

## DEVELOPMENT CONSENT APPROVED AND PROJECT UPDATE – KOLOSORI NICKEL PROJECT

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### Development Consent Approved

**Pacific Nickel Mines Limited** (ASX Code: PNM) (“**Pacific Nickel**” or “**Company**”) is pleased to advise that the development consent for the Kolosori Nickel Project (“**Project**”) has been received from the Environment and Conservation Division of the Solomon Islands Ministry of Environment.

The development consent is a key steppingstone towards the granting of a mining lease for the Project. With this approval, the Company believes that it is on track for the granting of a mining lease early next year.

The development consent was approved after a workshop and consultation with the various Government departments, stakeholders and landowners to review the Environmental and Social Impact Assessment prepared by the Company. The development consent is subject to a number of standard conditions, with the main condition being the submission of an Environmental Management Plan prior to the commencement of construction of the Project.

#### **Pacific Nickel CEO Geoff Hiller commented:**

*“Receiving the development consent is a positive endorsement from the Government for the development of the Kolosori Project. We are now focused on the granting of the Mining Lease while we complete the definitive study feasibility. We remain committed to fast tracking the Project, which is expected to benefit all stakeholders.”*

### Kolosori Nickel Project

On 18 November 2021 Pacific Nickel announced the results of an independent Scoping Study (“**Study**”) for the development of its 80% owned Kolosori Nickel Project in the Solomon Islands<sup>1</sup>.

Located on Isabel Island the Project is expected to generate strong financial returns while also delivering significant social and economic benefits to the landowners (who hold a 20% carried interest in the Project), local communities and the Provincial and Federal governments.

The Scoping Study was conducted by a group of leading independent consultants from Australia and Indonesia including Resindo and Mining One, overseen by in-house Pacific Nickel personnel who are experienced in mining projects in the region.

### 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 less than 1 km
- Stockpile management a key to moisture control and loading direct ship ore (“**DSO**”) onto barges

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<sup>1</sup> ASX announcement dated 18 November 2021 - Release of Scoping Study for Kolosori Nickel Project and Clarification/Retraction of Previous Disclosures.

- Barge ore less than 1km to 50,000 to 60,000 tonne geared ships for export
- Production of 1.3 million wet metric tonnes (wmt) per year DSO based on port throughput

## Key Study Assumptions and Results

The key assumptions and result inputs of the Study were:

- Production Target of 6.23m tonnes at 1.5% Ni for 93,450t of contained nickel
- Production Target contains 43% Measured and Indicated Resources with more than 75% of the Production Target over the first 2.5 years from Measured and Indicated Resources
- The shallowness of mining allows flexibility to mine the Measured and Indicated Mineral Resource as early as possible where required
- Ability to mine higher grades in excess of 1.6%Ni early in mine schedule
- First production targeted in late 2022
- Capital cost estimate between US\$18m and US\$20m
- Site operating cost estimate in the range US\$15 to US\$17/wmt
- Barging costs in the range US\$4.50 to US\$5.50/wmt
- Shipping cost of around US\$38/wmt
- Saprolite shipped to China for the RKEF plants for end use in the stainless steel industry
- Pricing of 1.5% Ni saprolite US\$85/wmt (CIF China)
- Pricing of 1.6% Ni saprolite US\$91/wmt (CIF China)
- Capital payback approximately one year
- Project NPV of US\$58.3m with IRR of 152%

## Definitive Feasibility Study Update

The Company is in the process of preparing a Definitive Feasibility Study (“DFS”) with many of the key infrastructure components already well advanced.

The delivery of the DFS is largely dependent on the timing of the receipt of assay results from the 220 holes. This will form the basis of a revised block model and an updated mineral resource estimate. There remains significant congestion at the Australian assay laboratories and as such the DFS is now expected to be completed as soon as practicable in Q1 2022.

Part of the DFS relies on some of the information that will be obtained from the Early Works program.<sup>2</sup> In particular, the geotechnical assessment of the port area and the test pits. The Early Works program has commenced with a detailed survey of the initial construction and mining areas. A recent tropical cyclone near the Solomon Islands has delayed barging of the required equipment onto the Project site to carry out the test pits and geotechnical works. Subject to the weather, this part of the program will be commenced as soon as possible.

The Early Works program has been designed to allow the Company and its contractors to establish a site base at Kolosori in preparation for the main construction program targeted for the end of the current wet season (May) next year subject to the completion of the Definitive Feasibility Study, regulatory approvals, and financing.

The scope of the Early Works includes the following:

- Carry out a geotechnical assessment of the proposed wharf site;
- Carry out a number of test pits to assess mining and moisture content;

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<sup>2</sup> ASX announcement 2 December 2021 – Early Works Program Initiated – Kolosori Nickel Project

- Prepare a temporary camp including fuel tanks;
- Carry out a detailed environmental survey within the main project infrastructure areas; and
- Assess quarry sites to provide construction materials for wharf and road construction

The Early Works program is expected to be completed by the end of February 2022.

## Financing

The Company is continuing discussions with a number of potential financiers and is also reviewing potential nickel offtake arrangements for the Kolosori Nickel Project. These discussions remain subject to finalisation of the DFS (and particularly the information from the test pits) and the timing of regulatory approvals.

With the development consent being approved, the Company is more confident that it will receive the required mining lease approval for the Kolosori Nickel Project early next year.

Authorised by the Chief Executive Officer

For further information please contact:

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## Cautionary Statements – Scoping Study

The Scoping Study referred to in this announcement and released on 18 November 2021 was undertaken for the purpose of the further evaluation of a potential development of the Kolosori Nickel Project. It is a preliminary technical and economic study of the potential viability of producing a nickel direct ship ore product from the Kolosori Nickel Laterite Project.

The Scoping Study outcomes, production target and forecast financial information referred to in this announcement are based on low accuracy level technical and economic assessments that are insufficient to support estimation of Ore Reserves, or to provide certainty that the conclusions of the Study will be realised. While each of the modifying factors was considered and applied, there is no certainty of eventual conversion to Ore Reserves or that the production target itself will be realised. Further exploration and evaluation work and appropriate studies are required before Pacific Nickel is in a position to estimate any Ore Reserves or to provide any assurance of an economic development case.