

Pacific Nickel Mines Limited (*Pacific Nickel or the Company*) (**ASX: PNM**) is pleased to provide an update on its activities for the March 2023 Quarter. The Company's focus for the reporting period was progressing the Company's flagship Kolosori Nickel Project to development.

ASX Code: PNM

ABN: 86 075 613 268

Issued Shares: 380,004,240

Options:

Exp 17/6/24 @ \$0.09
71,156,464

Exp 30/9/23 @ \$0.06
7,557,100

Performance Rights:
6,400,000

Directors

Terry Cuthbertson
James Dean
Geoff Hiller
Rob Thomson

Top Shareholders

Elliott Services Pty Ltd
James Dean
Terry Cuthbertson

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HIGHLIGHTS FOR THE MARCH 2023 QUARTER

Kolosori Nickel Project (PNM 80%)

- Definitive Feasibility Study delivered highly attractive economics; study highlights include:
 - 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) 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
- Export Permit granted for the Kolosori Nickel Project and approved for 3 years, allowing the Company to sell and export nickel ore produced from the project.
- Development works commenced, which includes:
 - Preliminary access works for the Haul Road
 - Construction of the DSO Loadout Wharf
 - Construction of 50-Man construction camp
- After the reporting period Glencore International AG and the Company executed an up to US\$22m Financing Agreement for the Kolosori Project.

Corporate

- Allotment of 3,942,000 shares following the exercise of options at an exercise price of \$0.06 and an expiry date of 30 Sep 2023
- After the reporting period the Company raised A\$2.5million following an equity placement at \$0.085 per share to progress the Jejevo Nickel Project and for working capital and general corporate purposes.

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 its close proximity to the coast, no processing requirements, low capital route to direct shipping ore production and local landowner support.

Glencore Financing Agreement:

After the reporting period the Company received a Letter of Commitment from Glencore International AG (Glencore), which confirmed receipt of internal management approvals to execute an up to US\$22m loan facility agreement and amended sales agreement for the Kolosori Nickel Project, subject to the finalisation of legal documents.¹

Following on from this, the Company announced on the 19th of April 2023, that formal loan documentation and amended sales agreement were signed with Glencore. The funds raised through these arrangements with Glencore are expected to be sufficient to meet the pre-production funding requirements of the Project.²

Loan Agreement

- Project loan facility of up to US\$22.0 million.
- 3-year repayment term commencing after the first shipment and with no scheduled repayments due during the wet season months.
- Competitive margin above the US Secured Overnight Financing Rate.
- Repayments effected pursuant to a cash sweep mechanism and early repayments permitted without penalty.
- No mandatory hedging.
- Events of Default standard for a facility of this nature
- Security provided via a charge over the shares of Pacific Nickel Mines Kolosori Ltd, a charge over the assets of Pacific Nickel Mines Kolosori Ltd and a corporate guarantee.

Offtake Agreement

- 6-year Term.
- Take or pay contract.
- Price received linked to agreed 1.5% DSO Nickel benchmarks and adjusted for nickel and moisture bonus/penalty payments.
- Quantity to be 100% of mine production during the Term.
- FOB Kolosori delivery basis with 85% payment upon provisional invoicing

¹ ASX Announcement 5 April 2023 – Glencore Provides Letter of Commitment to Finance Kolosori

² ASX Announcement 19 April 2023 – Major Milestone, Glencore Execute Kolosori Financing Agreement

Definitive Feasibility Study (DFS):

During the quarter, the Company released its DFS for the development of the Kolosori Nickel Project.³

The DFS was prepared by Maxwell Energy and Resources with inputs provided from a group of leading independent consultants from Australia and Indonesia including Australian Mine Design and Development (AMDAD), Mining One Consultants (Mining One), and Resindo Resources & Energy Group (Resindo), overseen by in-house Pacific Nickel personnel who are experienced in mining projects in the region.

Two production scenarios were provided by AMDAD. 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 ore reserve (68%) and a larger proportion of inferred resources (32%) – referred to as the “Expanded Case”. The Expanded Case includes inferred resources which either naturally fit within open pits as part of the Base Case or have sufficient continuity to be included in stand-alone pits.

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 Company engaged HBS PNG Pty Ltd, a well-established PNG mining contractor, in an early contractor involvement arrangement who provided actual mining contractor rates for incorporation into the DFS.

Key Study Assumptions and Results

Base Case:

- 3.8 million wet metric tonnes of ore.
- An operating mine life of 3 years
- An average nickel grade of 1.57% over the life of mine.
- Initial capital expenditure of US\$ 21.5 million including working capital
- Post-tax NPV of US\$ 64 million (A\$ 91 million) at a discount rate of 8.0%
- Post-tax IRR of 156%
- Total Operating Costs of US\$ 31 per wmt of ore
- Operating Margin of US\$ 22 per wmt of ore
- Capital payback less than one year

Expanded Case:

- 6.1 million wet metric tonnes of ore.
- An operating mine life of 5 year and 8 months
- An average nickel grade of 1.51% over the life of mine.
- Initial capital of US\$ 21.5 million including working capital
- Post-tax NPV of US\$ 83 million (A\$118 million) at a discount rate of 8.0%

³ ASX Announcement 1 February 2023 – Kolosori Nickel Project DFS Delivers Attractive Economics

- Post-tax IRR of 170%
- Total Operating Costs of US\$ 31 per wmt of ore
- Operating Margin of US\$ 18 per wmt

Export Permit Granted:

During the quarter, the Company received notification of approval for an Export Permit, which had been issued by the Hon. Minister Bradley Tovosia on behalf of the Ministry of Mines, Energy and Rural Electrification. The Export Permit has been approved for 3 years and will allow the Company to sell and export nickel ore produced from the Project.⁴

Kolosori Development:

During the reporting period the Company continued to advance development operations at the Kolosori Nickel Project.⁵ The focus of the Company was commencing the following development activities:

- 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.

Subsequent to the reporting period the Company provided an update on development activities at the Kolosori Nickel project.⁶

- 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.

⁴ ASX Announcement 14 March 2023 – Approval for Export Permit Granted – Kolosori Nickel Project

⁵ ASX Announcement 23 February 2023 – Kolosori Nickel Project Advances to Project Execution Stage

⁶ ASX Announcement 17 April 2023 – Kolosori Nickel Project Update



Photo 1: Construction of eastern face of DSO Loadout Wharf nearing completion.



Photo 2: Construction of mining contractor area in foreground opposite 50man camp. Commencement of haul road construction in background.

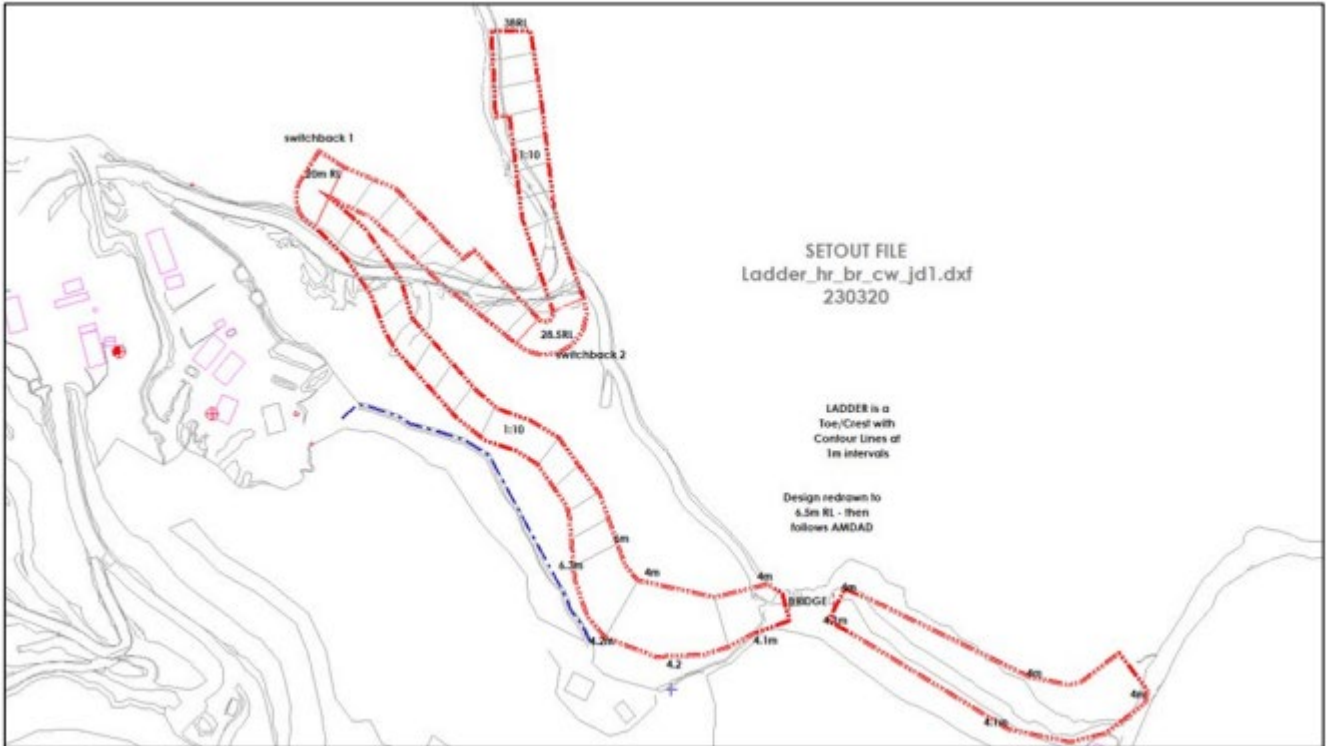


Figure 1: Initial part of the haul road and access road set out for local earthworks contractor.

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).

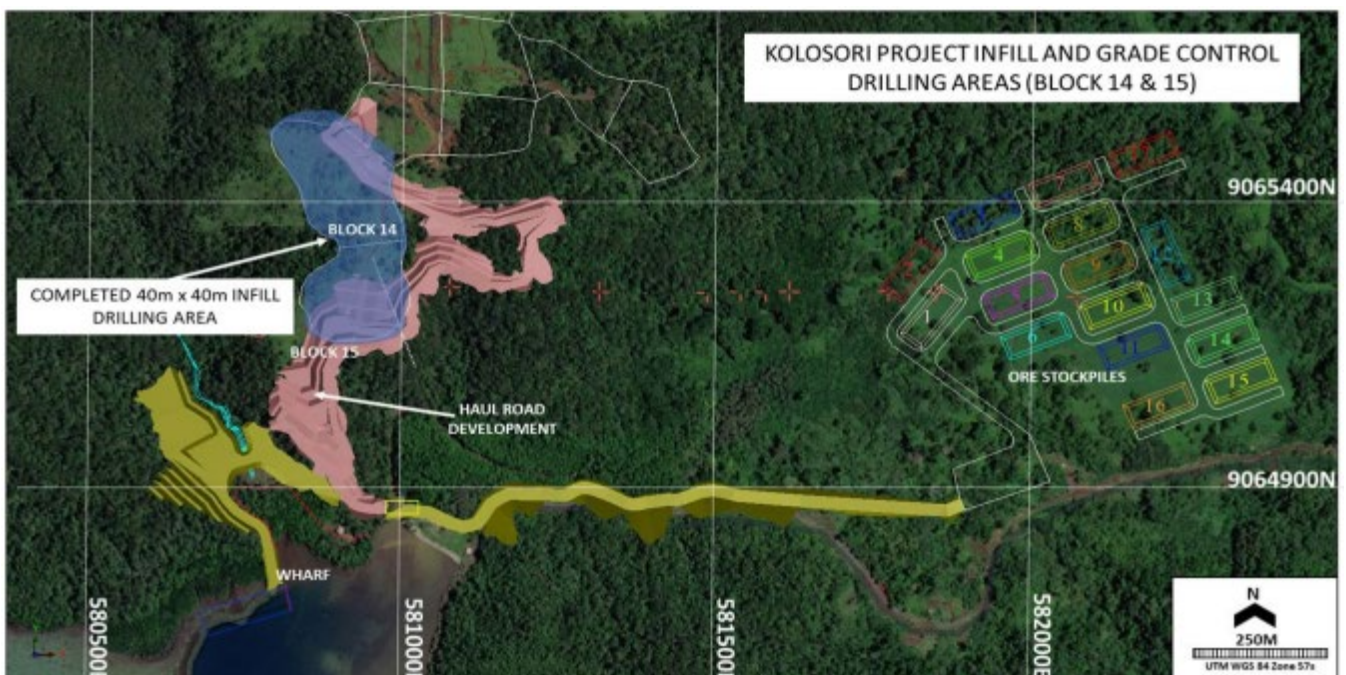


Figure 2: Drilling completed in ore blocks for potentially earlier mining than planned for in the DFS

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 with ALS in Brisbane in preparation for assaying.

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.

During the quarter, the Company continued to progress the Mining Lease application for the Jejevo Nickel Project.

It is anticipated that the Jejevo Nickel Project will follow the same development blueprint as that of the Kolosori Nickel Project.

CORPORATE

Chief Operating Officer

After the reporting period the Company announced the appointment of Mr. Haldane (Hal) Morris as Chief Operating Officer for the Company. Hal has over 30 years of executive, operational, pre-mining works and technical management experience in the resources industry, most recently as Mining Operations Manager for Thiess Contractors Indonesia and in the project management of three large Indonesian mining operations.

He will be responsible for the development and delivery of both the Kolosori and Jejevo Nickel Projects in the Solomon Islands.⁷

Exercise of Options

Allotment of 3,942,900 ordinary shares following the exercise of options by two Directors of the Company and by Bridge Street Capital Partners. The options had an exercise price of \$0.06 and an expiry date of 30 September 2023.⁸

Capital Raising

After the reporting period the Company raised A\$2.5million following an equity placement issuing 29,411,765 shares at \$0.085 per share to progress the Jejevo Nickel Project and for working capital and general corporate purposes.⁹

Other

Payments to related parties of the Company and their associates for Executive and Non-Executive fees totalled approximately \$154,000.

⁷ ASX Announcement 17 April 2023 – Chief Operating Officer Appointed for Solomon Islands

⁸ ASX Announcement 23 March 2023 – Allotment of 3,942,900 Shares Upon Exercise of Options

⁹ ASX Announcement 24 April 2023 - \$2.5M Placement to Advance the Jejevo Nickel Project and for Corporate Working Capital

Expenditure Summary

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

Activity	Expenditure (\$A000's)
Tenement Fees/Licence	5
Community/Landowner	174
Project Development Study	359
Project Development	703
Total	1,241

June Quarter Planned Activities

- Drawdown of funds under the Glencore loan facility;
- Kolosori Project:
 - Finalise mining and barging contracts
 - Drilling of ore blocks 14 and 15 on a 20m by 20m grid for grade control for initial mining
 - Mobilisation of Mining Contractor to site
 - Commence haul road construction
 - Finalise wharf construction
 - Complete road access to eastern stockpile area
 - Commence construction of 200 man camp.
- Complete Environmental Social Impact Assessment for the Jejevo Project.

2023 MARCH 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:

24-Apr-23	\$2.5M Placement to Advance the Jejevo Nickel Project and for Corporate Working Capital
19-Apr-23	Major Milestone, Glencore Execute Kolosori Finance Agreement
17-Apr-23	Kolosori Nickel Project Update
17-Apr-23	Chief Operating Officer Appointed for Solomon Islands
5-Apr-23	Glencore Provides Letter of Commitment to Finance Kolosori
23-Mar-23	Allotment of 3,942,900 Shares upon Exercise of Options
14-Mar-23	Approval for Export Permit Granted - Kolosori Nickel Project
23-Feb-23	Kolosori Nickel Project Advances to Project Execution Stage
1-Feb-23	Kolosori Nickel Project DFS Delivers Attractive Economics

These announcements are available for viewing on the Company's website under the News & Media tab. 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>Jejevo</i>	PL 01/18
SOLOMON ISLANDS - <i>Kolosori</i>	ML 02/22
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 –

This report is dated 28 April 2023 and has been authorised by the Board

Further Information

For further information, please contact the Company on (02) 9251 0032 or by email at info@pacificnickel.com or visit the Company's website 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

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")

31-Mar-23

Consolidated statement of cash flows	Current quarter \$A'000	Year to date 9 months \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration and evaluation	(0)	(2)
(b) development		
(c) production		
(d) staff costs	(83)	(300)
(e) administration and corporate costs	(131)	(472)
1.3 Dividends received (see note 3)		
1.4 Interest received	1	2
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	(213)	(772)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) tenements		
(c) property, plant and equipment	(15)	(15)
(d) exploration & evaluation	(993)	(4,028)
(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 exploration and evaluation expenditures	(248)	(1,007)
2.6 Net cash from / (used in) investing activities	(1,256)	(5,051)

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 9 months \$A'000
3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	(0)	5,175
3.2 Proceeds from issue of convertible debt securities		
3.3 Proceeds from exercise of options	237	237
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(21)	(357)
3.5 Proceeds from borrowings	185	565
3.6 Repayment of borrowings	-	(445)
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	401	5,175

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	1,103	681
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(213)	(772)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(1,256)	(5,051)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	401	5,175
4.5 Effect of movement in exchange rates on cash held		
4.6 Cash and cash equivalents at end of period	34	34

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	34	1,103
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)	34	1,103

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 executive director salary and superannuation during the period.

Current quarter \$A'000
44
109

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)	(213)
8.2 (Payments for exploration & evaluation classified as investing activities (Item 2.1(d)))	(993)
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(1,206)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	34
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	34
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	< 2

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 corporate expenditure is likely to continue. It also is envisaged that the Company may fund preliminary development expenditure in respect of the Company's second project in the Solomon Islands: the Jejevo Nickel Project. The Company expects that funding for the ongoing development of the Kolosori Nickel Project will be funded by drawing down of the Glencore loan facility of up to \$US\$22million.

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:

Subsequent to the Period the Company raised A\$2.5 million of new equity funds to progress the Jejevo Nickel Project and for working capital and general corporate purposes. In addition, subsequent to the Period, the Company executed a loan agreement with Glencore for up to US\$22 million which is expected to fund the development of the Kolosori Nickel Project .

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 - The Company does expect to be able to continue operations and to meet its business objectives given the \$2.5 million equity capital raising and the Glencore loan facility as stated in Section 8.8.2.

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: 28-Apr-23
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.