was put on hold while operational issues and project funding were addressed.
- The Project has over 1mt at 1.7% Ni in readiness for mining subject to funding and additional mining equipment.

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 reserved its rights with regard to the project debt as noted in ASX release dated 13 June 2024.



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. During the quarter the Company focussed on ramping up to full ore production of around 1.5mtpa.

Operations

During the June Quarter the Company continued to ramp up production operations at its Kolosori Nickel Project.

The major focus for the Company during the reporting period 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.

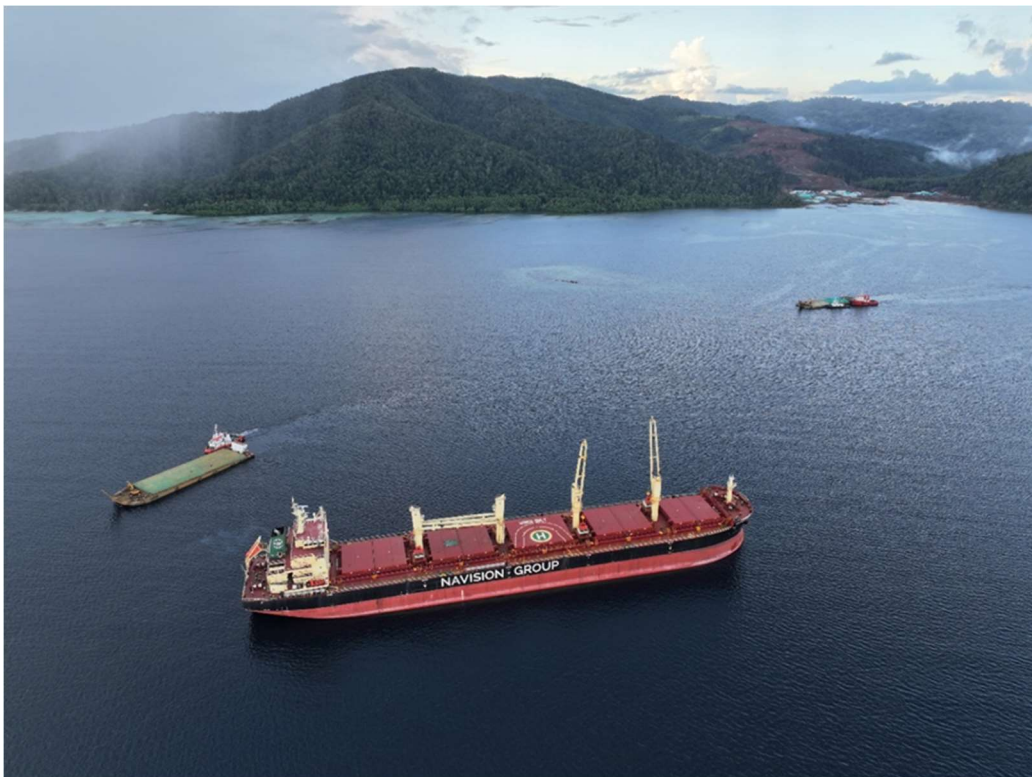


Figure 1: Delivery of DSO nickel onto the bulk carrier.

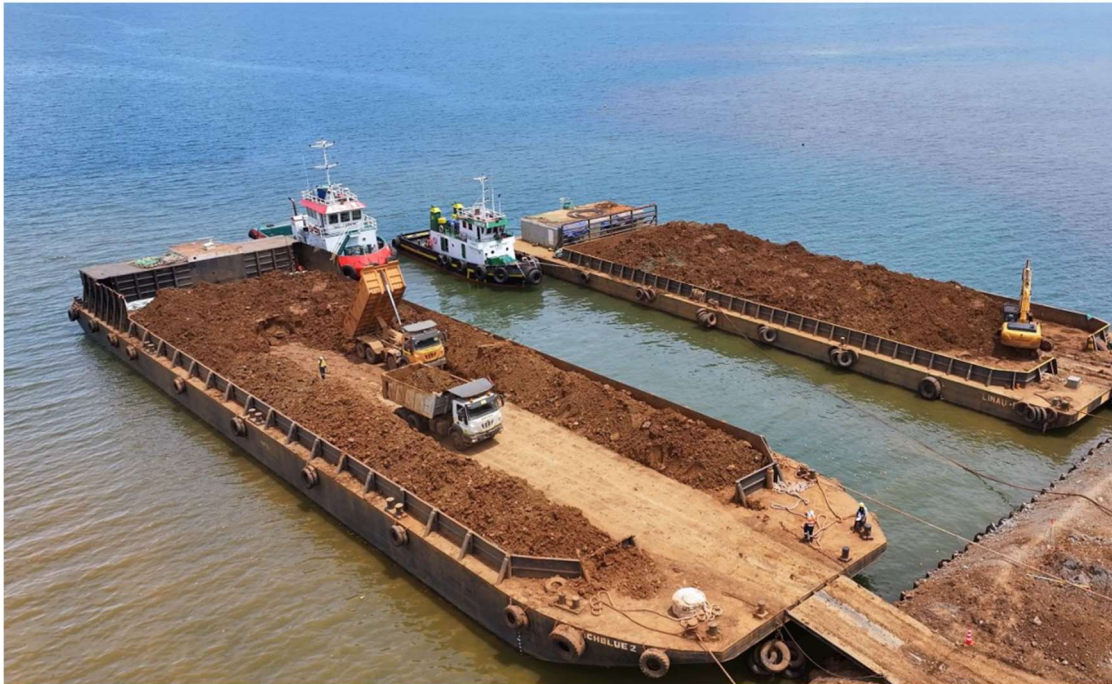


Figure 2: Barge loading at the Kolosori project wharf

Nickel prices for benchmark 1.5% DSO nickel ore into China remained at around US\$46/wet metric (CIF) tonne over the course of the quarter.

The project achieved a throughput of two ships per month in the latter part of the quarter, with the MV Servette departing on 26th May and the MV Eaubonne arriving early June. The following ship arrived in mid June and departed early July. The total shipped was approximately 180,000 wet metric tonnes of nickel ore over that period. The average Ni grade shipped during the period was around 1.6% Ni.

The unseasonal rainfall amounted to 700mm in May. To provide perspective, the average monthly rainfall during the dry season is approximately 200mm.

The operation has been affected by a combination of factors which together continued to impact the mining schedule at the Kolosori Nickel operation. These were:

- Reduced machine availability of mining equipment (predominantly the articulated dump trucks where a number have broken down simultaneously mainly due to spare parts supply and availability); and
- The lack of articulated dump trucks impacted on both the mining rate and haul road maintenance.

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 would be required for the Project.

Positively, the haul road has been rectified and is now ready for ore mining with Block 11 exposed and with significant high grade ore (over 1 million tonnes at over 1.7% Ni) ready for immediate mining. The high grade Blocks available for mining for the next 18 months are shown in the Figure 1 below.

The Company is also working with Glencore to address a nickel ore grade issue between that shipped and a lower nickel grade received at the discharge port in China. The Company is awaiting the assay results for the fourth shipment to understand the discrepancy.

After a thorough review of the Kolosori operation, the Company in consultation with its Kolosori project financier Glencore International AG ("Glencore") agreed that the best course of action in the short term is 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.

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

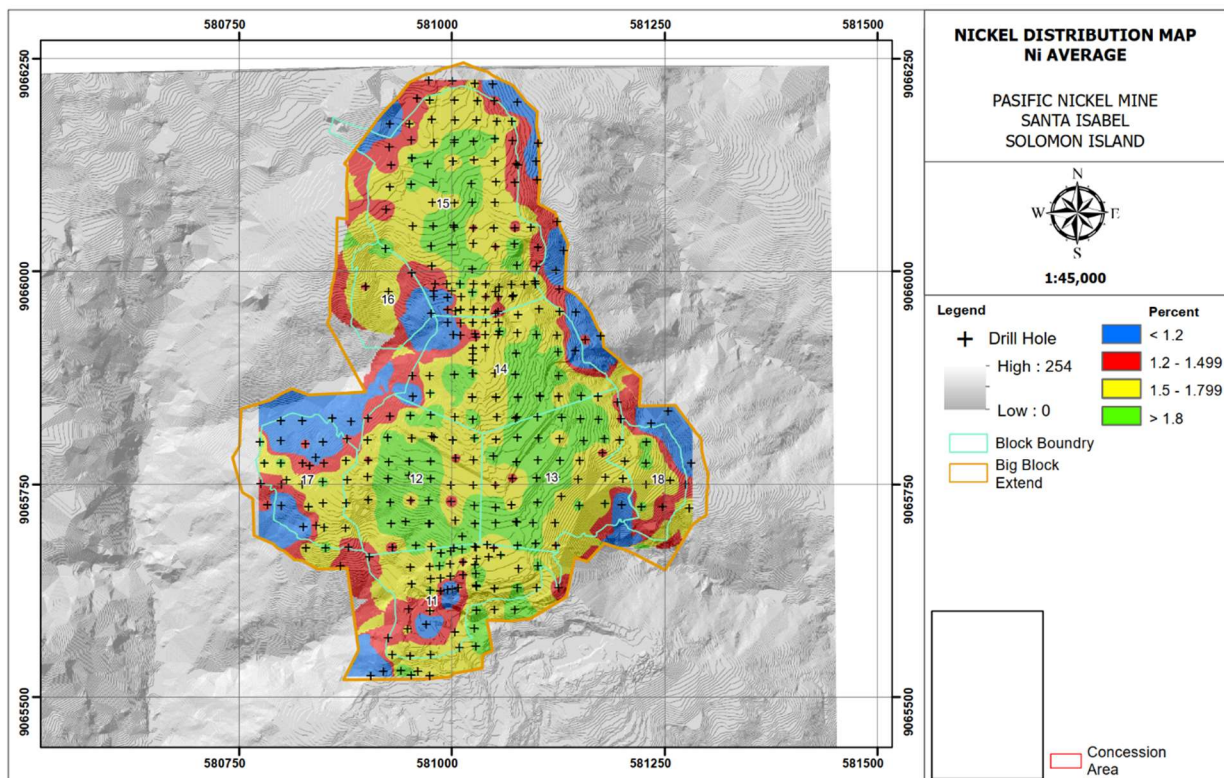


Figure 1 – Map of Nickel grades for the future mining blocks



Block 11 ready for mining at the Kolosori Project

GLENCORE FINANCING

Glencore provided a US\$22m secure loan facility (“Loan Agreement”)¹ 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. Whilst reserving their rights Glencore has maintained a constructive relationship with Pacific Nickel to date and remains engaged in the Kolosori Project.

JEJEVO NICKEL PROJECT (PNM 80%)

During the Quarter, the Company focused on advancing the approval of the Environmental Impact Statement (EIS).

CORPORATE

On 1 May 2024, Mr Greg Foulis resigned as a director. Also, on 1 May 2024, Mr Willem, Dique was appointed as Chief Operating Officer.

On 17 June 2024, 71,156,464 options expired with an exercise price of 9c.

Subsequent to the quarter, Mr Gary Stewart was appointed Company Secretary following the resignation of Mr Andrew Cooke. Also, Mr Graham Frank resigned as Chief Financial Officer after an extended sick leave.

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 29 July 2024, the Company requested and was given an extension to the Voluntary Suspension until 12 August 2024 while it carried out discussions with Glencore regarding the Kolosori project funding.

¹ PNM ASX Announcement 19 April 2023 – Major Milestone Achieved with Glencore International AG Executing Kolosori Nickel Project Financing Agreements

Payments to related parties of the Company and their associates for Executive and Non-Executive fees totalled approximately \$23,000.

Expenditure Summary

A summary of the project development and project operations expenditures for the quarter is provided as follows:

Activity	Expenditure (\$A000's)
Project Development	43
Operations	5,333
Government Fees/Royalties	400
Community/Landowner	209
Total	5,985

2024 JUNE 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:

29-July-24	Request for extension to voluntary suspension
19-July-24	Kolosori Nickel Project Update
19-July-24	Request for voluntary suspension
16-July-24	Trading Halt
8-July-24	Nickel Projects and Corporate Update
13-June-24	Kolosori achieving two shipments per month
1-May-24	Appointment of Willem Dique as Chief Operating Officer
1 May-24	Mr Greg Foulis resigns as a director
2-Apr-24	Kolosori Nickel Barging and Ship Loading Meet Ramp Up Levels

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>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 July 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

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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")

30-Jun-24

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	3,348	8,700
1.2 Payments for		
(a) exploration and evaluation	-	(19,754)
(b) development	(5,835)	(11,997)
(c) production	(5)	(663)
(d) staff costs	(199)	(1,284)
(e) administration and corporate costs	-	-
1.3 Dividends received (see note 3)	1	361
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 - Customer deposit for nickel ore	1,519	1,519
1.9 Net cash from / (used in) operating activities	(1,171)	(23,119)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	(9)	(11)
(b) tenements	(150)	(1,374)
(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	(269)	(5,450)
2.6 Net cash from / (used in) investing activities	(428)	(6,834)

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)		
3.2 Proceeds from issue of convertible debt securities		
3.3 Proceeds from exercise of options	-	453
3.4 Transaction costs related to issues of equity securities or convertible debt securities		
3.5 Proceeds from borrowings	-	28,506
3.6 Repayment of borrowings		
3.7 Transaction costs related to loans and borrowings	-	(302)
3.8 Dividends paid		
3.9 Other (provide details if material)		
3.10 Net cash from / (used in) financing activities	-	28,658

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	2,179	1,142
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,171)	(23,119)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(428)	(6,834)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	28,658
4.5 Effect of movement in exchange rates on cash held	(42)	691
4.6 Cash and cash equivalents at end of period	538	538

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	538	2,179
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)	538	2,179

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

Item 6.1 payment in respect of directors' remuneration and superannuation during the period.

Current quarter \$A'000

23

-

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

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)	(1,171)
8.2 (Payments for exploration & evaluation classified as investing activities (Item 2.1(d)))	(150)
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(1,321)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	538
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	538
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	0.4

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). Late in the quarter a number of operational issues regarding loss of production due to unseasonal rainfall and equipment availability impacted the Project's operating cash flows. 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.

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-Jul-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.