

FINANCIAL REPORT HALF YEAR ENDED 31 DECEMBER 2023

Pacific Nickel Mines Limited (ASX Code: PNM) provides its Financial Report for the Half Year ended 31 December 2023.

Authorised by the Board.

For further information please contact:

Mr. Geoff Hiller

Executive Director & CEO

Mr. Andrew J. Cooke

Company Secretary

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Please visit the company's website at www.pacificnickel.com



A.B.N 86 075 613 268

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2023

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This Interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2023 and any public announcements made by Pacific Nickel Mines Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

**Pacific Nickel Mines Limited
ABN 86 075 613 268
and Controlled Entities**

DIRECTORS' REPORT

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity consisting of Pacific Nickel Mines Limited ("Pacific Nickel" or the "Company") and the entities it controlled (together, the 'Group') at the end of, or during, the half-year ended 31 December 2023 ("Period").

DIRECTORS

The names of the Pacific Nickel's directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Mr T Cuthbertson (Interim Chairman, appointed 4 March 2024, Non-executive Director from 8 June 2023 to 3 March 2024)
Mr G Foulis (Non-Executive Director, appointed 4 March 2024, Non-executive Chairman from 8 June 2023 to 3 March 2024)
Mr G Hiller (Executive Director)
Mr J. Dean (Non-Executive Director)
Mr R Thomson (Non-Executive Director)

REVIEW OF RESULTS AND OPERATIONS

During the Period the Group's main business activity was the development of nickel laterite deposits in the Solomon Islands.

SOLOMON ISLAND NICKEL PROJECTS

Kolosori Nickel Project (80%) Solomon Islands

The Company owns an 80% interest in Pacific Nickel Mines Kolosori Ltd (PNMK), a subsidiary entity of the Company incorporated in the Solomon Islands, with the remaining 20% interest held by local landowners. On 14 September 2022, PNMK was granted a Mining Lease ML 02/22.

During the Period, the Kolosori Nickel Project ("Kolosori Project") was developed as a direct shipping ore nickel laterite project. The Company spent approximately AUD\$22 million during the Period for constructing the project and providing working capital.

During the Period, the Company advanced mining operations in the lead up to first shipment. Mining of nickel ore commenced on 1 October 2023 via mining contractor HBS. This was carried out alongside construction activities which included the wharf, haul road, laboratory and 250-man camp construction.

All four 3,000 tonnes barges contracted with Marinepia Shipping Company Limited arrived at site during the Period. The Company also ordered the first ore transport ship of approximately 60,000 tonnes capacity arranged by Glencore. The ship arrived at Kolosori on 19 December 2023. The ship was moored some 800m from the wharf for loading by trans-shipment by barge.

The Company worked closely with Glencore during the quarter to ensure that all stockpile sampling, testing and monitoring procedures were conducted in line with international shipping standards. The Company also undertook additional drilling of the stockpiles to ensure results were known through the full depth and breadth of each stockpile. The testing and sampling program was supervised by an internationally regarded expert engaged by the Company.

Loading of the first 60,000 tonne bulk carrier was completed on 25 December 2023, achieving a loading rate of approximately 10,000 tonnes per day. The ship departed on 26 December with the average grade of the first DSO shipment to offtake partner Glencore being over 1.75% nickel.

The Company received its first payment of 85% of the value of the first shipment of DSO Nickel from Glencore in January 2024. The balance was paid upon adjudication of the cargo at the discharge port.

With the first shipment of DSO nickel ore achieved in late December 2023, the Company has demonstrated that it can successfully carry out ore mining, ore stockpiling, ore loading onto barges, and ship loading (refer Photos 1, 2 and 3).

**Pacific Nickel Mines Limited
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DIRECTORS' REPORT (CONTINUED)

The Company is now focussed on ramping up to full ore production of around 1.5mtpa, which is anticipated to take 2 to 3 months. The Company has announced subsequent to the Period that the second ship load of around 60,000 tonnes was completed in February 2024 with the expectation of another shipment in March, two in April and three in May.



Photo 1 – Kolosori Project Site and stockpiles located near to the Kolosori Wharf



Photo 2 – Barges docked at Kolosori Wharf for barging of ore to a geared transport ship

**Pacific Nickel Mines Limited
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DIRECTORS' REPORT (CONTINUED)



Photo 3 – Loading of Kolosori nickel DSO showing barges on each side of the ship

Jejevo Nickel Project (80%) Solomon Islands

The Jejevo Nickel Project (Jejevo Project) is an advanced stage direct shipping ore (DSO) nickel laterite project with excellent potential for development.

The Company holds the Jejevo Project via an 80% equity interest in Pacific Nickel Mines Varej Limited (PNMVL), which holds Prospecting Lease PL 01/18 located on the south coast of Santa Isabel Island in the Solomon Islands. The remaining 20% of PNMVL is owned by groups associated with the landowners. The Jejevo Project is located within the PL 01/18 project area.

In December 2022, PNMVL applied for a Mining Lease over PL 01/18. A preliminary study was prepared in support of the Mining Lease application on the basis that the Jejevo Nickel Project should be progressed to the feasibility stage simultaneously with preparation of an environmental and social impact assessment (EISA). The study demonstrated that the Kolosori Project could act as a blueprint for the Jejevo Project and could be developed in much the same way.

The Company submitted an EISA for the Jejevo Project to the Solomon Islands Environmental Department during the Period. Subsequent to the Period, the Solomon Islands Environmental Department requested further information. The Company is in the process of providing that information.

During the Period, the Company entered into a Surface Access Rights Agreement (SARA) for a Mining Lease with landowners in respect of the Jejevo Nickel Project.

No exploration work was conducted at the Jejevo Nickel Project during the Period.

The Company notes that there is a legal case relating to a judicial review of decisions made by government authorities in the Solomon Islands in relation to the awarding of PL 01/18 in 2018. At the date of this Report these legal proceedings are ongoing. The Company has legal advice that the case lacks merit.

**Pacific Nickel Mines Limited
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DIRECTORS' REPORT (CONTINUED)

CORPORATE

Capital Structure

On 18 August 2023, 1,280,000 ordinary shares were issued in the satisfaction of the performance rights.

On 4 October 2023, 7,557,100 ordinary shares were issued on options expiring 30 September 2023, with option exercise price at \$0.06.

As at 31 December 2023 the Company had the following securities on issue:

- 418.253 million fully paid ordinary shares;
- 71.16 million options with an exercise price of \$0.09 with expiring on 17 June 2024; and
- 16.870 million performance rights.

FINANCIAL PERFORMANCE

During the Period the consolidated net loss of the Group was \$3.666 million (2022: loss of \$0.380 million).

CASH FLOWS

During the Period, the Group had negative cash flows from operations of \$18.351 million (2022: negative cash flow of \$0.620 million).

During the Period the Group:

- received net proceeds from the exercise options of \$0.453 million;
- received net secured loan of \$28.506 million;
- incurred development expenditure on the Kolosori Nickel Project pre-production of \$17.497 million; and
- made an investment in Jejevo and Kolosori Nickel projects of \$5.216 million.

Cash at 31 December 2023 was \$6.748 million (2022: \$1.104 million).

FINANCIAL POSITION

Total equity decreased by \$2.207 million from \$19.637 million as at 30 June 2023 to \$17.430 million as at 31 December 2023 as a result of a net loss of \$3.666 million, and net increased in contributed equity of \$0.480 million.

GOING CONCERN

The Group currently relies on its nickel projects in the Solomon Islands for its continuing viability and for its ability to continue as a going concern and to meet its debts and commitments.

As a result, there is a material uncertainty related to events or conditions that may cast significant doubt on whether the Group will continue as a going concern and, therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial report.

At this time, the directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report at 31 December 2023. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern. Refer Note 1 for further details in relation to the Company accounting policies regarding Going Concern.

**Pacific Nickel Mines Limited
ABN 86 075 613 268
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DIRECTORS' REPORT (CONTINUED)

RISKS OVERVIEW

The material business risks that the Group faces that could influence its future prospects, and how these are managed, are outlined below.

Mining Projects in Development Phase

The Directors recognise the Company is in a ramp up to full operation phase for the Kolosori project. There are a number of operational risks which include the impact of rain on the mining of the deposit and stockpiling, machine availability due to the logistics of getting spare parts into the Solomon Islands and logistical issues in general relating to operating on a remote site. The Group is working with the mining contractor to ensure that a suitable level of machine availability is achieved and the project management team is focussed on stockpile management, barge handling and project co-ordination to ensure that the production meets the required levels.

Commodity Prices and Shipping Rates

Both of the Company's projects are being developed for the mining and export of direct ship nickel ore. Nickel prices have fallen dramatically during the reporting period due to factors beyond the control of the Group. The Group is addressing this risk by managing its mine plan and operating costs. At Kolosori, the Company has concentrated on areas of higher grade and increasing production to lower unit operating costs during the dry season. The Company has no control of the price that is received for direct shipping ore or shipping rates.

Project Debt

Construction of the Kolosori Project was funded with project financing provided by Glencore International AG. The financing has been structured to ensure that debt repayments are aligned with forecast levels of production. There is a risk in the event that forecast levels of production are not achieved. The Group has developed a mining strategy to address this issue however weather and other external factors can have an adverse impact on levels of production.

Tenure and title risk

The Group's operations in the Solomon Islands require approvals from various government regulatory authorities which may not be forthcoming, either at all or in a timely manner, or which may not be able to be obtained on terms acceptable to the Group. Mining and exploration tenements/licences are subject to periodic renewal. There is no guarantee that current or future exploration permits or mining licenses will be renewed on acceptable terms or renewed in full, and that they will be granted without undue delay. A failure to obtain any approval would mean that the Group may be restricted, either in part or absolutely, from exploration, development and mining activities. The Group works closely with local land owners and all levels of Government to minimise the risk of losing tenure.

Sovereign risk

The Company has considered the sovereign risk as it applies to the Solomon Islands. To mitigate this risk, the Company has established a strong partnership with local community members and maintains a working rapport with key local and government representatives.

AFTER BALANCE DATE EVENTS

The first DSO shipment was completed in January 2024 and the full payment has been received.

The second DSO shipment was completed on 18 February 2024 and the 85% of the value of the second shipment of DSO Nickel has been received from Glencore International AG. The balance will be paid upon adjudication of the cargo at the discharge port.

On 4 March 2024, Greg Foulis stepped down as Chairman and remained as a Non-executive Director of the Board. Terry Cuthbertson has been appointed as Interim Chairman of the Board.

There are no other matters or circumstances that have arisen since 31 December 2023 which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

**Pacific Nickel Mines Limited
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AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is attached.

Signed in accordance with a resolution of the directors.

A handwritten signature in purple ink, appearing to be 'Terry Cuthbertson', written over a faint horizontal line.

On behalf of the Directors
Terry Cuthbertson
Interim Chairman
Sydney, 15 March 2024



**AUDITOR'S INDEPENDENCE DECLARATION UNDER S 307C OF THE
CORPORATIONS ACT 2001
TO THE DIRECTORS OF PACIFIC NICKEL MINES LIMITED**

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2023 there have been no contraventions of:

- i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. any applicable code of professional conduct in relation to the review.

MNSA PTY LTD

MNSA Pty Ltd

Mark Schiliro
Director

Sydney
Dated this 15th of March 2024

Pacific Nickel Mines Limited
ABN 86 075 613 268
and Controlled Entities

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	Note	31 December 2023 \$	31 December 2022 \$
Sales	2	2,441,348	-
Cost of Sales	3	(2,132,850)	-
Gross profit		308,498	-
Interest income		335,713	5,263
Administration and Corporate expenses		(597,520)	(234,678)
Depreciation and amortisation expense	3	(427,093)	(1,546)
Employee benefits expense		(425,567)	(134,648)
Share-based payments expense		(133,185)	-
Evaluation and Exploration expenditure expensed		(330)	(1,000)
Interest expenses		(2,463,341)	(13,323)
Finance costs		(263,388)	-
Loss before income tax		(3,666,213)	(379,932)
Income tax expense		-	-
Net loss for the period		(3,666,213)	(379,932)
Other comprehensive income/(loss)			
Other comprehensive income/(loss) – Foreign exchange		878,625	-
Total comprehensive loss for the period		(2,787,588)	(379,932)
Total comprehensive loss attributable to members of the Company		(2,787,588)	(379,932)
Loss for the period is attributable to:			
Owners of Pacific Nickel Mines Limited		(3,584,946)	(379,932)
Non-controlling interest		(81,267)	-
		(3,666,213)	(379,932)
Total comprehensive income/(loss) attributable to:			
Owners of Pacific Nickel Mines Limited		(2,706,321)	(379,932)
Non-controlling interest		(81,267)	-
		(2,787,588)	(379,932)
		\$ per share	\$ per share
Basic and diluted (loss) per share		(0.009)	(0.001)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Pacific Nickel Mines Limited
ABN 86 075 613 268
and Controlled Entities

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Note	31 December 2023 \$	30 June 2023 \$
CURRENT ASSETS			
Cash and cash equivalents		6,747,896	1,142,091
Trade and other receivables	4	2,508,497	35,839
TOTAL CURRENT ASSETS		9,256,393	1,177,930
NON-CURRENT ASSETS			
Property, plant and equipment		344,253	368,913
Exploration and evaluation expenditure	5	10,647,470	8,427,490
Development expenditure	6	22,784,545	4,416,110
Investments	7	4,498,130	5,553,587
Other assets	8	9,586,089	5,098,560
TOTAL NON-CURRENT ASSETS		47,860,487	23,864,660
TOTAL ASSETS		57,116,880	25,042,590
CURRENT LIABILITIES			
Trade and other payables	9	5,472,602	769,074
Borrowings	10	14,590,764	-
TOTAL CURRENT LIABILITIES		20,063,366	769,074
NON-CURRENT LIABILITIES			
Borrowings	10	19,623,439	4,636,696
TOTAL NON-CURRENT LIABILITIES		19,623,439	4,636,696
TOTAL LIABILITIES		39,686,805	5,405,770
NET ASSETS		17,430,075	19,636,820
EQUITY			
Contributed equity	11	85,343,856	84,864,038
Reserves	12	1,785,053	805,403
Accumulated losses		(69,617,567)	(66,032,621)
Equity attributable to the owners of Pacific Nickel Mines Limited		17,511,342	19,636,820
Non-controlling interest		(81,267)	-
TOTAL EQUITY		17,430,075	19,636,820

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Pacific Nickel Mines Limited
ABN 86 075 613 268
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	Contributed Equity	Accumulated Losses	Reserves			Equity attributable to Pacific Nickel Mines Limited	Non- controlling interest	Total Equity
			Options Revenue	Performance Rights	Foreign Currency Translation			
	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2022	75,073,743	(65,178,398)	788,468	53,800	-	10,737,613	-	10,737,613
Loss for the period	-	(379,932)	-	-	-	(379,932)	-	(379,932)
Other comprehensive income/(loss)	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	(379,932)	-	-	-	(379,932)	-	(379,932)
Shares issued during the period	6,525,000	-	-	-	-	6,525,000	-	6,525,000
Shares issue cost	(351,403)	-	-	-	-	(351,403)	-	(351,403)
Balance at 31 December 2022	81,247,340	(65,558,330)	788,468	53,800	-	16,531,278	-	16,531,278
Balance at 1 July 2023	84,864,038	(66,032,621)	781,868	53,800	(30,265)	19,636,820	-	19,636,820
Loss for the period	-	(3,584,946)	-	-	-	(3,584,946)	(81,267)	(3,666,213)
Other comprehensive income/(loss)	-	-	-	-	878,625	878,625	-	878,625
Total comprehensive income for the year	-	(3,584,946)	-	-	878,625	(2,706,321)	(81,267)	(2,787,588)
Share-based payments	-	-	-	133,185	-	133,185	-	133,185
Options and performance rights exercised during the period	464,186	-	-	(10,760)	-	453,426	-	453,426
Transfer from reverses	21,400	-	(21,400)	-	-	-	-	-
Shares issue cost	(5,768)	-	-	-	-	(5,768)	-	(5,768)
Balance at 31 December 2023	85,343,856	(69,617,567)	760,468	176,225	848,360	17,511,342	(81,267)	17,430,075

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Pacific Nickel Mines Limited
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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	31 December 2023 \$	31 December 2022 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(1,187,793)	(622,210)
Development expenditure	(17,497,302)	-
Interest received	334,052	5,263
Interest paid	-	(2,998)
Net cash (used in) operating activities	<u>(18,351,043)</u>	<u>(619,945)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment of Investments	-	(186)
Exploration and evaluation expenditure	(5,216,393)	(3,831,312)
Net cash (used in) investing activities	<u>(5,216,393)</u>	<u>(3,831,498)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issues of shares	-	5,275,000
Proceeds from exercise of options	453,426	-
Proceeds from secured loans	28,506,100	-
Transaction costs related to loans and borrowings	(301,745)	-
Repayment of unsecured loan	-	(65,000)
Transaction costs paid for shares issue	-	(336,110)
Net cash provided by financing activities	<u>28,657,781</u>	<u>4,873,890</u>
NET INCREASE IN CASH HELD	5,090,345	422,447
CASH AT THE BEGINNING OF THE FINANCIAL PERIOD	1,142,091	681,243
Effect of exchange rate fluctuation on cash held	<u>515,460</u>	<u>-</u>
CASH AT THE END OF THE FINANCIAL PERIOD	<u>6,747,896</u>	<u>1,103,690</u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Pacific Nickel Mines Limited
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and Controlled Entities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report is for Pacific Nickel Mines Limited and its controlled entities (together, the "Group") in respect of the interim half-year reporting period ended 31 December 2023 and has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2023 and any public announcements made by Pacific Nickel Mines Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

New or amended Accounting Standards and Interpretations adopted

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standard Board ("AASB") that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Significant matters relating to the ongoing viability of operations

GOING CONCERN

The Group experienced operating losses of \$3.666 million and negative cash flows from operations of \$18.351 million during the half year ended 31 December 2023.

At 31 December 2023, the Group has current liabilities amounting to \$20.063 million (30 June 2023: \$0.769 million).

The Group's cash position at balance date was \$6.748 million, which will not be sufficient to fund the Group's forecast cash outflows from operations for the period to 31 March 2025.

The Group currently relies on its nickel projects in the Solomon Islands for its continuing viability and for its ability to continue as a going concern and to meet its debts and commitments.

As a result of these matters, there is a material uncertainty related to events or conditions that may cast significant doubt on whether the Group will continue as a going concern and, therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial report.

The continuing viability of the Group and its ability to continue as a going concern and meet its debts and commitments as and when they fall due are dependent upon the Group being successful with some or all of the following:

- achieving the required production of Nickel Ore from the Kolosori nickel project in the Solomon Islands;
- continuing to develop the Jejevo nickel project in the Solomon Islands;
- raising debt in respect of the Kolosori project;
- raising further equity through the capital market; and
- entering into a corporate transaction.

On that basis the directors believe it is reasonable to expect that the Group will be successful in some of the above matters and, accordingly, have prepared the financial report on a going concern basis.

At this time, the directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report at 31 December 2023. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

Pacific Nickel Mines Limited
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	31 December 2023 \$	31 December 2022 \$
2 REVENUE		
<i>Revenue from contracts with customers</i>		
Sale of nickel ore	2,441,348	-
	<hr/>	<hr/>
3 EXPENSES		
<i>Cost of sales</i>		
Mining expenses	2,132,850	-
	<hr/>	<hr/>
<i>Depreciation</i>		
Plant and equipment	24,660	1,546
Total Depreciation	<hr/> 24,660 <hr/>	<hr/> 1,546 <hr/>
<i>Amortisation</i>		
Mining development	280,834	-
Exploration and evaluation expenditure	121,599	-
Total Amortisation	<hr/> 402,433 <hr/>	<hr/> - <hr/>
Total depreciation and amortisation	<hr/> 427,093 <hr/>	<hr/> 1,546 <hr/>
	<hr/>	<hr/>
4 TRADE AND OTHER RECEIVABLES		
	31 December 2023 \$	30 June 2023 \$
Trade receivables	2,441,348	-
Tenement security deposits	-	2,500
GST receivables	38,133	31,139
Prepayment	26,565	2,200
Others	2,451	-
	<hr/> 2,508,497 <hr/>	<hr/> 35,839 <hr/>

Pacific Nickel Mines Limited
ABN 86 075 613 268
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	31 December 2023	30 June 2023
	\$	\$
5 EXPLORATION AND EVALUATION EXPENDITURE		
Costs carried forward in respect of areas of interest in exploration and evaluation phases	10,647,470	8,427,490
Movement for period		
Balance at beginning of period	8,427,490	7,343,636
Transfer from investments 7a	1,055,457	-
Loan reversal/(advance) to PNMK minority shareholders for 20% interests in Kolosori Nickel Project a	482,526	(5,098,560)
Impairment	-	(50,000)
Amortisation	(121,599)	-
Current period expenditure	803,596	6,232,414
Balance at end of period	10,647,470	8,427,490

- a) On 10 November 2020 the Company entered into an agreement with PNMK and the Landholders, on terms satisfactory to the Company, for the provision of funding by the Company to the Landholders (to be repaid from PNMK's cash flows and sale proceeds) for their portion of exploration and development costs relating to the Kolosori Nickel Project. In addition, any advance from Landholders to be repaid in full from the 20% Landholders interests of PNMK.

6 DEVELOPMENT COSTS

Costs carried forward in respect of areas of interest in exploration and evaluation phases	22,784,545	4,416,110
Movement for period		
Balance at beginning of period	4,416,110	-
Loan advance to PNMK minority shareholders for 20% interests in Kolosori Nickel Project	(4,970,055)	-
Amortisation	(280,834)	-
Current period expenditure	23,619,324	4,416,110
Balance at end of period	22,784,545	4,416,110

7 INVESTMENTS

Investments in Jejevo Nickel	1,953,704	2,668,623
Investments in Kolosori Nickel	1,960,000	2,300,554
Investments in Other Tenements	234,426	234,410
Investments in Lorena Gold Royalty	350,000	350,000
a	4,498,130	5,553,587

- a) Reclassification of investments to exploration and evaluation expenditure.

8 OTHER ASSETS

Loans to the minority shareholders of PNMK	9,586,089	5,098,560
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Loan to minority shareholders of PNMK in respect of the 20% interests of exploration and development costs related to Kolosori Nickel Project, to be repaid from PNMK's dividends declared in favour of the minority shareholders. This is consistent with the final shareholder agreement dated 17 April 2023.

Pacific Nickel Mines Limited
ABN 86 075 613 268
and Controlled Entities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	31 December 2023 \$	30 June 2023 \$
9 TRADE AND OTHER PAYABLES		
Trade creditors	3,717,541	228,089
Other creditors	1,755,061	540,985
	5,472,602	769,074

10 BORROWINGS

Current liabilities

Secured loan	a	14,590,764	-
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Non-current liabilities

Secured loan	a	19,623,439	4,636,696
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a) Secured loan

On 19 April 2023, the Company entered a debt and sale facilities with Glencore International AG to advance to the pre-production funding requirements of the Kolosori Nickel Project.

Key Terms associated with the debt and sale facilities include:

Loan Agreement

- Project loan facility of up to A\$32 million (US\$22 million).
- 3-year repayment term commencing after the first shipment and with no scheduled repayment due during the wet season months.
- Interest rate of 11% plus 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.
- Ownership transfer of nickel ore passes to the buyer upon the nickel ore being put on board of the vessel.
- Quantity to be 100% of mine production during the Term.
- FOB Kolosori delivery basis with 85% payment upon provisional invoicing, and balance of 15% on confirmation.

In May 2023, the initial drawdown of US\$3 million had completed. As 30 June 2023, the loan advance and accrued interests of \$4.637 million (US\$3.080 million) were reflected in non-current liability.

In July 2023, the final US\$19 million (A\$ 28.506 million) was drawn. As 31 December 2023, the total loan advance and accrued interest of \$34.214 million (US\$23.682 million) were reflected in current and non-current liabilities.

Pacific Nickel Mines Limited
ABN 86 075 613 268
and Controlled Entities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	31 December 2023	30 June 2023
	\$	\$
11 CONTRIBUTED EQUITY		
418,253,105 fully paid ordinary shares (30 June 2023: 409,416,005)	85,343,856	84,864,038

Fully paid ordinary shares carry one vote per share and carry the right to dividends and have no par value,

a) Movement in ordinary share capital

		Number of shares	Issue price \$	Share capital \$
1 July 2022	Opening balance	271,275,856		75,073,743
13 October 2022	Allotment of Deferred Consideration Shares for acquisition of 80% interest in Kolosori Project	15,625,000	0.08	1,250,000
21 October 2022	Share Placement – Tranche 1	71,428,572	0.07	5,000,000
8 December 2022	Share Placement – Tranche 2	3,928,572	0.07	275,000
3 January 2023	Allotment of Deferred Consideration Shares for acquisition of 80% interest in Jejevo Project	13,803,340	0.08	1,104,268
23 March 2023	Conversion of options expiring 30 September 2023	3,942,900	0.06	236,574
23 March 2023	Share placement	29,411,765	0.085	2,500,000
	Transfer from options reserve			6,600
	Transaction costs relating to share issues			(582,147)
30 June 2023	Closing balance	409,416,005		84,864,038
1 July 2023	Opening balance	409,416,005		84,864,038
18 August 2023	Conversion of performance rights	1,280,000	0.008	10,760
4 October 2023	Conversion of options expiring 29 September 2023	7,557,100	0.06	453,426
	Transfer from options reserve			21,400
	Transaction costs relating to share issues			(5,768)
31 December 2023	Closing balance	418,253,105		85,343,856

- b) The Group's objective when managing capital is to safeguard its ability to continue as a going concern (refer to note 1), so that it can continue to maintain an optimal capital structure to reduce the cost of capital. The Group monitors capital on a regular basis in order to achieve the objectives. The Group's strategy has remained unchanged from the prior year.

	31 December 2023	30 June 2023
	\$	\$
12 RESERVES		
Options revenue reserve	760,468	781,868
Performance rights reserve	176,225	53,800
Foreign currency translation reserve	848,360	(30,265)
	1,785,053	805,403

13 CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 31 December 2023 (June 2023: nil).

Pacific Nickel Mines Limited
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

14 SEGMENT INFORMATION

The economic entity operates in segment within mineral exploration and development in Solomon Islands. The Group has two development interests, the Kolosori Nickel Project ("Kolosori") and Jejevo Nickel Project ("Jejevo"), on the Santa Isabel Island, for which the Board of Directors (the chief operating decision maker) reviews internal management reports on a monthly basis.

Segment assets

Information about reportable segments

The key segment assets as reported to the Board are as follows:

	31 December 2023	30 June 2023
	\$	\$
<i>Exploration and Development</i>		
Solomon Islands	33,776,268	13,212,513
Australia	-	-
	<u>33,776,268</u>	<u>13,212,513</u>

	Solomon Islands \$	Corporate \$	Total \$
31 December 2023			
Revenue from continuing operations	2,441,348	-	2,441,348
Mining expenses	(2,132,850)	-	(2,132,850)
Interest income	9,832	325,881	335,713
Administration and corporate expenses	(84,337)	(513,183)	(597,520)
Depreciation and amortisation expense	(426,669)	(424)	(427,093)
Employee benefits expense	-	(425,567)	(425,567)
Share-based payments expense	-	(133,185)	(133,185)
Development, evaluation and Exploration expenditure expensed	(23,955,827)	(330)	(23,956,157)
Development, Evaluation and Exploration expenditure capitalised	23,955,827	-	23,955,827
Interest expenses	(2,463,162)	(179)	(2,463,341)
Finance costs	(263,388)	-	(263,388)
Loss before income tax	(2,919,226)	(746,987)	(3,666,213)
Income tax expense	-	-	-
	<u>(2,919,226)</u>	<u>(746,987)</u>	<u>(3,666,213)</u>
Net loss for the period			

	Solomon Islands \$	Corporate \$	Total \$
31 December 2022			
Interest income	-	5,263	5,263
Administration and Corporate expenses	-	(234,678)	(234,678)
Depreciation and amortisation expense	-	(1,546)	(1,546)
Employee benefits expense	-	(134,648)	(134,648)
Evaluation and Exploration expenditure expensed	(4,132,221)	(1,000)	(4,133,221)
Evaluation and Exploration expenditure capitalised	4,132,221	-	4,132,221
Finance costs	-	(13,323)	(13,323)
Loss before income tax	-	(379,932)	(379,932)
Income tax expense	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Net loss for the period	<u>-</u>	<u>(379,932)</u>	<u>(379,932)</u>

**Pacific Nickel Mines Limited
ABN 86 075 613 268
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

15 EVENTS SUBSEQUENT TO REPORTING DATE

The first DSO shipment was completed in January 2024 and the full payment has been received.

The second DSO shipment was completed on 18 February 2024 and the 85% of the value of the second shipment of DSO Nickel has been received from Glencore International AG. The balance will be paid upon adjudication of the cargo at the discharge port.

On 4 March 2024, Greg Foulis stepped down as Chairman and remained as a Non-executive Directors of the Board. Terry Cuthbertson has been appointed as Interim Chairman of the Board.

There are no other matters or circumstances that have arisen since 31 December 2023 which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

**Pacific Nickel Mines Limited
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DIRECTORS' DECLARATION

In the directors' opinion:

- 1) The financial statements and notes, as set out on pages 9 to 19, are in accordance with the Corporations Act 2001 and:
 - a) Comply with Australian Accounting Standards AASB134: Interim Financial Reporting, the Corporations Regulations 2001; and
 - b) Give a true and fair view of the Group's consolidated financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and
- 2) In the directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Terry Cuthbertson
Interim Chairman

Sydney, 15 March 2024



INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF
PACIFIC NICKEL MINES LIMITED
ABN 86 075 613 268

Conclusion

We have reviewed the half-year financial report of Pacific Nickel Mines Limited, which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Pacific Nickel Mines Limited does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Pacific Nickel Mines Limited financial position as at 31 December 2023 and of its performance for the half year ended on that date; and
- (b) complying with Accounting Standard AASB 134: *Interim Financial Reporting and the Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of Pacific Nickel Mines Limited in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of Directors of the Financial Report

The directors of Pacific Nickel Mines Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134: *Interim Financial Reporting and the Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the half-year financial report, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect to this matter.

MNSA PTY LTD

MNSA Pty Ltd

Mark Schiliro
Director

Sydney
15th of March 2024