

14 March 2023

FINANCIAL REPORT HALF YEAR ENDED 31 DECEMBER 2022

Pacific Nickel Mines Limited (ASX Code: PNM) (**Pacific Nickel** or **Company**) provides its Financial Report for the Half Year ended 31 December 2022.

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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A.B.N 86 075 613 268

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

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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 2022 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 2022 ("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 (Non-Executive Chairman)
Mr J. Dean (Non-Executive Director)
Mr G Hiller (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 Kolosori Nickel Project ("Kolosori Project") is being developed as a direct shipping ore nickel laterite project with excellent potential. 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.

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. PNMK was issued PL 02/22 in June 2022 upon the expiry of PL 05/19. On 14 September 2022, PNMKL was granted a Mining Lease ML 02/22.

During the Period, the Company focused on feasibility work, construction works, and regulatory approvals for the Kolosori Project.

Definitive Feasibility Study for Kolosori Nickel Project

During the Period, the Company progressed the Definitive Feasibility Study (DFS) for the Kolosori Project.

As part of the feasibility work, the Company constructed a trial ore stockpile which has been designed to blend ore types and approximate the characteristics of stockpiles expected during Direct Shipping Ore (DSO) production and shipping. This follows previous test pitting and test stockpiles which established that the ore was suitable for commercial DSO shipping. The results from this trial successfully provided the necessary information to be incorporated into the DFS. Importantly the results are consistent with other laterite/saprolite ores mined and shipped elsewhere in tropical environments.

The results of the DFS were subsequently announced on the ASX on 1 February 2023.

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. 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.

Pacific Nickel Mines Limited
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DIRECTORS' REPORT (CONTINUED)

The Study 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
- 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.

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 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 metric tonnes per annum (mtpa) based on port throughput.
- Sapolite shipped to China for the RKEF plants for the end use in the stainless steel industry.

Cautionary Statement

The Study outcomes, production target and forecast financial information referred to in this announcement are based on accuracy levels for technical and economic assessments that are 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. 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 Study have been prepared by competent persons in accordance with the requirements of the JORC Code (2012).

Updated mineral resource and maiden ore reserve.

As announced on 17 November 2022, the Mineral Resource Estimate (MRE) for the Kolosori Nickel Project was updated to reflect:

- The completion of a detailed LIDAR topographic survey over the Kolosori Resource area; and
- The application of in-situ bulk density data.

An updated total JORC Mineral Resource is now estimated at Kolosori as follows:

- 9.21 million tonnes at 1.46 % Ni at a 1.0% Ni cut off (approximately 134,000 tonnes of contained nickel)
- 7.08 million tonnes at 1.57 % Ni at a 1.2% Ni cut off (approximately 111,000 tonnes contained nickel)

Subsequent to the Period, the Company provided a maiden ore reserve estimate for the Kolosori Project. The ore reserve statement was appended to the DFS.

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

Project Approvals

In July 2022, it was announced that the Company had received a Letter of Intent from the Minister of the Ministry of Mines, Energy and Rural Electrification advising that he intends to issue a Mining Lease over the Kolosori Project to PNMK subject to PNMK entering into a Surface Access Rights Agreement with the landowners. The Letter of Intent was issued by the Minister following an extra ordinary sitting of the Minerals Board on 6 July 2022 which recommended that a Letter of Intent be issued. Subsequently PNMK entered into a Surface Access Rights Agreement with the landowners.

On 14 September 2022, PNMK received a Mining Lease for the Kolosori Project.

Subsequent to the Period, PNMK received an export permit following a submission to the Solomon Islands Mines and Minerals Board and subsequent approval from the Minister of Mines, Energy and Rural Electrification.

Offtake and Project Finance

In June 2022, the Company entered into a non-binding indicative term sheet with Glencore for a 3-year, US\$22 million Pre-Export Finance Facility plus a 4-year offtake arrangement for all of Kolosori's production which can be extended by a further 2 years by mutual agreement. The Kolosori nickel laterite DSO offtake pricing will be linked to market prices and subject to standard commercial adjustments for product quality.

During the Period, Glencore carried out a site visit and carried out technical, financial and legal due diligence on the Kolosori Project. The Company is currently finalising funding documentation with Glencore.

Construction Works

During the Period, the Company advanced the DSO loadout wharf construction and an initial 50-man camp for the construction phase of the Kolosori Project.

The initial focus of the wharf construction was on the side wall of the wharf using mine site timbers for construction. Once this construction has been completed, the Company will look to complete the front face of the wharf.

Importantly the Company has been able to source suitable quarry material near to the wharf. This will be used for the fill behind the piling. This quarry material is also suitable for sheeting of the haul road which is an important aspect in high rainfall environments.

The Company commenced construction of a 50-man camp which will be used to house the first contractors (including the mining contractor) to mobilise to site prior to production. The buildings are being constructed based on local designs using mine site timbers. This is an effective low-cost method for constructing the camp which uses local labour and materials.

The 50-man camp was completed in February 2023.

Given the outcome of the Definitive Feasibility Study, which confirms the strong economic viability of the Kolosori Nickel Project, the Company has moved into an execution stage and critical path construction work has commenced pending finalisation of financing facilities being offered by Glencore International.

Jejevo Nickel Project (80%) Solomon Islands

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

The Company holds an 80% equity interest in Pacific Nickel Varej Limited, which holds PL 01/18 located on the south coast of Santa Isabel Island in the Solomon Islands. The remaining 20% of SNL is owned by traditional landowners. The Jejevo Project is located within the PL 01/18 project area. On 4 October 2021 Prospecting License PL 01/18 was renewed by the Solomon Islands Minister of Mines, Energy and Rural Electrification for a period of two years commencing 4 October 2021.

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

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

The Jejevo Project is expected to be developed once the Kolosori Project is developed. The Company applied for a mining lease for the Jejevo Project in the second half of 2022.

The Jejevo Nickel Project is expected to be a blueprint of the Kolosori Project.

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.

EPM 18908 (100%) Queensland Australia

No exploration work was conducted at EPM 18908 during the Period.

CORPORATE

Capital Structure

On 13 October 2022, the Company allotted 15,625,000 ordinary fully paid shares at a deemed issue price of \$0.08 being for Deferred Consideration Shares for acquisition of 80% interest in Kolosori Project.

On 17 October 2022, the Company advised a placement to raise \$5.28 million via the issue of 75.36 million shares at \$0.07 per share in two tranches. The first tranche of 71.43 million shares were allotted on 21 October 2022. The second tranche of 3.93 million shares were allotted on 8 December 2022.

As at 31 December 2022 the Company had the following securities on issue:

- 362.26 million fully paid ordinary shares;
- 11.50 million options with an exercise price of 6c with maturity 30 September 2023;
- 71.16 million options with an exercise price of 9c with maturity 17 June 2024; and
- 6.4 million performance rights.

FINANCIAL PERFORMANCE

During the Period the consolidated net loss of the Group was \$0.380 million (2021: loss of \$0.447 million) which reflected:

CASH FLOWS

During the Period, the Group had negative cash flows from operations of \$0.234 million (2021: negative cash flow of \$2.801 million).

During the Period the Group:

- received net proceeds from share issues of \$4.939 million;
- repaid unsecured loan of \$0.390 million; and
- exploration and evaluation expenditure capitalised of \$3.892 million.

Cash at 31 December 2022 was \$1.104 million (2021: \$3.513 million).

FINANCIAL POSITION

Total equity increased by \$5.794 million from \$10.738 million as at 30 June 2022 to \$16.531 million as at 31 December 2022 as a result of a net loss of \$0.380 million, and net increased in contributed equity of \$6.174 million.

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

IMPACT OF COVID 19

The Company has considered the impact of COVID-19 on its activities. The difficulty of management and consultants to visit the Solomon Islands had impacted on some of the Company's activities.

The Company has local staff who have successfully been able to carry out the Company's required activities in the Solomon Islands since the COVID 19 pandemic.

In July 2022, the Solomon Islands Government removed the restrictions on international travel. This enabled the Company to host site visits for its own technical team, contractors and financiers during the Period.

GOING CONCERN

The Group experienced operating losses of \$0.380 million and negative cash flows from operations of \$0.620 million during the half year ended 31 December 2022.

At 31 December 2022, the Group has current liabilities amounting to \$0.953 million (30 June 2022: \$0.932 million).

The Group's cash position at balance date was \$1.104 million, which will not be sufficient to fund the Group's forecast cash outflows from operations for the period to 31 March 2024.

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:

- continuing to develop the Kolosori nickel project in the Solomon Islands;
- continuing to develop the Jejevo nickel project in the Solomon Islands;
- finalising the US\$22 million debt facility with Glencore to develop the Kolosori Project.
- raising further equity through the capital market; or
- entering into a corporate transaction.

The Group has a successful track record over many years of raising new capital from both existing shareholders and strategic investors.

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 2022. 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
ABN 86 075 613 268
and Controlled Entities**

DIRECTORS' REPORT (CONTINUED)

AFTER BALANCE DATE EVENTS

On 3 January 2023, the Company allotted 13,803,340 ordinary fully paid shares at a deemed issue price of \$0.08 being for Deferred Consideration Shares for acquisition of 80% interest in Jejevo Project.

In February 2023 and March 2023, loans facilities in total of \$165,000 from Directors are provided to the Company to fund the working capital of the Company. The loans are unsecured with 10% interest per annum and is payable from the drawdown date or five days after the date on which the Company completes a capital raising, whichever is the shorter. On the date of this report, \$165,000 has been drawn.

On 1 February 2023, the Company announced the results of the definitive feasibility study for the Kolosori Project with further details noted above in the Kolosori Project section of the Directors Report.

On 24 February 2023, the Company announced that it has commenced works to execute development of its Kolosori Project as contemplated in the Company's DFS.

Recent developments for the Kolosori project include the following:

- Preliminary access works for the Haul Road have commenced.
- Construction of the DSO Loadout Wharf has commenced.
- Construction of 50-Man construction camp has been completed; and
- Construction of bridge to cross creek from bottom of haul road to main stockpile and camp has commenced.

On 14 March 2023, the Company announced that approval has been granted for the issue of an Export Permit for its 80% owned Kolosori Nickel Project held within Mining Lease ML 02/2022. Notification of the approval has 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 Kolosori Project.

There are no other matters or circumstances that have arisen since 31 December 2022 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.

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.



On behalf of the Directors

Terry Cuthbertson

Non-Executive Chairman

Sydney, 14 March 2023



**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 2022 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

Allan Facey
Director

Sydney

Dated this 14th of March 2023

MNSA

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 31 DECEMBER 2022

	Note	31 December 2022 \$	31 December 2021 \$
Revenue from continuing operations	2	5,263	2,207
Corporate expenses		(234,678)	(312,157)
Depreciation and amortisation expense		(1,546)	(749)
Employee benefits expense		(134,648)	(125,679)
Evaluation and Exploration expenditure expensed		(1,000)	(1,509)
Finance costs		(13,323)	(9,050)
Loss before income tax		(379,932)	(446,937)
Income tax expense		-	-
Net loss for the period		(379,932)	(446,937)
Other comprehensive income			
Other comprehensive income/(loss)		-	-
Total comprehensive loss for the period		(379,932)	(446,937)
Total comprehensive loss attributable to members of the Company		(379,932)	(446,937)
		Cents	Cents
		per share	per share
Basic and diluted (loss) per share		(0.13)	(0.20)

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
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	31 December 2022 \$	30 June 2022 \$
CURRENT ASSETS			
Cash and cash equivalents		1,103,690	681,243
Trade and other receivables		62,688	21,294
TOTAL CURRENT ASSETS		1,166,378	702,537
NON-CURRENT ASSETS			
Receivables	7	27,650	27,650
Property, plant and equipment		365,399	396,293
Exploration and evaluation expenditure	3	11,475,857	7,343,636
Investments	4	4,449,320	3,199,133
TOTAL NON-CURRENT ASSETS		16,318,226	10,966,712
TOTAL ASSETS		17,484,604	11,669,249
CURRENT LIABILITIES			
Trade and other payables	5	953,326	866,636
Borrowings	6	-	65,000
TOTAL CURRENT LIABILITIES		953,326	931,636
TOTAL LIABILITIES		953,326	931,636
NET ASSETS		16,531,278	10,737,613
EQUITY			
Contributed equity	9	81,247,340	75,073,743
Reserves		842,268	842,268
Accumulated losses		(65,558,330)	(65,178,398)
TOTAL EQUITY		16,531,278	10,737,613

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

Pacific Nickel Mines Limited
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR 31 DECEMBER 2022

	Contributed Equity \$	Reserves \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2021	69,874,608	794,179	(64,406,198)	6,262,589
Loss for the period	-	-	(446,937)	(446,937)
Other comprehensive income/(loss)	-	-	-	-
Shares issued during the period	5,261,592	-	-	5,261,592
Share-based payments	-	53,800	-	53,800
Options exercised during the period	1,546	(1,546)	-	-
Shares issue cost	(419,490)	-	-	(419,490)
Balance at 31 December 2021	74,718,256	846,433	(64,853,135)	10,711,554
Balance at 1 July 2022	75,073,743	842,268	(65,178,398)	10,737,613
Loss for the period	-	-	(379,932)	(379,932)
Other comprehensive income/(loss)	-	-	-	-
Shares issued during the period	6,525,000	-	-	6,525,000
Shares issue cost	(351,403)	-	-	(351,403)
Balance at 31 December 2022	81,247,340	842,268	(65,558,330)	16,531,278

The above consolidated statement of changes in equity 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 CASH FLOWS

FOR THE HALF-YEAR 31 DECEMBER 2022

	31 December 2022 \$	31 December 2021 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(622,210)	(561,315)
Exploration and evaluation expenditure	-	(2,223,097)
Interest received	5,263	2,207
Interest paid	(2,998)	(18,342)
Net cash (used in) operating activities	<u>(619,945)</u>	<u>(2,800,547)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment of Investments	(186)	(35,254)
Exploration and evaluation expenditure	(3,831,312)	-
Payment for property, plant and equipment	-	(265,291)
Net cash (used in) investing activities	<u>(3,831,498)</u>	<u>(300,545)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issues of shares	5,275,000	5,225,000
Proceeds from exercise of options	-	11,592
Repayment of unsecured loan	(65,000)	-
Transaction costs paid for shares issue	(336,110)	(429,440)
Net cash provided by financing activities	<u>4,873,890</u>	<u>4,807,152</u>
NET INCREASE IN CASH HELD	422,447	1,706,060
CASH AT THE BEGINNING OF THE FINANCIAL PERIOD	<u>681,243</u>	<u>1,807,116</u>
CASH AT THE END OF THE FINANCIAL PERIOD	<u>1,103,690</u>	<u>3,513,176</u>

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

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

FOR THE HALF-YEAR 31 DECEMBER 2022

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 2022 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 2022 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 \$0.380 million and negative cash flows from operations of \$0.620 million during the half year ended 31 December 2022.

At 31 December 2022, the Group has current liabilities amounting to \$0.953 million (30 June 2022: \$0.932 million).

The Group's cash position at balance date was \$1.104 million, which will not be sufficient to fund the Group's forecast cash outflows from operations for the period to 31 March 2024.

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:

- continuing to develop the Kolosori nickel project in the Solomon Islands;
- continuing to develop the Jejevo nickel project in the Solomon Islands;
- finalising the US\$22 million debt facility with Glencore to develop the Kolosori Project.
- raising further equity through the capital market; or
- entering into a corporate transaction.

The Group has a successful track record over many years of raising new capital from both existing shareholders and strategic investors.

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 2022. 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
ABN 86 075 613 268
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR 31 DECEMBER 2022

	31 December 2022 \$	31 December 2021 \$
2 REVENUE		
Interest	5,263	2,207
	<hr/>	<hr/>
	31 December 2022 \$	30 June 2022 \$
3 EXPLORATION AND EVALUATION EXPENDITURE		
Costs carried forward in respect of areas of interest in exploration and evaluation phases	11,475,857	7,343,636
	<hr/>	<hr/>
Movement for period		
Balance at beginning of period	7,343,636	2,119,643
Kolosori Project – Landholders interests a	(1,783,991)	-
Kolosori Project – Landholders advance	(1,330,194)	-
Receivable – advance from Landholders b	3,114,185	-
Current period expenditure	4,132,221	5,223,993
Balance at end of period	<hr/> 11,475,857	<hr/> 7,343,636
<p>a) Brought to account the 20% Landholders interests of exploration and development costs related to Kolosori Nickel Project.</p> <p>b) 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.</p>		
4 INVESTMENTS		
Investments in Jejevo Nickel	1,564,355	1,564,355
Investments in Kolosori Nickel	2,300,554	1,050,555
Investments in Other Tenements	234,411	234,223
Investments in Lorena Gold Royalty	350,000	350,000
	<hr/> 4,449,320	<hr/> 3,199,133
5 CURRENT LIABILITIES		
Trade and other payables		
Trade creditors	388,411	201,382
Other payable	564,915	665,254
	<hr/> 953,326	<hr/> 866,636
6 BORROWINGS		
Unsecured loan	<hr/> -	<hr/> 65,000

During the period, the Group had repaid in unsecured loans totalling \$50,000 have an interest rate of 12% per annum and unsecured loans totalling \$15,000 have an interest rate of 10% per annum. Total interest payable of \$13,219 is in current liability.

Pacific Nickel Mines Limited
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR 31 DECEMBER 2022

7 RECEIVABLES

	31 December 2022	30 June 2022
	\$	\$
Tenement security deposits	2,500	2,500
Receivables – Customs & duties	25,150	25,150
	<u>27,650</u>	<u>27,650</u>

8 CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 31 December 2022 (June 2022: nil).

9 CONTRIBUTED EQUITY

362,258,000 fully paid ordinary shares (30 June 2022: 271,275,856)	<u>81,247,340</u>	<u>75,073,743</u>
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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 2021	Opening balance	214,895,036		69,874,608
26 October 2021	Conversion of options expiring 17 June 2024	128,803	0.09	11,592
5 November 2021	Share placement – Tranche 1	30,000,000	0.10	3,000,000
20 December 2021	Share placement – Tranche 2	22,500,000	0.10	2,250,000
10 January 2022	Share purchase plan	3,405,000	0.10	340,500
2 February 2022	Conversion of options expiring 17 June 2024	180,350	0.09	16,232
24 March 2022	Conversion of option expiring 17 June 2024	166,667	0.09	15,000
	Transfer from options reserve			5,710
	Transaction costs relating to share issues			(439,899)
30 June 2022	Closing balance	271,275,856		75,073,743
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
	Transaction costs relating to share issues			(351,403)
31 December 2022	Closing balance	362,258,000		81,247,340

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR 31 DECEMBER 2022

10 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 2022	30 June 2022
	\$	\$
Exploration		
Solomon Islands	11,425,857	7,293,636
Australia	50,000	50,000
	<u>11,475,857</u>	<u>7,343,636</u>

	Solomon Islands \$	Corporate \$	Total \$
31 December 2022			
Revenue from continuing operations	-	5,263	5,263
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	-	-	-
Net loss for the period	-	(379,932)	(379,932)

	Solomon Islands \$	Corporate \$	Total \$
31 December 2021			
Revenue from continuing operations	-	2,207	2,207
Accounting and audit expense	-	(48,750)	(48,750)
Corporate expenses	-	(263,407)	(263,407)
Depreciation and amortisation expense	-	(749)	(749)
Employee benefits expense	-	(125,679)	(125,679)
Evaluation and Exploration expenditure expensed	(2,442,276)	(1,509)	(2,443,785)
Evaluation and Exploration expenditure capitalised	2,442,276	-	2,442,276
Finance costs	-	(9,050)	(9,050)
Loss before income tax	-	(446,937)	(446,937)
Income tax expense	-	-	-
Net loss for the period	-	(446,937)	(446,937)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR 31 DECEMBER 2022

11 EVENTS SUBSEQUENT TO REPORTING DATE

On 3 January 2023, the Company allotted 13,803,340 ordinary fully paid shares at a deemed issue price of \$0.08 being for Deferred Consideration Shares for acquisition of 80% interest in Jejevo Project.

In February 2023 and March 2023, loans facilities in total of \$165,000 from Directors are provided to the Company to fund the working capital of the Company. The loans are unsecured with 10% interest per annum and is payable from the drawdown date or five days after the date on which the Company completes a capital raising, whichever is the shorter. On the date of this report, \$165,000 has been drawn.

On 1 February 2023, the Company announced the results of the definitive feasibility study for the Kolosori Project with further details noted above in the Kolosori Project section of the Directors Report.

On 24 February 2023, the Company announced that it has commenced works to execute development of its Kolosori Project as contemplated in the Company's DFS.

Recent developments for the Kolosori project include the following:

- Preliminary access works for the Haul Road have commenced.
- Construction of the DSO Loadout Wharf has commenced.
- Construction of 50-Man construction camp has been completed; and
- Construction of bridge to cross creek from bottom of haul road to main stockpile and camp has commenced.

On 14 March 2023, the Company announced that approval has been granted for the issue of an Export Permit for its 80% owned Kolosori Nickel Project held within Mining Lease ML 02/2022. Notification of the approval has 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 Kolosori Project.

There are no other matters or circumstances that have arisen since 31 December 2022 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
ABN 86 075 613 268
and Controlled Entities**

DIRECTORS' DECLARATION

In the directors' opinion:

- 1) The financial statements and notes, as set out on pages 9 to 17, 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 2022 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.

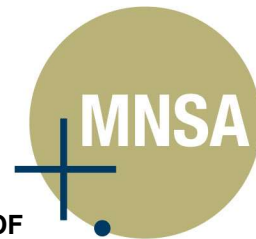
This declaration is made in accordance with a resolution of the Board of Directors.



Terry Cuthbertson

Non-Executive Chairman

Sydney, 14 March 2023



**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 2022, 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 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

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 2022 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 Regarding Continuation as a Going Concern

Without qualifying our conclusion, we draw your attention to Note 1 in the financial report which indicates that the consolidated entity has incurred an operating loss of \$0.380 million and negative cash flows from operations of \$0.620 million during the period.

As of that date, the continuing viability of the consolidated entity 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 consolidated entity's ability to develop its nickel projects in the Solomon Islands, raise further equity or debt through the capital market or entering into a corporate transaction.

These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast doubt about the consolidated entity's ability to continue as a going concern and, therefore, the consolidated entity may be unable to realise assets and settle its liabilities in the normal course of business and at the amounts stated in the financial report.

MNSA PTY LTD

MNSA Pty Ltd

Allan Facey
Director

Sydney
14th of March 2023