

Kolosori Nickel Project Update

Pacific Nickel Mines Limited (ASX Code: PNM) (“**Pacific Nickel**” or “**the Company**”) is pleased to update investors regarding the development of its Kolosori Nickel Project (“**Kolosori Nickel Project**” or “**the Project**”) following receipt of a Letter of Commitment from Glencore International AG (Glencore) confirming receipt of its internal management approvals to execute an up to US\$22m loan facility agreement and amended sales agreement for the Kolosori Nickel Project¹.

The Company looks forward to Glencore’s participation in the project which is being developed to generate attractive economic returns as outlined in the Company’s Definitive Feasibility Study (**DFS** or **Study**) which was recently released to the market². The Company is now advancing key contracts to develop and operate the Project with a view to commencing operations as soon as possible.

As outlined in a separate announcement, the Company has just appointed a Chief Operating Officer, Mr Hal Morris. Mr Morris was until recently Mining Operations Manager for Thiess Contractors Indonesia.

Recent developments for the Kolosori project include the following:

- Access works for the Haul Road have commenced using Solomon Islands contractors.
- Construction of the DSO Loadout Wharf has commenced using Solomon Islands contractors.
- Project delivery discussions with the preferred mining contractor, HBS, are well advanced with mining equipment ready for delivery.
- Review of the development strategy has identified potential for ore blocks close to the barge loading facility which can potentially achieve ore mining in Q3/early Q4 of this year. This is subject to availability and delivery of mining equipment to site.
- Infill drilling (40x40m) has been completed in the area where early mining is now being contemplated. Samples have been sent to ALS Brisbane for assaying.
- Grade control drilling will soon commence (20m x 20m) prior to mining.
- Sourcing of equipment for an on-site laboratory has been initiated so that drilling samples can be analysed on-site for grade control purposes.

Pacific Nickel CEO Geoff Hiller commented:

“Pacific Nickel Mines is pleased to confirm that the Kolosori Nickel Project has advanced further into the execution stage with critical path construction work now underway”.

“A review of the development strategy has identified ore blocks which can potentially be mined earlier than that assumed in the DFS. These ore blocks lie adjacent to the proposed haul road and early mining of these ore blocks is expected to enhance the Project’s economics.”

“The Company has recently completed an infill drilling program within these early ore blocks to assist with mine planning. This will be followed by grade control drilling to confirm the outline of the ore blocks.”

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

¹ ASX Announcement dated 5 April 2023 - Glencore International AG Provides Letter of Commitment to Finance Kolosori Nickel Project

² ASX Announcement dated 1 February 2023 - Kolosori Nickel Project Definitive Feasibility Study Delivers Highly Attractive Economics

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.
50-man Construction Camp.	Construction completed
DSO Loadout Wharf and port facilities including small stockpile area	Local Contractor has commenced 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 once financing in place
Small bridge to cross creek from bottom of haul road to main stockpile and camp	Access roads to bridge completed.
On-site Laboratory	Long lead items already purchased. Remaining equipment sourced with purchase once financing in place.
Contract Mining Facility	Construction due to commence once financing in place and mobilisation of mining contractor.
Road access from haul road to eastern stockpile area and main camp	Construction due to commence once financing in place and mining contractor mobilised.



Photo 1: Access roads being constructed



Photo 2: Construction of eastern face of DSO Loadout Wharf nearing completion.



Photo 3: Construction of mining contractor area in foreground opposite 50man camp. Commencement of haul road construction in background.

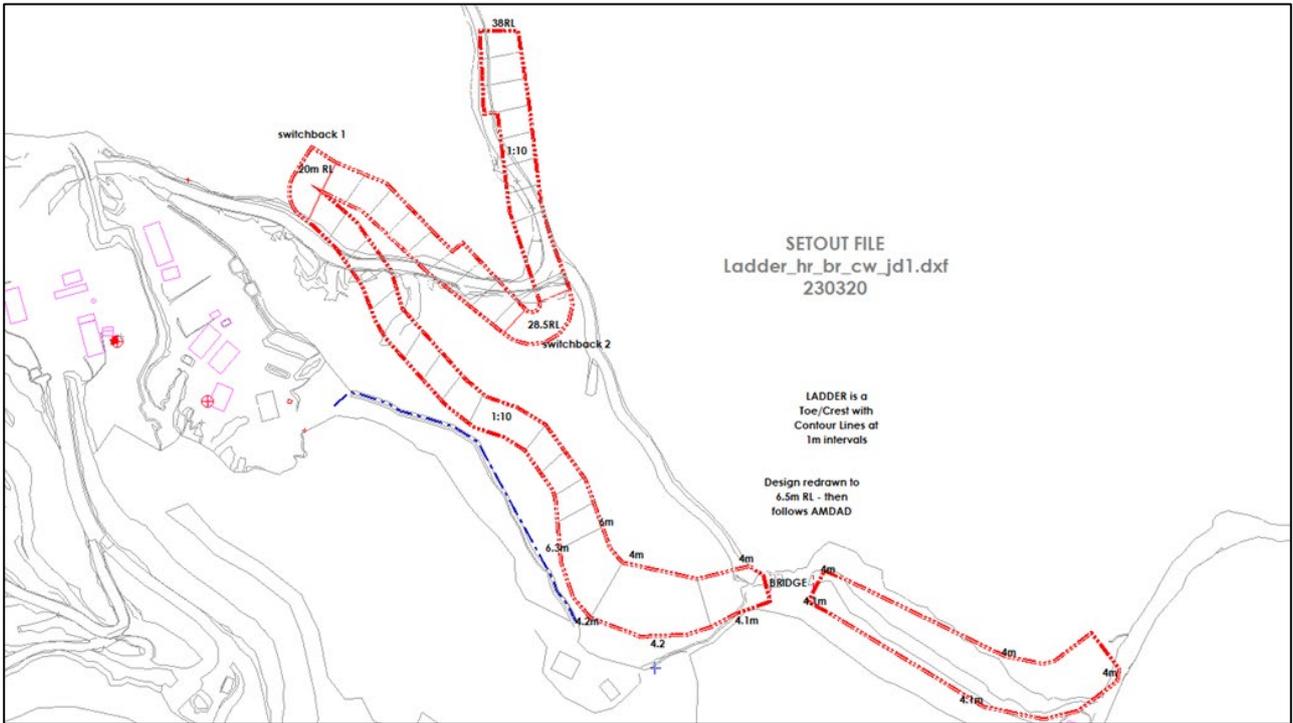


Figure 1: Initial part of the haul road and access road set out for local earthworks contractor.

Once the DSO loadout wharf is built, the mining contractor has mobilised and the haul road to the mining area has been 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 the latter part of 2023. Subject to financing, mining DSO operations are currently expected to commence in late Q3 2023/early Q4 2023 subject to availability of equipment and timely contractor mobilisation.

The Company has identified early mining blocks that are halfway up the initial haul road planned in the DFS, which if proven, will enable mining to commence as planned around late Q3 2023. This is subject to availability and delivery of mining equipment to site.

Recent mine planning has focussed on these ore blocks and confirmatory drilling in these blocks in preparation for initial mining has commenced (refer Figure 2).

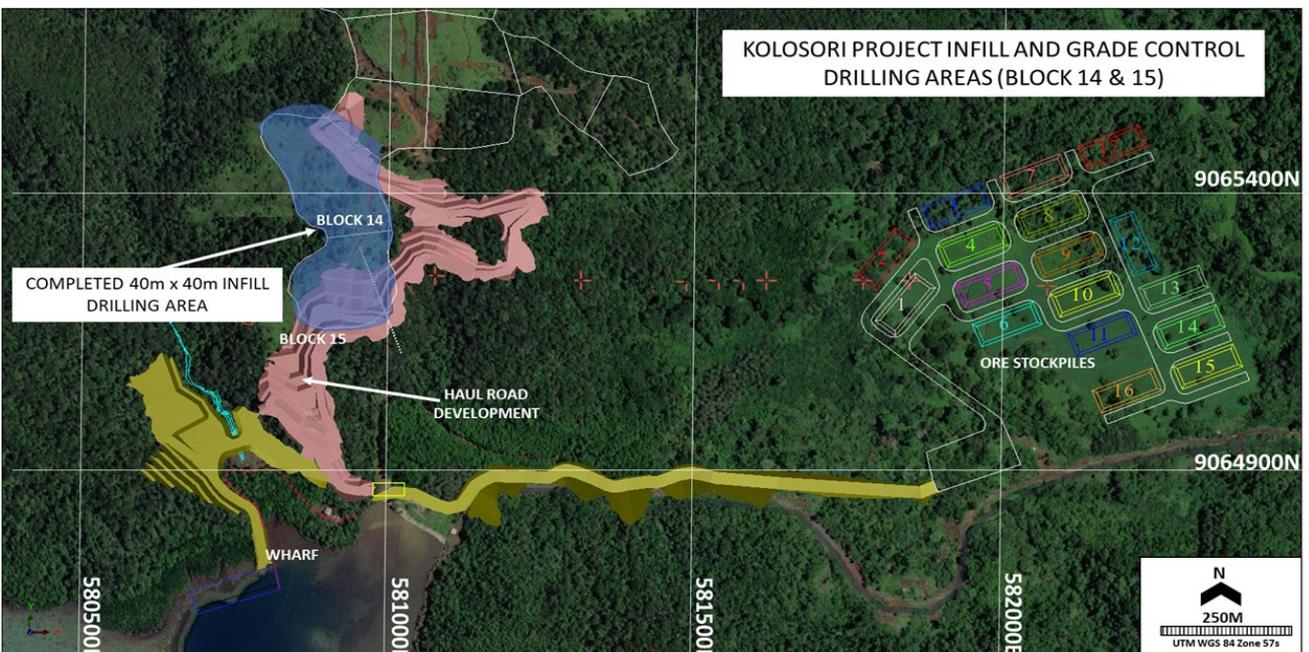


Figure 2: Drilling completed in ore blocks for potentially earlier mining than planned for in the DFS

Drilling

The Company recently completed 43 holes (totalling 355m) on a 40m by 40m pattern within the Block 14 and 15 areas (See Figure 2). The 20m by 20m infill program in this area will commence shortly and consist of 116 holes for around 1,000 metres. Samples from the 43 holes are currently being sent to ALS in Brisbane for assaying.

On site Laboratory

In order to expedite assaying of samples from the planned grade control drilling, the Company is organising the purchase of equipment for an on-site laboratory. The Company has already purchased long lead items such as the ovens for the laboratory. These are currently in transit to the Project site.

Exploration

The Company will be seeking to increase the mine life of the Project via further exploration to convert currently inferred resources of approximately 2 million tonnes (not included in the DFS financial model) into indicated resources. This work will also include drilling of new areas identified in the exploration resource target of 2.5Mt to 4.0Mt at 1.2% - 1.6% Ni as assessed by consultants Mining One.³ This Target range reflects a potential quantity and grade and is conceptual in nature only as there has been insufficient exploration to estimate a Mineral Resource. It is uncertain if further exploration will result in the estimation of a Mineral Resource. The Company has been in recent discussions with a drilling contractor who will provide a drilling rig suitable for both grade control and exploration activities for the Project.

Highlights of the Definitive Feasibility Study

The Company completed the Kolosori Definitive Feasibility Study (**DFS**) which was released to the market on 1 February 2023.⁴

The 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.

The DFS presents two production cases:

- the first incorporates the ore reserve (97%) and a small proportion of inferred resources (3%), referred to as the “Base Case”;
- the second incorporates the reserve (68%) and a larger proportion of inferred resources (32%), referred to as the “Expanded Case”.

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 DFS 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

³ ASX Announcement - Updated Kolosori JORC Mineral Resource Estimate delivers a significant increase in contained Nickel, 23 November 2022

⁴ ASX Announcement, Kolosori Nickel Project Definitive Feasibility Study Delivers Highly Attractive Economics, 1 February 2023

- 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 DFS Parameters

The key parameters of the DFS 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.
- Total operating costs of US\$31/wmt (life of mine).
- Saproelite shipped to China for the RKEF plants for the production of nickel-in-pig iron for the stainless steel industry.

Cautionary Statement

The DFS outcomes, production target and forecast financial information referred to in the 1 February 2023 announcement were based on accuracy levels for technical and economic assessments that were 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 DFS were prepared by competent persons in accordance with the requirements of the JORC Code (2012).

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

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

Authorised by the Board.

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