

Nico Resources Limited

ACN: 649 817 425

**Interim Financial Report
for the Half-Year Ended 31 December 2022**

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Directors

Non-Executive Chairman
Mr Warren Hallam

Managing Director
Mr Roderick Corps

Non-Executive Director
Mr Brett Smith

Company Secretary
Ms Amanda Burgess

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Perth Western Australia 6000

Principle Office
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190 St Georges Terrace
Perth Western Australia 6000

Website www.nicoresources.com.au

Auditors

KPMG
235 St Georges Tce
Perth WA 6000

Bankers

National Australia Bank Limited
Ground Floor, 100 St Georges Terrace
Perth Western Australia 6000

Share Registry

Computershare Investor Services Pty Ltd
Level 11, 172 St Georges Terrace
Perth WA 6000
Telephone 1300 787 272

Stock Exchange

Australian Securities Exchange Limited
ASX Code: NC1

Legal Advisors

Blackwall Legal LLP
Level 26, 140 St Georges Terrace
PERTH WA 6000

DIRECTORS REPORT

The Directors present their Interim Financial Report of Nico Resources Limited (referred to hereafter as “the Company” or “Nico”) and its subsidiaries for the half-year to 31 December 2022.

Directors

The name and details of the Company’s Directors in office during the half-year and until the date of this report are as follows. Directors were in office for the entire period unless stated otherwise.

Mr Warren Hallam - Non-Executive Chairman
Mr Roderick Corps – Managing Director
Mr Brett Smith – Non-Executive Director

Principal Activities

The principal activity of the Company during the half-year was the exploration of the Central Musgrave Nickel Project (CMP).

Operating Results for the Period

The operating result of the Company for the half-year was a loss of \$1,323,774 (2021: \$15,978 restated).

Dividends

No dividends were paid during the half-year and no dividend has been declared for the half-year ended 31 December 2022.

Significant Changes in State of Affairs

Other than those disclosed in this report, no significant changes in the state of affairs of the Company occurred during the half-year.

Significant Events after Reporting date

The Company has no matters or circumstances that have arisen since the end of the half-year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Review of Operations

Nico is exploring its flagship Wingellina Nickel-Cobalt Project located in Western Australia. The operations and results of the Company for the half-year ended 31 December 2022 are reviewed below.

Wingellina Project

The Company successfully completed and delivered the robust PFS results on 22 December 2022. Pertinent highlights are summarised below. The PFS confirmed the Project’s robust economics with a Base Case post-tax NPV₈ of A\$3.34bn (using ~US\$21,500/t nickel price). The PFS was completed with the assistance of leading international consultants and contributors such as Worley, Coffey Mining, GHD and Wood Mackenzie amongst other reputable firms. Wingellina is a globally significant Tier 1 asset, which is characterised by:

- Long life: initially 42 years based on current reserves.
- Large scale: production of approximately 40,000tpa of contained nickel and 3,000tpa of contained cobalt.
- Significant reserves: ore reserves of 168.4Mt at 0.93% Ni and 0.07% Co for 1.56Mt of nickel and 123Kt of cobalt.
- Low cost: situated in the 1st - 2nd quartile on the global cost curve.
- High operating margins: circa 50% to 60% EBITDA margin.

The PFS incorporated a renewable energy power solution, which was completed by leading Independent Power Provider (“IPP”), Zenith Energy. Based on the IPP study, the Project has the potential to achieve a market leading 95.3% renewable energy from wind turbines, solar PV farm and battery storage.

Corporate Update

During the period, the Company participated in the Australian Trade Delegation for Critical Minerals to the Republic of Korea, Europe and the United Kingdom. The trade delegation was established to strengthen and pursue further opportunities for closer trade and investment.

In December 2022, Wingellina was again included in the annual Austrade Critical Minerals Prospectus. The Australian Critical Minerals Prospectus showcases investment-ready critical minerals opportunities for international investors and partners. Nico continues to work closely with Federal, State (WA, NT, SA) and local government and stakeholders.

The Company is in a strong liquidity position with cash and cash equivalents of \$782,343 together with term deposits of \$6,540,000 (together \$7,322,343) which are accessible within 30 days with immaterial penalties applied to continue its development of the Central Musgrave Project going forward.

Drilling Update

In September 2022, the Company commenced its high grade delineation drilling program at the Wingellina project as well as resource definition drilling campaign at the Lewis Calcrete prospect. The Company also completed water delineation drilling at the Mann Fault prospect

The infill Reverse Circulation (“RC”) drilling program completed consisted of 152 RC holes for 7,856m of drilling, which confirmed the continuity within the identified high-grade nickel and cobalt domains.

The results confirm the continuity within the identified high-grade nickel and cobalt domains and provides key inputs into future production scheduling. In particular, it is anticipated that sufficient higher-grade tonnage will be available for the initial 10 years further improving the project economics.

Central Musgrave Project (CMP)

Nico continues to maintain and manage the broader CMP tenement packaging, comprising of three main exploration tenements - Wingellina (WA), Claude Hill (SA) and Mt Davies (SA) along with an Exploration Licence covering the Lewis calcrete resource and three Miscellaneous Licences covering the defined water resources (see Figure 1).

The CMP consists of a package of tenements hosting nickel-cobalt-scandium lateritic Mineral Resources in excess of 200 million tonnes, containing 1.95 million tonnes of Nickel and 150 thousand tonnes of Cobalt along with a Probable Ore Reserve of 164.8 million tonnes containing 1.56 million tonnes of Nickel and 123,000 tonnes of cobalt.

The project tenure is approximately 1,469km² located within Western Australia and South Australia adjoining the Surveyor Generals Corner (the junction between Western Australia, the Northern Territory and South Australia) (see figure 2). Wingellina is one of the largest undeveloped nickel resources / reserves globally to underpin an independent Australian nickel producer

The Wingellina deposit hosts a JORC (2012) defined Measured, Indicated and Inferred Resources of 182.6Mt at 0.92% Ni & 0.07% Co for 1.68Mt of contained nickel and 132Kt of contained cobalt, and hosts a JORC (2012) defined Probable Reserves of 168.4Mt at 0.93% Ni & 0.07% Co for 1.56Mt of contained nickel and 123Kt of contained cobalt). The Claude Hills deposit located less than 20km from Wingellina hosts a JORC (2004) defined Inferred Resources of 33.3 Mt at 0.81% Ni and 0.07% Co for 270Kt of contained nickel and 23Kt of contained cobalt.

2022 EPA PER Extension Application

Nico lodged its application for an extension of term for Ministerial Statement 1034 with the EPA which was originally granted for the project in 2016. The Company has already received dialogue back from the EPA indicating that the extension of term is currently under assessment. Nico, in conjunction with Stantec (the project’s primary environmental consultants) remains in contact with the EPA regarding the application. Both organisations see no issues with addressing the EPA’s requests for information and eagerly await the final feedback from the organisation.

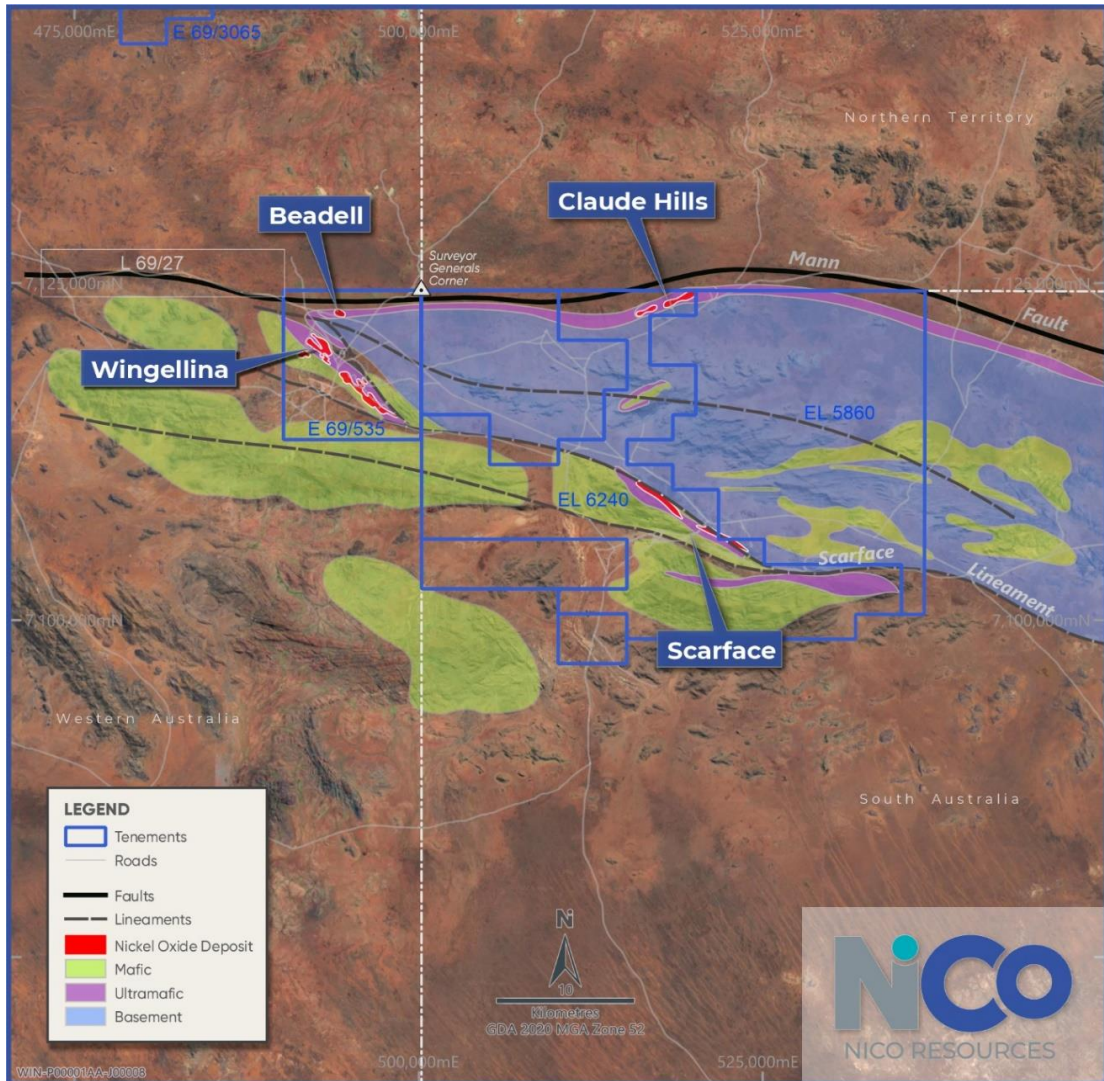


Figure 1: Nico tenement map

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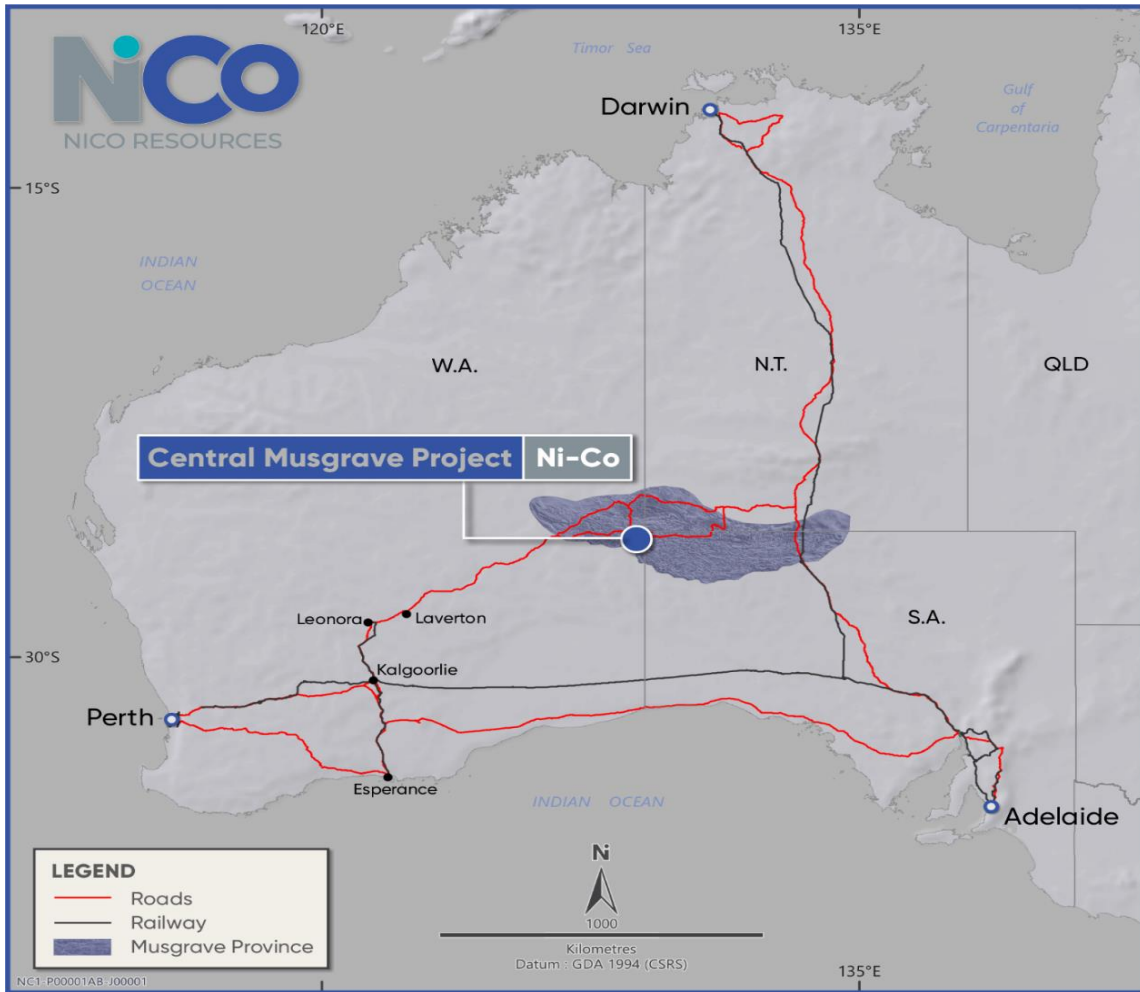


Figure 2: Central Musgraves location map

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Auditor Appointment

At the AGM, shareholders considered and appointed a new auditor to the Company. The change was made to align with expectations of potential strategic partners, project financiers and government agencies as the Company progresses the development of the Central Musgrave Project.

Auditor Independence

A copy of the auditors independence declaration as required under Section 307C of the Corporations Act 2001 is set out on Page 8.

Signed in accordance with a resolution of the directors:



Warren Hallam
Non-Executive Chairman
Dated this 16 March 2023

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Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Nico Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Nico Resources Limited for the half-year ended 31 December 2022 there have been:

- i. No contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. No contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Glenn Brooks
Partner
Perth
16 March 2023

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE HALF YEAR 31 DECEMBER 2022**

	Note	31 December 2022 \$	31 December 2021 \$ Restated*
Other Income	5(a)	82,997	15
Depreciation expense		(104,836)	(14,819)
Corporate and administrative expenses	5(b)	(923,753)	(1,174)
Share based payments expense	12	(378,182)	-
Profit/(loss) before income tax		(1,323,774)	(15,978)
Income tax expense		-	-
Net profit/(loss) for the period		(1,323,774)	(15,978)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the period		(1,323,774)	(15,978)
Loss per share for the half-year (cents per share)		(1.45)	(0.00)
Diluted Loss per share for the half-year (cents per share)		(1.45)	(0.00)

*Refer to note 4 for detailed information on the restatement of comparatives

The accompanying notes form part of these financial statements

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022**

	Notes	31 December 2022 \$	30 June 2022 \$ Restated*
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	782,343	689,679
Trade and other receivables	7	356,546	138,143
Inventories		51,224	50,511
Other financial assets	8	6,540,000	9,420,000
TOTAL CURRENT ASSETS		7,730,113	10,298,333
NON-CURRENT ASSETS			
Property, plant and equipment		76,595	69,319
Right-of-use-assets		243,199	322,573
Exploration and evaluation expenditure	16	7,616,288	5,637,563
Other financial assets	8	128,337	128,337
TOTAL NON-CURRENT ASSETS		8,064,419	6,157,792
TOTAL ASSETS		15,794,532	16,456,125
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	9	566,577	238,618
Lease liabilities		161,268	158,870
Provisions		63,039	28,158
TOTAL CURRENT LIABILITIES		790,884	425,646
NON-CURRENT LIABILITIES			
Lease liabilities		82,464	163,703
Provisions		15,000	15,000
TOTAL NON-CURRENT LIABILITIES		97,464	178,703
TOTAL LIABILITIES		888,348	604,349
NET ASSETS		14,906,184	15,851,776
EQUITY			
Issued capital	11	33,559,968	33,559,968
Reserves	13	819,100	440,918
Accumulated losses		(19,472,884)	(18,149,110)
TOTAL EQUITY		14,906,184	15,851,776

*Refer to note 4 for detailed information on the restatement of comparatives

The accompanying notes form part of these financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2022**

	Note	Issued Capital	Reserves	Accumulated Losses	Total
		\$	\$	\$	\$
Balance at 1 July 2022 as previously reported		38,134,968	2,976,681	(25,259,873)	15,851,776
Restatements (Note 4)		(4,575,000)	(2,535,763)	7,110,763	-
Balance at 1 July 2022 as restated	11	33,559,968	440,918	(18,149,110)	15,851,776
Loss for the period		-	-	(1,323,774)	(1,323,774)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the period		-	-	(1,323,774)	(1,323,774)
Transactions with equity holders in their capacity as owners					
Share Based Payments	12	-	378,182	-	378,182
Balance at 31 Dec 2022	11	33,559,968	819,100	(19,472,884)	14,906,184
		\$	\$	\$	\$
Balance at 1 July 2021		21,701,750	-	(18,389,518)	3,312,232
Loss for the period restated*		-	-	(15,978)	(15,978)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the period		-	-	(15,978)	(15,978)
Transactions with equity holders in their capacity as owners					
Shareholder loan forgiveness restated*		-	-	686,248	686,248
Balance at 31 December 2021		21,701,750	-	(17,719,248)	3,982,502

*Refer to note 4 for detailed information on the restatement of comparatives

The accompanying notes form part of these financial statements

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2022**

	Note	31 December 2022 \$	31 December 2021 \$
Cash flows from operating activities			
Interest Received		27,044	-
Interest Paid		(3,597)	-
Payments to suppliers and employees		(720,480)	(37,629)
Net cash flows (used in) operating activities		(697,033)	(37,629)
Cash flows from investing activities			
Payments for Plant and Equipment		(32,737)	-
Payments for exploration and evaluation expenditure		(1,978,725)	(664,476)
Increase/(decrease) in short term investments		2,880,000	-
Net cash flows from/(used in) investing activities		868,538	(664,476)
Cash flows from financing activities			
Principal payments of lease liabilities		(78,841)	-
Proceeds from Borrowings		-	686,248
Net cash flows from/(used in) financing activities		(78,841)	686,248
Net decrease in cash and cash equivalents		92,664	(15,857)
Cash and cash equivalents at the beginning of the period		689,679	20,183
Cash and cash equivalents at the end of the period*		782,343	4,326

* Cash and cash equivalents of \$782,343 (per note 6) together with short term investments (term deposits at bank per Note 8) of \$6,540,000 (together \$7,322,343) are accessible within 30 days with immaterial penalties

The accompanying notes form part of these financial statements

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

1. CORPORATE INFORMATION

This Interim Financial Report of Nico Resources Limited ("Company" or "Nico") was authorised for issue in accordance with a resolution of the directors on 16 March 2023.

Nico is a for profit public listed company, incorporated and domiciled in Australia. The Interim Financial Report is as at and for the half-year ended 31 December 2022 and comprises of the Company and its subsidiaries (together referred to as the Group).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

These condensed consolidated half-year financial statements for the interim reporting period have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value.

These condensed consolidated half year financial statements do not include all the notes of the type normally included in the annual financial statements. Accordingly, these half year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2022 and any public announcements made by Nico during the half year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the Australian Securities Exchange Listing Rules. The accounting policies adopted in the preparation of the interim financial report are consistent with those adopted in the annual financial report for 30 June 2022.

Nico completed the acquisition of Metals Exploration Pty Ltd (Metals Exploration) on 7 January 2022 and listed on the ASX on 19 January 2022. Under the principles of the Australian Accounting Standard AASB3 Business Combinations, Metals Exploration was deemed to be the accounting acquirer in this transaction. The acquisition was accounted for as a reverse acquisition by which Metals Exploration acquired the net assets and listing status of Nico.

Accordingly, the consolidated financial statements of Nico as at and for the half-year ended 31 December 2022 are prepared as a continuation of the business and operations of Metals Exploration. As the deemed acquirer, Metals Exploration has accounted for the acquisition of Nico from the effective acquisition date 7 January 2022. The prior comparative period information presented in the consolidated financial statements are that of Metals Exploration.

(b) Going Concern

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Company incurred a loss for the period of \$1,323,774 (2021: \$15,978 restated refer note 4) and net cash operating outflows of \$697,033 (2021: \$37,629).

As at 31 December 2022, the Company has a working capital surplus of \$6,939,229 (June 2022 \$9,872,687 restated refer note 4).

Based on the cashflow forecasts prepared and other factors referred to above the directors are satisfied the Company can continue to pay its debts as and when they fall due for at least the next twelve months.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2022**

(c) New and Amended Accounting Policies Adopted by the Company

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards 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.

The Directors have determined that there is no material impact from the adoption of the new or amended standards.

(d) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial period are discussed below.

Share based payments

Share-based compensation payments are made available to Directors and employees.

The fair value of options granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is determined using a Black-Scholes option pricing model for options with a set exercise price, and other available models for those issued with a vwap exercise price, that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free rate for the term of the option.

Exploration and evaluation assets

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

3. SEGMENT INFORMATION

The Company has identified its operating segments based on the internal reports that are used by the Board (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by the Board based on the phase of operation within the mining industry. The Board considers that it has only operated in one segment, being mineral exploration in Australia.

4. RESTATEMENT OF COMPARATIVES

During the period, the Group has identified a number of errors that have been corrected by restating each of the affected financial statement line items for prior periods. There was no impact on the opening balances (1 July 2021) of the Consolidated Statement of Financial Position or the Consolidated Statement of Cash Flows for the comparative period presented, being the half-year ended 31 December 2021. The nature of each adjustment is presented in a table and described further below:

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2022**

4. RESTATEMENT OF COMPARATIVES (continued)

Consolidated statement of profit or loss and other comprehensive income

	31 December 2021 (\$) Reported	Adjustment A (\$)	Adjustment B (\$)	Adjustment C (\$)	Adjustment D (\$)	Adjustment E (\$)	Total Adjustment (\$)	31 December 2021 (\$) Restated
Shareholder loan forgiveness	686,248	-	-	(686,248)	-	-	(686,248)	-
Net profit/(loss) before income tax	670,270	-	-	(686,248)	-	-	(686,248)	(15,978)
Income tax expense	-	-	-	-	-	-	-	-
Net profit/(loss) for the period	670,270	-	-	(686,248)	-	-	(686,248)	(15,978)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income/(loss) for the period	670,270	-	-	(686,248)	-	-	(686,248)	(15,978)
Basic and Diluted EPS not previously reported								\$0.00

Consolidated statement of financial position

Extract	30 June 2022 (\$) Reported	Adjustment A (\$)	Adjustment B (\$)	Adjustment C (\$)	Adjustment D (\$)	Adjustment E (\$)	Total Adjustment (\$)	30 June 2022 (\$) Restated
Assets								
Current assets								
Cash and Cash Equivalents	10,109,679	-	-	-	(9,420,000)	-	(9,420,000)	689,679
Other financial assets	-	-	-	-	9,420,000	-	9,420,000	9,420,000
Current Trade and Other Receivables	266,480	-	(128,337)	-	-	-	(128,337)	138,143
Total Current Assets	10,426,679	-	(128,337)	-	-	-	(128,337)	10,298,333
Non-current assets								
Other financial assets	-	-	128,337	-	-	-	128,337	128,337
Total Non-Current Assets	6,029,455	-	128,337	-	-	-	128,337	6,157,792
Total Assets	16,456,125	-	-	-	-	-	-	16,456,125
Net assets	15,851,776	-	-	-	-	-	-	15,851,776
Equity								
Accumulated losses	(25,259,873)	6,959,938	-	-	-	150,825	7,110,763	(18,149,110)
Issued Capital	38,134,968	(4,575,000)	-	-	-	-	(4,575,000)	33,559,968
Share based payments reserve	2,976,681	(2,384,938)	-	-	-	(150,825)	(2,535,763)	440,918
Total equity	15,851,776	-	-	-	-	-	-	15,851,776

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2022**

4. RESTATEMENT OF COMPARATIVES (continued)

Adjustment A

On 7 January 2022, Nico completed the acquisition of Metals Exploration and its controlled subsidiaries. As consideration for the issued capital in Metals Exploration, Nico issued 25 million fully paid ordinary shares with a deemed value of \$0.20 to the existing Metals X Limited (Metals X) shareholders, along with 25 million unlisted options with an exercise price of \$0.25 expiring three years from issue to Metals X. No cash was paid as part of the acquisition.

The acquisition was treated as a reverse acquisition (with Metals Exploration being the acquirer and Nico being the acquiree) for accounting purposes. As both companies are not businesses, as defined by Australian Accounting Standards, the transaction was accounted for as a share-based payment transaction from the perspective of Metals Exploration. As such, Metal Exploration is deemed to have issued its own shares to acquire control of Nico. At the date of acquisition, a corporate restructuring cost of \$7,110,733 (inclusive of acquisition costs of \$220,215) was previously recognised in profit or loss of the Group reflecting the difference between the fair value of the shares deemed to have been issued by Metals Exploration to acquire Nico and the fair value of the acquiree's identifiable net assets.

However, as the fair value of the assets and liabilities of Nico acquired by Metals Exploration can be estimated reliably and there is no indication Metals Exploration received unidentifiable goods or services as part of this transaction, the fair value of the shares deemed to have been issued by Metals Exploration to acquire Nico should have been measured based on, and therefore equal to, the fair value of the assets and liabilities acquired as shown below:

Nico assets acquired and liabilities assumed at the date of acquisition

	Nico
	\$
Current Assets	
Cash and cash equivalents	450,002
Trade and other receivables	2,550
Current Liabilities	
Trade and other payables	<u>(28,055)</u>
Net assets/(liabilities)	<u>424,497</u>
Corporate restructure expense on acquisition	
Consideration transferred	424,497
Less: net assets assumed	<u>(424,497)</u>
Corporate restructure expense	<u>-</u>

As a result, no corporate restructuring expense should have been recognised. The corporate restructuring expense of \$7,110,733 previously recognised has been reversed net of \$220,215 acquisition related costs that remains expensed in profit or loss, and previously recognised share-based payments expense of \$69,720 has also been reversed resulting in a net adjustment of \$6,959,938 to accumulated losses for the year ended 30 June 2022. In addition, issued share capital of \$4,575,000 and share based payments reserve of \$2,384,938 should not have been recognised as part of this transaction and have been reversed.

Consequently, in reflecting the corrected entries as at 30 June 2022, together with the adjustments at Adjustment E below, issued share capital should have been \$33,559,968 accumulated losses should have been \$18,149,110 and the share based payments reserve should have been \$440,918 as at 30 June 2022.

As the transaction occurred on 7 January 2022, there was no impact on the statement of profit or loss and other comprehensive income for the prior period presented being the half-year ended 31 December 2021.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2022**

4. RESTATEMENT OF COMPARATIVES (continued)

Adjustment B

Current trade and other receivables balance as at 30 June 2022 included a bank guarantee of \$128,337 that has been incorrectly classified. The bank guarantee of \$128,337 should have been classified as a non-current other financial assets.

Consequently, at 30 June 2022, current trade and other receivables should have been \$138,143 and non-current other financial assets should have been \$128,337. As a result, the current trade and other receivables and non-current other financial assets reported at 30 June 2022 has decreased by \$128,337 and increased by \$128,337 respectively.

Adjustment C

The consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2021 included an amount of \$686,248 relating to a loan forgiveness from a shareholder that has been incorrectly recognised in profit or loss. The loan forgiveness of \$686,248 should have been recognised within equity.

Consequently, in the consolidated statement of profit or loss and other comprehensive income for the half year ended 31 December 2021, loan forgiveness should have been nil, loss before tax should have been \$15,978, net loss for the period should have been \$15,978 and the total comprehensive loss for the period should have been \$15,978.

The adjustment has been reflected in equity within accumulated losses which offsets the impact of the original profit and loss entry. As a result, there is no impact on the consolidated statement of financial position as at 30 June 2022.

Adjustment D

The cash and cash equivalents balance as at 30 June 2022 included \$9,420,000 that was held in term deposits at bank, however were not intended to be used for short term operational cashflow purposes. Accordingly, they did not meet the definition and were incorrectly classified as cash and cash equivalents. The amounts at bank should have been classified as a short-term investment. It is noted that all the term deposits have the terms and conditions which allow for termination within 30 days with immaterial penalties applied.

Consequently, on the consolidated statement of financial position, cash and cash equivalents should have been \$689,879 and short-term investments should have been \$9,420,000.

Adjustment E

In the prior year the Group issued 3,000,00 options to a key management personnel (KMP) in three tranches with the following vesting conditions:

- 1,000,000 options vested immediately
- 1,000,000 options have a service condition attached and vest on 22 March 2023
- 1,000,000 options have a service condition attached and vest on 22 March 2024

The share based payments reserve related to the options described above as at 30 June 2022 included an overstatement of share based payments expenses of \$150,825 that should not have been recognised as at 30 June 2022.

Consequently, on the consolidated statement of financial position and together with the adjustments made as part of Adjustment A above, share based payments reserve should have been \$440,918 and accumulated losses should have been \$18,149,110. The vesting period of the share based payments commenced after 31 December 2021. As a result, there was no impact on the Statement of profit and loss and other comprehensive income for the prior period presented being half year ended 31 December 2021.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022**

5. INCOME AND EXPENSES

	31 December 2022	31 December 2021
	\$	\$
(a) Income		
Rental	42,381	-
Interest	40,616	15
	<u>82,997</u>	<u>15</u>
(b) Expenses		
Corporate and Administrative Expenses		
Accounting Expenses	112,150	-
ASX Fees	58,285	-
Audit Fees	31,950	-
Consulting Fees	24,472	-
Insurance	22,523	-
Legal Fees	13,502	-
Meetings/Conferences	44,941	-
Travel expenses	71,387	-
Share Registry	11,491	-
Salaries and Wages	475,860	-
Other	57,192	1,174
	<u>923,753</u>	<u>1,174</u>

6. CASH AND CASH EQUIVALENTS

	31 December 2022	30 June 2022
	\$	Restated* \$
Cash at bank and on hand	782,343	689,879
	<u>782,343</u>	<u>689,879</u>

Cash at bank and on hand earns interest at floating rates based on daily at call bank deposit and savings rates. There is additional short term investments of \$6,450,000 classified as other financial assets (refer note 8)

7. TRADE AND OTHER RECEIVABLES

Current	31 December \$	30 June \$
		Restated*
Accounts Receivables	42,379	24,565
GST Receivable	163,229	28,431
Interest Receivable	39,984	26,412
Prepayments	89,662	43,735
Other	21,292	15,000
	<u>356,546</u>	<u>138,143</u>

*Refer to note 4 for detailed information on the restatement of comparatives

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022**

8. OTHER FINANCIAL ASSETS

Current	31 December 2022	30 June 2022
	\$	\$
Short term investments	6,540,000	9,420,000
	6,540,000	9,420,000

Short term investments are term deposits that earn interest at fixed rates at various maturity terms. All term deposits have terms and conditions that allow termination within 30 days with immaterial penalties applied.

Non-Current

Bank Guarantee	128,337	128,337
	128,337	128,337

9. TRADE AND OTHER PAYABLES

	31 December 2022	30 June 2022
	\$	\$
Trade Creditors	459,942	140,878
Accrued Expense	25,000	8,200
Credit Card	-	9,582
Payroll Liabilities	81,635	79,958
	566,577	238,618

Trade and other payables are non-interest bearing and are normally settled on 30 to 60 day terms.

10. PROJECT EXPENDITURE COMMITMENTS

	31 December 2022	30 June 2022
	\$	\$
Planned project expenditure commitments contracted for:		
Exploration Permits	789,370	1,283,342
	789,370	1,283,342
Payable:		
- not later than 12 months*	199,726	608,000
- between 12 months and 5 years	589,644	675,342
- more than 5 years	-	-
	789,370	1,283,342

* The amounts detailed above is the minimum expenditure required to maintain ownership of the current tenements held. An obligation may be cancelled if a tenement is surrendered.

*Refer to note 4 for detailed information on the restatement of comparatives

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022**

11. ISSUED CAPITAL

	31 December 2022	
Ordinary shares		
Issued and fully paid		91,000,002
<i>Movement in ordinary shares on issue</i>	No.	\$
Opening balance fully paid ordinary shares of at 30 June 2022	91,000,002	33,559,968
Movement during half-year	-	-
Closing balance at 31 December 2022	91,000,002	33,559,968
		30 June 2022
	Restated*	Restated*
<i>Movement in ordinary shares on issue</i>	No.	\$
Fully paid ordinary shares of Metals Exploration Pty Ltd as at 30 June 2021	57,852,195	21,702,253
Issued Seed July 2021	-	-
Issued Seed Nov 2021	-	-
Issued MLX acquisition Jan 2022	-	-
Issued in specie MLX Jan 2022	20,000,000	4,000,000
Issue IPO Jan 2022	40,000,000	8,000,000
Less eliminate existing legal acquiree shares	-	-
Adjustment of combination on reverse acquisition of Nico**	(26,852,193)	424,497
At 30 June 2022	91,000,002	34,126,750
Less Capital raising costs	-	(566,782)
Closing balance at 30 June 2022	91,000,002	33,559,968

**Adjustment to reflect the equity structure of the legal parent Nico, the accounting acquiree including the equity interests Nico issued to effect the combination with Metals Exploration.

*Refer to note 4 for detailed information on restatement of comparatives.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

12. SHARE BASED PAYMENTS

As at 31 December 2022 39,450,000 unlisted options were on issue. The following 1,650,000 options were granted during the period as incentives to sign on new employees:

1. 750,000 options expiring three years from the date of grant 6 October 2022
2. 450,000 options expiring three years from the date of service commencement 23 October 2022 (date of grant 6 October 2022)
3. 450,000 options expiring three years from the date of service commencement 7 November 2022 (date of grant 6 October 2022)

Share Based Payments

The above options over unissued shares were all granted under the employee incentive plan adopted on 10 November 2021.

The fair value of the share based payment was based on the value of options granted as the value of services is not otherwise reliably measurable.

Valuation Assumptions

All options granted during the period were valued using the Black-Scholes option valuation pricing model.

DATE GRANTED	DATE OF VESTING	NUMBER OF OPTIONS	EXERCISE PRICE	EXPIRY DATE	RISK FREE INTEREST RATE	VOLATILITY	UNDER LYING SHARE PRICE	FAIR VALUE PER OPTIONS
6 OCT 2022 ⁽ⁱ⁾	6 Dec 2022	250,000	\$0.70	6/10/2025	3.34%	100%	\$0.53	\$0.3857
6 OCT 2022 ⁽ⁱⁱⁱ⁾	6 Dec 2023	250,000	\$0.78	6/10/2025	3.34%	100%	\$0.53	\$0.3724
6 OCT 2022 ^(iv)	6 Dec 2024	250,000	\$0.86	6/10/2025	3.34%	100%	\$0.53	\$0.3602
6 OCT 2022 ⁽ⁱⁱ⁾	23 April 2023	150,000	\$0.70	22/10/2025	3.34%	100%	\$0.53	\$0.3857
6 OCT 2022 ⁽ⁱⁱⁱ⁾	23 Oct 2023	150,000	\$0.78	22/10/2025	3.34%	100%	\$0.53	\$0.3724
6 OCT 2022 ^(iv)	23 Oct 2024	150,000	\$0.86	22/10/2025	3.34%	100%	\$0.53	\$0.3602
6 OCT 2022 ⁽ⁱⁱ⁾	7 May 2023	150,000	\$0.70	6/11/2025	3.34%	100%	\$0.53	\$0.3857
6 OCT 2022 ⁽ⁱⁱⁱ⁾	7 Nov 2023	150,000	\$0.78	6/11/2025	3.34%	100%	\$0.53	\$0.3724
6 OCT 2022 ^(iv)	7 Nov 2024	150,000	\$0.86	6/11/2025	3.34%	100%	\$0.53	\$0.3602

The above options granted this half-year have a total value of valuation of \$615,065. Of this valuation \$176,162 has been expensed this half-year. A further \$202,020 was expensed this half-year for options granted in the period ended 30 June 2022 (refer to the 30 June 2022 Annual Report for terms of these options granted). The total amount expensed this half-year was \$378,182 through the Statement of Profit or Loss and Other Comprehensive.

- (i) The grant doesn't include any service conditions so vests immediately.
(ii) The grant includes service conditions that vest after 6 months of service.
(iii) The grant includes service conditions that vest after 1 year of service.
(iv) The grant includes service conditions that vest after 2 years of service.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022**

13. RESERVES

	31 December 2022 \$	30 June 2022 \$ Restated*
Share Based Payments Reserve	819,100	440,918
Total Reserves	819,100	440,918

Share Based Payments Reserve

Opening balance	440,918	-
Share based payments expense	378,182	440,918
Total Reserves	819,100	440,918

The share-based payments reserve records items recognised as expenses on valuation of employee share options. Share options are issued for nil consideration. The exercise price of the share options is determined by the Directors in their absolute discretion.

Any options that are not exercised by their expiry date will lapse. Upon exercise, these options will be settled in ordinary fully paid shares of the Company. The Options can be exercised in whole or part at any time up to and including the Expiry Date by lodging an Option Exercise Notice accompanied by the payment of the exercise price.

14. CONTROLLED ENTITIES

The consolidated financial statements incorporate the assets, liabilities, and the results of the following subsidiaries:

Controlled Entities	Country of Origin	Percentage owned
Metals Exploration Pty Ltd	Australia	100%
Metex Nickel Pty Ltd (<i>subsidiary of Metals Exploration Pty Ltd</i>)	Australia	100%
Austral Nickel Pty Ltd (<i>subsidiary of Metals Exploration Pty Ltd</i>)	Australia	100%
Hinkley Range Pty Ltd (<i>subsidiary of Metals Exploration Pty Ltd</i>)	Australia	100%

15. CONTINGENT LIABILITIES

There have been no additional contingent liabilities or contingent assets recognised since the end of the previous annual reporting period, 30 June 2022.

*Refer to note 4 for detailed information on restatement of comparatives

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022**

16. EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2022	30 June 2022
	\$	\$
A reconciliation of the carrying amount of exploration and evaluation expenditure is set out below:		
Carrying amount at the beginning of the period	5,637,563	4,471,191
Exploration and Expenditure during the half-year	1,978,725	1,166,372
Carrying Value at the end of the period	7,616,288	5,637,563

The use of expenditure during the half-year was concentrated on successfully completing the PFS results on 22 December 2022 and completing a high grade delineation drilling program at the Wingellina project as well as resource definition drilling campaign at the Lewis Calcrete prospect. The Company also completed water delineation drilling at the Mann Fault prospect.

17. RELATED PARTIES

Transactions with related parties

Other than those stated in note 11 and 12 above there were no related party transactions during the half-year period.

19. EVENTS AFTER BALANCE DATE

The Company has no matters or circumstances that have arisen since the end of the half year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

DIRECTORS DECLARATION

In the opinion of the Directors of Nico Resources Limited:

1. The Interim Financial Report and notes, are in accordance with the Corporations Act 2001 and:
 - a) comply with AASB 134 Interim Financial Reporting and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b) give a true and fair view of the consolidated entity's financial position as at 31 December 2022 and of its performance for the half-year ended on that date.
2. In the Directors' opinion, there are reasonable grounds to believe that the Consolidated entity 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 and is signed for and on behalf of the directors by:



Warren Hallam
Non-Executive Chairman

Dated 16 March 2023



Independent Auditor's Review Report

To the shareholders of Nico Resources Limited

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying **Interim Financial Report** of Nico Resources Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of Nico Resources Ltd does not comply with the *Corporations Act 2001*, including:

- Giving a true and fair view of the **Group's** financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- Complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- Condensed consolidated statement of financial position as at 31 December 2022;
- Condensed consolidated statement of profit or loss and other comprehensive income, Condensed consolidated statement of changes in equity and Condensed consolidated statement of cash flows for the half-year ended on that date;
- Notes 1 to 19 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

The **Group** comprises Nico Resources Ltd (the Company) and the entities it controlled at the half year's end or from time to time during the half-year.

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 the Group 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 these requirements.

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Emphasis of matter – restatement of comparative balances

We draw attention to Note 4 of the Interim Financial Report which states that the amounts reported in the previously issued 30 June 2022 Financial Report and 31 December 2021 Interim Financial Report have been restated and disclosed as comparatives in this Interim Financial Report. Our conclusion is not modified in respect of this matter.

The Annual Financial Report of Nico Resources Limited for the year ended 30 June 2022 was audited by another auditor who issued an unmodified conclusion on the Annual Financial Report on 30 September 2022.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- The preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*; and
- Such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim 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 Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of an Interim 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.

KPMG

Glenn Brooks

Partner

Perth

16 March 2023

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