ASX ANNOUNCEMENT

28 September 2023

Financial Report Year Ended 30 June 2023

Pacific Nickel Mines Limited (ASX Code: PNM) (**Pacific Nickel** or **Company**) releases its Financial Report for the Year Ended 30 June 2023.

Authorised by the Board.

For further information please contact:

Mr. Andrew J. Cooke
Company Secretary
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Please visit the company's website at www.pacificnickel.com

Pacific Nickel Mines Limited

A.B.N 86 075 613 268

CONSOLIDATED FINANCIAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

This financial report is for the consolidated entity consisting of Pacific Nickel Mines Limited and its subsidiaries. The financial report is presented in Australian currency.

Pacific Nickel Mines Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Pacific Nickel Mines Limited
Level 4
283 George Street
Sydney NSW 2000

A description of the nature of the Group's operations and its principal activities is included in the review of operations in the directors' report.

The financial report was authorised for issue by the directors on 28 September 2023. The Directors have the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at a minimum cost to the company. All ASX releases, financial reports and other information are available on our website: www.pacificnickel.com

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

DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Pacific Nickel Mines Limited (referred to hereafter as the Company) and the entities it controlled at the end of, or during, the year ended 30 June 2023.

BOARD OF DIRECTORS

The names and positions of the directors of the consolidated entity in office during the financial year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated, are:

Greg Foulis
Non-Executive Chairman (Appointed 8 June 2023)

Mr Foulis is a Resource Sector-Finance Executive with over 35 years of diverse international experience. Greg has a track record in finance and mining across a variety of roles ranging from Board, CEO, business Development and Investment Advisory services. Greg is currently a Director of USA explorer Gold 50 Limited (G50.ASX), mining advisor to Paradigm Capital Inc., as well as co-founder and Chairman of an unlisted Japanese gold exploration company. From 2009 to 2013 Greg served as Senior Vice President - Business Development at AngloGold Ashanti Ltd, the world's 3rd largest gold producer. Prior to joining AngloGold, Greg spent seventeen years in the Finance sector with resource related roles including eleven years with Deutsche Bank in various roles including mining equity research, mining and energy specialist sales and international funds management. Geological career highlights include involvement in the exploration, drill-out and feasibility of the giant Lihir Gold project in Papua New Guinea in the 1980's.

Geoff Hiller
Executive Director and CEO

Mr Hiller is mining/civil engineer with over 25 years of mining industry experience including feasibility, financing, development and construction of projects. Mr Hiller holds a Bachelor of Engineering Mining (Hons) from the University of Melbourne, a Bachelor of Civil Engineering (Hons) from the University of Sydney and MBA from the Australian Graduate School of Management (University of New South Wales). Mr Hiller is currently the Chief Executive Officer of Pacific Nickel Mines Limited and a Non-Executive Director of Southern Palladium Limited (SPD.ASX) and Austpac Resources NL.

Robert Thomson
Technical Director

Mr Thomson is a Mining Engineer with extensive experience (gold and base metals) in site operations, the development of exploration projects into sustainable mining operations and businesses in Asia, Africa and Australia. He also has extensive corporate and industry experience with local and international mining companies in sector executive roles and as a director of publicly listed companies on the ASX and formerly on the AIM Exchange and the TSX Venture Exchange. He is currently the Non-Executive Director of Southern Palladium Limited (SPD.ASX) and Bayrock Resources Limited.

Terry Cuthbertson
Non-Executive Director
Non-Executive Chairman (Resigned 8 June 2023)

Mr Cuthbertson is a qualified Chartered Accountant and holds a Bachelor of Business Degree with extensive corporate finance expertise, having advised several businesses and government organisations in relation to mergers, acquisitions and financing. He was formerly a Partner of KPMG Corporate Finance and NSW Partner in Charge of Mergers and Acquisitions, where he coordinated government privatisations, mergers, divestitures and public offerings on the ASX for the New South Wales practice. He is the Non-Executive Chairman of Austpac Resources NL and Non-Executive Director of Mint Payments Limited.

James Dean ACIP
Non-Executive Director

Mr Dean is a Corporate Advisor and Professional Investor with over 30 years professional experience in the finance industry and investment in mining, construction equipment, property development, feature film and biotech. Most of his experience has been related to evaluating the operational and financial performance of numerous businesses and then aptly negotiating and matching risk profiles with investment criteria. For more than 25 years he has held fiduciary positions with regard to shareholders and beneficiaries of various investment vehicles. He is extensively travelled and possesses a worldwide network of business collaborators.

DIRECTORS' REPORT

COMPANY SECRETARY

Andrew J. Cooke LLB

Mr Cooke is a lawyer with over 30 years' experience in law, corporate finance and as a Company Secretary of listed resource companies. He is responsible for corporate administration together with stock exchange and regulatory compliance.

DIRECTORS' MEETINGS

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member).

	Board of Directors		Audit Committee		Remuneration Committee	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
Mr G Foulis (appointed 8 June 2023)	2	2	-	-	-	-
Mr G Hiller	15	15	-	-	-	-
Mr R Thomson	16	16	-	-	-	-
Mr T Cuthbertson	15	15	6	6	-	-
Mr J Dean	16	16	6	6	-	-

PRINCIPAL ACTIVITIES

The principal activity of the consolidated entity during the financial year was the exploration and development of mineral deposits in Solomon Islands.

No significant changes in the nature of the principal activities occurred during the financial year.

OPERATING RESULTS

The loss of the Group for the financial year after providing for income tax amounted to $854,223 (2022: $772,200).

DIVIDENDS

No dividends have been paid or declared since the start of the financial year. The directors do not recommend the payment of a dividend in respect of the year ended 30 June 2023 (2022: Nil).

DIRECTORS' REPORT

REVIEW OF RESULTS AND OPERATIONS

During the Period the Group's main business activity has been focused on the development of nickel laterite deposits in the Solomon Islands.

SOLOMON ISLAND NICKEL PROJECTS

KOLOSORI NICKEL PROJECT (80%)

The Kolosori Nickel Project ("Kolosori Project") is a direct shipping ore nickel laterite project progressing to production located on Isabel Island in the Solomon Islands. The project has several positive aspects including its close proximity to the coast, no processing requirements, low capital route to direct shipping ore production and local landowner support.

In September 2022, Pacific Nickel Mines Kolosori Limited (PNMKL) was awarded Mining Lease ML 02/22 which comprises the Kolosori Project. The Company has an 80% interest in PNMKL with the remaining 20% held by landowners.

During the Period, the Company rapidly advanced development operations, carried out grade control drilling, achieved project approvals, and completed a revised Mineral Resource Estimate. The Company also completed a Definitive Feasibility Study (which included a Reserve Estimate) in early February 2023 and arranged an Offtake and Project Finance Facility provided by Glencore International AG (Glencore) as disclosed to the ASX on 19 April 2023.

Project Approvals

During the reporting period, the Company was awarded a Mining Lease for the Kolosori Nickel Project. This followed the receipt of a Letter of Intent from the Minister of the Ministry of Mines, Energy and Rural Electrification. The Company worked through the regulatory approval processes and worked closely with the Mines Department to ensure that land boundaries were appropriately addressed in the Mining Lease application.

The Company successfully entered into a Surface Access Rights Agreement with landowners and a Mining Agreement with the Government of the Solomon Islands. The Mining Agreement with the Government of the Solomon Islands sets out the mining, environmental and fiscal terms for the Kolosori Nickel Project.

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

Glencore Financing and Off-take Agreement

During the Period, the Company received a Letter of Commitment from Glencore International AG (Glencore), which confirmed receipt of internal management approvals to execute an up to US$22m Loan Facility agreement and amended sales agreement for the Kolosori Project, subject to the finalisation of legal documents.

On 19 April 2023, that formal loan documentation and amended sales agreement were signed with Glencore. The funds raised through these arrangements with Glencore are expected to be sufficient to meet the pre-production funding requirements of the Project. On 3 May 2023, the Company announced that the initial drawdown of US$3m under the Loan Facility was completed.

Subsequent to the reporting period the Company received the final US$19m from Glencore under the US$22m Loan Facility.

Key terms of the Agreements are as follows:

Loan Agreement

- Project loan facility of up to US$22 million.
- 3-year repayment term commencing after the first shipment and with no scheduled repayments due during the wet season months.
- Competitive margin above the US Secured Overnight Financing Rate.
- Repayments effected pursuant to a cash sweep mechanism and early repayments permitted without penalty.
- No mandatory hedging.

REVIEW OF RESULTS AND OPERATIONS (CONTINUED)

- Events of Default standard for a facility of this nature.
- Security provided via a charge over the shares of Pacific Nickel Mines Kolosori Ltd, a charge over the assets of Pacific Nickel Mines Kolosori Ltd and a corporate guarantee.

Offtake Agreement

- 6-year Term.
- Take or pay contract.
- Price received linked to agreed 1.5% DSO Nickel benchmarks and adjusted for nickel and moisture bonus/penalty payments.
- Quantity to be 100% of mine production during the Term.
- FOB Kolosori delivery basis with 85% payment upon provisional invoicing and balance of 15% on confirmation.

Mineral Resource Estimate

During the reporting period, Mining One Consultants completed an updated JORC (2012) Mineral Resource Estimate (MRE) for the Kolosori Project. The updated MRE contains 7.06 million tonnes at 1.57% Ni at a 1.2% Ni cut-off. The previous JORC MRE for the Kolosori Project was 6.02 million tonnes at 1.52% Ni at a 1.2% Ni[1] cut off . The updated MRE represented an approximate 20% increase in contained nickel compared to the previous estimate.

Definitive Feasibility Study

The Company released its DFS for the development of the Kolosori Nickel Project during the reporting period.[2]

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

Two production scenarios were provided by AMDAD. The first incorporates the ore reserve (97%) and a small proportion of inferred resources (3%) – referred to as the "Base Case". The second incorporates the ore reserve (68%) and a larger proportion of inferred resources (32%) – referred to as the "Expanded Case". The Expanded Case includes inferred resources which either naturally fit within open pits as part of the Base Case or have sufficient continuity to be included in stand-alone pits.

There is a low level of geological confidence associated with inferred mineral resources and there is no certainty that further exploration work will result in the determination of indicated mineral resources or that the production target itself will be realised.

An Ore Reserve Estimate was appended to the DFS. The Ore Reserve Estimate is 3.7wmt at 1.6% Nickel.

[1] ASX Announcement 29 September 2022 – Updated Kolosori JORC Resource Estimate

[2] ASX Announcement 1 February 2023 – Kolosori Nickel Project Delivers Attractive Economics

REVIEW OF RESULTS AND OPERATIONS (CONTINUED)

The key DFS assumptions and results are provided in Table 1.

Item	Base Case($US)	Expanded Case ($US)
NPV Post-Tax	$64m (A$91m)	$83m (A$118m)
IRR Post-Tax	156%	170%
Payback Period	Less than one year	Less than one year
Ore Mined	3.8 Mwmt @ 1.57% Ni	6.1 Mwmt @ 1.51% Ni
Peak Annual Ore Shipping (M wmt pa)	1.40	1.45
Mine Life (years)	3.0	5.8
Initial CapEx	$21.3m	$21.3m
LOM Sales Price 1.5% Ni CIF China (USD/wmt)	$75.00	$75.00
LOM C1 Costs ($/wmt sold FOB)	$31.08	$30.70
LOM Taxes and Royalties ($/wmt sold FOB)	$2.96	$2.84

Table 1 – Key Study Assumptions and Results

Pre-Development Works

Throughout the reporting period the Company continued to advance pre-development works at the Kolosori Project in the lead up to first mining. The key development activities carried out were as follows:

- Prepare access roads to commence the Haul Road from the port area to the mining area;
- Preparation and testing of trial stockpiles;
- Commence works on the DSO Loadout Wharf;
- Construct a 50 man construction camp;
- Commence construction of onsite laboratory
- Extend the construction camp to house incoming mining contractor personnel.

Mining Contractor Appointed

The Company successfully executed a Project Services Agreement with a wholly owned subsidiary of HBS PNG Pty Ltd (HBS). HBS is a well credentialled contractor with extensive experience from numerous mining projects in Papua New Guinea. Pursuant to the Project Services Agreement, HBS will carry out the mining, earthworks, stockpiling and loading of barges for the Kolosori Project.

Key terms of the Project Services Agreement include:

- 3.5 year wet hire
- HBS to supply equipment
- HBS to supervise, operate and maintain equipment
- Parent Company Guarantee provided by Pacific Nickel
- Standard Force Majeure provisions and notice periods
- Camp and accommodation provided by Pacific Nickel Mines Kolosori Limited
- Pacific Nickel Mines Kolosori Limited to supply fuel
- HBS provides insurance for workforce and equipment

REVIEW OF RESULTS AND OPERATIONS (CONTINUED)

Infill and Grade Control Drilling

The Company completed an initial infill and grade control drill program in preparation for initial mining activities. Importantly, the results from the 40m by 40m grade control drilling are consistent with the geological block model confirming that the area has high nickel grades for initial mining. A total of 42 diamond core holes were completed totalling 355m, significant results include:[3]

- GC40-006 8.5m @ 2.00 Ni% from 2m
- GC40-011 8.0m @ 2.07 Ni% from 2m
- GC40-012 10.0m @ 1.90% Ni from 2m
- GC40-030 6.0m @ 1.84% Ni from 3m
- GC40-038 7.0m @ 1.82% Ni from 5m

Barging Contractor Appointed

Subsequent to the reporting period, on 20 July 2023, the Company announced that it entered into a barging contract with Marinepia Shipping Company Limited (the Shipowner).[4] Pursuant to the Nickel Ore Transfer Services Agreement, the Shipowner will barge nickel ore approximately 800 metres from a purpose-built wharf at the Kolosori Nickel Project to Supramax vessels (~55,000 DWT) procured by Glencore, pursuant to a nickel ore sales agreement between Pacific Nickel and Glencore. The Nickel Ore Transfer Services Agreement will commence subject to completion of the wharf at the Kolosori Project.

JEJEVO NICKEL PROJECT (80%)

The Jejevo Nickel Project (Jejevo Project) is an advanced stage direct shipping ore nickel laterite project with excellent potential for development. The Company plans to develop this Project once the Kolosori Project has been developed.

The Company holds the Jejevo Project via an 80% equity interest in Pacific Nickel Mines Varei 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 SNL is owned by land owners. 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 could 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 JORC mineral resource estimate at the Jejevo Project is 7.82 million tonnes at 1.46 % Ni at a 1.2% Ni cut off.

On 11 December 2020, the High Court of the Solomon Islands ruled that legal proceedings against the Minister of Mines, Energy and Rural Electrification, the Attorney General in the Solomon Islands and Sunshine Nickel Limited shall proceed to trial. The claimant, Axiom Nickel (SI) Limited, has brought proceedings in relation to, among other matters, the decision of the Director of Mines and Minerals Board not to grant a prospecting licence tenement to them which had been applied for some 10 years ago. In 2018 prospecting licence tenement PL 01/18 was granted to Sunshine Nickel Limited.

In deciding that the proceedings should proceed to trial, the Court noted that it did not assess the merits of the claims. The Company has received legal advice from its Solomon Islands based lawyers that these claims lack merit.

The Company understands that the case primarily relates to judicial review of decisions made by government authorities in the Solomon Islands and that these government authorities will defend these legal proceedings and continue to support the current activities being undertaken on PL 01/18 by the Company. At the date of this report these legal proceedings are ongoing.

[3] ASX Announcement 21 June 2023 – Kolosori Infill and Grade Control Dilling Update

[4] ASX Announcement 20 July 2023 – Kolosori Nickel Ore Barging Agreement Executed

REVIEW OF RESULTS AND OPERATIONS (CONTINUED)

QUEENSLAND PROJECTS

EPM18908

During the Period, the Company relinquished EPM 18908 as it was non-core to the Company's main activities.

The Group retains a 2% Net Smelter Return on gold produced from future underground operations at the Lorena Gold Project, near Cloncurry.

RISKS OVERVIEW

The Board is responsible for the Company's risk management and control framework. The material business risks that the Company faces that could influence the Company's future prospects, and how these are managed, are outlined below.

Asset Values / Mining Projects in Development Phase

The Directors recognise the company is in development/ construction and exploration phase with all the inherent risks. For the Kolosori project the Company has secured Project Financing from Glencore International AG which should be sufficient to develop the Project and entered into an Offtake Agreement with them to purchase all the Nickel Ore. For the Jejevo project we will follow a similar path.

Sovereign Risk

The Company has considered the sovereign risk as it applies to the Solomon Islands. To mitigate this risk, the Company has executed formal agreements with the Solomon Island government which provide certainty around tenure and all fiscal matters. As agreed with the Government of Solomon Islands the Company will maintain USD accounts in Australia to meet our funding commitments.

Discontinuance of Support from Government and Lenders

The Solomon Islands government recognises the Kolosori and Jejevo projects are strategically important to the economy there. The Company maintains a transparent and professional relationship with the Government and the various relevant departments. Our lenders, Glencore International AG have already provided the full project financing.

Commodity Prices and exchange Rates

The Company's projects are primarily mining nickel ore. Nickel prices can fluctuate significantly due to factors beyond the control of the company. A significant decrease in commodity prices is likely to adversely affect company's profit, sentiment and market support towards a mining exploration and mining company. There is a general positive sentiment regarding nickel and its role in sustainable energy.

The company has limited exchange rate risks as Nickel sales will be in US dollars, our project financing is US dollars, and our principal mining contract is in US dollars. In addition, the Solomon Island dollar is predominately linked to the US dollar.

Cyber Security

The integrity, availability, and confidentiality of data within the Group' information and operational technology systems may be subject to intentional or unintentional disruption. Given the current size of the Group's business, the Company engages a third-party IT support company who have robust processes and technology. The Group also use a third-party secured data room for various interactions with lenders and consultants. The Group has no customer data so that aspect of cyber security risk is limited.

Climate Change

The Group is likely to be subject to increasing regulations and costs associated with climate change and, specifically, management of carbon emissions. Strategic, regulatory and operational risks and opportunities associated with climate change and the energy transition are progressively being incorporated into Company policy, strategy and risk management processes and practices. The Company is exploring geothermal and solar energy to drive projects and a formal rehabilitation plan to replant trees on the mining site.

DIRECTORS' REPORT

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.

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.

On 23 March 2023, 3,942,900 ordinary shares were issued on options exercised with exercise price at $0.06 expiring 30 September 2023.

FINANCIAL PERFORMANCE

During the 2023 financial year the consolidated net loss of the Group of $0.854 million (2022: loss of $0.772 million).

FINANCIAL POSITION

Total equity of the Group increased from $10.738 million as at 30 June 2022 to $19.637 million as at 30 June 2023 as a result of a net loss of $0.854 million, a net decrease in reserves of $0.037 million and a net increase in contributed equity of $9.79 million.

At 30 June 2023, the Group had liabilities in respect of secured loans from Glencore International AG of $4.637 million (USD 3.080 million) (2022: Nil).

CASH FLOWS

Cash flows from operating activities for the Group was negative $5.276 million (2022: negative $5.846 million).

Cash flows from investing and financing activities for the Group included:

- Received net proceeds of $7.436 million from the issue of shares and options;
- Made an investment in Jejevo and Kolosori Nickel projects of $6.087 million;
- Acquisition of plant and equipment of $0.020 million; and
- Received net loan of $4.421 million.

Cash as at 30 June 2023 was $1.142 million (2022: $0.681 million).

GOING CONCERN

The Group experienced operating losses of $0.854 million and negative cash flows from operations of $5.276 million during the period ended 30 June 2023.

At 30 June 2023, the Group has current liabilities amounting to $0.769 million (30 June 2022: $0.932 million).

The Group's cash position at balance date was $1.142 million, which will be sufficient to fund the Group's forecast cash outflows from operations for the period to 30 September 2024, as the Group currently relies on its nickel projects in the Solomon Islands for its continuing viability and for is 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;
- to fund the Jejevo project raising further equity or debt through the capital market; or
- entering into a corporate transaction.

The Group has a binding agreement for a US$22 million debt facility with Glencore to develop the Kolosori Project.

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 30 June 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.

The financial report for the year ended at 30 June 2023 contains an independent auditor's report which includes an emphasis of matter paragraph in regard to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the financial year.

AFTER BALANCE DATE EVENTS

On 31 July 2023, the final US$19 million from Glencore International AG under a US$22 million loan facility for the Kolosori Nickel Project was received.

On 18 August 2023, 1,280,000 ordinary shares issued for performance rights were exercised.

On 13 September 2023, 5,750,000 performance rights issued as per Employee Incentive Scheme, subject to key performance indicators.

No other matters or circumstances have arisen since the end of the financial year 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.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The Group's main focus is progressing its nickel projects in the Solomon Islands.

The Company will also consider other possible opportunities in the exploration / mining sector.

ENVIRONMENTAL REGULATIONS

The Group has an environmental rehabilitation policy that is applied to each tenement upon grant. The policy has been adhered to and no breaches have occurred during the period.

SHARE OPTIONS AND PERFORMANCE RIGHTS

Share options

At the date of this report, the unissued ordinary shares of the Company under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
31 August 2020	30 September 2023	$0.06	7,557,100
16 June 2021	17 June 2024	$0.09	71,156,464

Shares issued on the exercise of options

The following ordinary shares of Pacific Nickel Mines Limited were issued during the year ended 30 June 2023 and up to the date of this report on the exercise of options granted:

Grant Date	Date of Expiry	Exercise Price	Number of shares issued
31 August 2020	30 September 2023	$0.06	3,942,900

Performance Rights

At the date of this report, the unissued performance rights of the Company under performance right are as follows:

Grant Date	Performance Milestones	Exercise Price	Number under Option
22 December 2021	A	Nil	3,120,000
22 December 2021	B	Nil	2,000,000
13 September 2023	Various	Nil	5,750,000

On 18 August 2023, 1,280,000 ordinary shares were issued upon satisfaction of Performance Right Milestone A.

Shares issued upon satisfaction of performance rights

The following ordinary shares of Pacific Nickel Mines Limited were issued during the year ended 30 June 2023 and up to the date of this report upon satisfaction of Performance Right granted:

Grant Date	Performance Milestones	Exercise Price	Deemed Price	Number under Option
22 December 2021	A	Nil	$0.09	1,280,000

INDEMNIFICATION OF OFFICERS AND AUDITORS

Indemnification

In accordance with the Constitution of Pacific Nickel Mines Limited each director and officer was indemnified on a full indemnity basis and to the full extent permitted by law against all losses, liabilities, costs, charges and expenses incurred by them as officers of Pacific Nickel Mines Limited or a related body corporate. The consolidated entity has not indemnified or agreed to indemnify the auditor of the consolidated entity against any liabilities incurred as auditor.

Insurance Policies

The consolidated entity has paid premiums in respect of directors' and executive officers' liability and legal expenses insurance contracts. Such insurance contracts insure against certain liability (subject to specific exclusions) persons who are or have been directors or executive officers of the parent entity.

Directors have not included details of the nature of the liabilities covered, or the amount of the premium paid, as such disclosure is prohibited under the terms of the insurance contract.

PROCEEDINGS ON BEHALF OF THE COMPANY

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

REMUNERATION REPORT

The remuneration report is set out under the following main headings:

a) Principles used to determine the nature and amount of remuneration
b) Details of remuneration
c) Share based compensation
d) Additional information
e) Other transactions of Key Management Personnel
f) Equity instrument disclosures relating to Directors and Key Management Personnel

The information provided in this remuneration report has been audited in accordance with the requirements of the *Corporations Act 2001*.

a) Principles used to determine the nature and amount of remuneration

The Group's policy for determining the nature and number of emoluments of board members and senior executives of the consolidated entity is as follows:

The objective of the entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders and conforms with market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- Competitiveness and reasonableness
- Acceptability to shareholders
- Performance linkage/alignment of executive compensation
- Transparency
- Capital management.

The Group has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation.

REMUNERATION REPORT (CONTINUED)

Alignment to shareholders' interests:

- attracts and retains well qualified and suitably experienced applicants
- has the goal of economic profit as a core component of plan design
- focuses on sustained growth in shareholder wealth, consisting of growth in share price, and, in the longer term, payment of dividends and delivering an adequate return on assets as well as focusing the executive on key non-financial drivers of value.
- attracts and retains high calibre executives.

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards
- provides recognition for contribution.

The framework provides a mix of fixed and variable pay, and a blend of short (STI) and long-term (LTI) incentives. As executives gain seniority with the Group, the balance of this mix shifts to a higher proportion of "at risk" rewards.

Executive remuneration includes a base salary that is set with reference to the market, Equity Incentive Plan that comprises a short term incentive comprises performance rights to reflect performance and a long term incentive that provides scope for equity participation over the longer term.

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Board has also drawn on external sources of information to ensure non-executive directors' fees and payments are appropriate and in line with the market.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at $300,000 per annum and was approved by shareholders at the AGM on 30 November 2015.

b) Details of remuneration

Cash remuneration packages are set at levels that are intended to attract and retain executives capable of managing and enhancing the consolidated entity's operations. Remuneration of individual Non-Executive Directors is determined by the Board and may be varied from time to time but always such that the aggregate is within the maximum amount (currently $300,000 per annum) for which prior approval of the shareholders has been received.

Details of the nature and amount of each element of the emoluments of each of the directors and the key management personnel of Pacific Nickel Mines Limited during the year ended 30 June 2023 are set out below.

2023	Salary & Fees	Accrued Salary & Fees	Super-annuation(i)	Share-based payments	Total
	$	$	$	$	$
Non-Executive Directors:					
Mr G Foulis (Appointed as Non-Executive Chairman on 8 June 2023)(ii)	-	4,258	468	-	**4,726**
Mr T Cuthbertson(iii)	-	52,235	6,832	-	**59,067**
Mr J Dean	-	36,000	4,500	**-**	**40,500**
Executive Directors:					
Mr G Hiller	307,500	40,500	25,200	-	**373,200**
Mr R Thomson	152,000	31,500	4,095	-	**187,595**
Executives					
Mr G Frank – CFO	73,000	25,000	-	-	**98,000**
Mr H Morris - COO	44,754	-	4,699	-	**49,453**
Total Key Management Personnel	**577,254**	**189,493**	**45,794**	**-**	**812,541**

REMUNERATION REPORT (CONTINUED)

b) Details of remuneration (Continued)

i. Including superannuation expenses for prior years.
ii. Represents remuneration from 8 June 2023 to 30 June 2023 as Non-Executive Chairman.
iii. Represents remuneration from 1 July 2022 to 7 June 2023 as Non-Executive Chairman and from 8 June 2023 to 30 June 2023 as Non-Executive Director.

2022	Salary & Fees	Accrued Salary & Fees	Super-annuation(i)	Share-based payments (ii)	Total
	$	$	$	$	$
Non-Executive Directors:					
Mr T Cuthbertson (Chairman)	-	55,800	6,000	-	**61,800**
Mr J Dean	-	39,600	-	-	**39,600**
Mr R Thomson	100,000	66,000	3,690	-	**169,690**
Executive Directors:					
Mr G Hiller	246,382	90,368	6,000	21,200	**363,950**
Total Key Management Personnel	**346,382**	**251,768**	**15,690**	**21,200**	**635,040**

i. Including superannuation expenses for prior years.
ii. The amount disclosed in the table relates to non-cash value ascribed to share options using the Black Scholes valuation methodologies and allocated to each reporting period.

Key management personnel are the same for the Group and the Company.
There is no link between key management personnel remuneration and the share price or dividends.
There is no relationship between the performance of the Group and remuneration over the past five years.
All of the top paid executives are shown above.

The outstanding accrual for Directors and consultant fees is set out in the table below.

Directors and consultant fees accrual	**Opening balance 01.07.2022**	**Accrual/(paid) current year**	**Converted to shares**	**Closing balance 30.06.2023**
	$	**$**	**$**	**$**
Non-Executive Directors:				
Mr G Foulis (Appointed as Non-Executive Chairman on 8 June 2023)	-	4,726	-	4,726
Mr T Cuthbertson	153,450	40,716	(50,000)	144,166
Mr J Dean	59,400	40,500	-	99,900
Executive Directors:				
Mr G Hiller	90,368	70,132	(120,000)	40,500
Mr R Thomson	89,400	(18,586)	(60,824)	9,990
Executive:				
Mr G Frank – Chief Financial Officer	-	25,000	-	25,000
	392,618	162,488	(230,824)	324,282

REMUNERATION REPORT (CONTINUED)

b) Details of remuneration (Continued)

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

	Fixed remuneration		At risk - STI		At risk - LTI	
	2023	2022	2023	2022	2023	2022
Non-Executive Directors:						
Mr G Foulis (Appointed as Non-Executive Chairman on 8 June 2023)	100%	100%	-	-	-	-
Mr T Cuthbertson	100%	100%	-	-	-	-
Mr J Dean	100%	100%	-	-	-	-
Executive Directors:						
Mr G Hiller	100%	94.18%	-	5.82%	-	-
Mr R Thomson	100%	100%	-	-	-	-
Executives:						
Mr G Frank	100%	100%	-	-	-	-
Mr H Morris	100%	100%	-	-	-	-

c) Share based compensation

Equity Incentive Plan

The Company operates an Equity Incentive Plan ("EIP") and approved by shareholders at the AGM on 26 November 2021. The EIP is designed to provide long-term incentives for an employee, officer, director or consultant (Employee) of the Company and/or any of its associated bodies corporate (Group Company). The EIP provides for the ability to offer options, performance rights and acquisition loans funded shares to Employee. The EIP is administered by the Board.

Performance Rights are granted under the EIP for rights to be issued a share in the Company for nil exercise price upon the satisfaction of certain vesting conditions and which may have restrictions on their sale and disposal. Each performance rights entitles the holder to be issued one ordinary fully paid share in the capital of the Company.

No performance rights were issued under EIP during the year ended 30 June 2023.

Employee Option Plan

The Company operates an Employees and Contractors Option Plan ("Plan"). The Plan is administered by the Board. Only eligible persons (and their associates) may be invited to participate in the Plan. Eligible persons include full time employees of the Company, permanent part-time employees, qualifying contractors and persons who may be a director, alternate director or company secretary of the Company or an entity in the Group. The Plan is designed to provide long term incentives for executives to deliver shareholder value.

Options are granted under the plan for no consideration. Options granted under the Plan carry no dividend or voting rights. Each option entitles the holder to subscribe for and be allotted one ordinary fully paid share in the capital of the Company. The exercise price is determined by the Directors at the time of issuing an invitation to participate in the Plan.

During the financial year, no share options were granted to Key Management and Personnel, Employees and Contractors.

d) Additional information

The Group's projects are at a stage of advanced exploration progressing to development and as a result, the Group does not yet have earnings from mining. In view of that, shareholder wealth is based on the market's view of the value of future production, the Group's potential for future discovery success, and the quality and experience of its people. This is reflected in market capitalisation, which is also influenced by factors outside the Group's control, such as commodity prices and general market behaviour.

Accordingly, remuneration policy for key management personnel is based primarily on the extent to which the corporate exploration and evaluation objectives are met, recognising that the timeframe for success commonly exceeds one year.

REMUNERATION REPORT (CONTINUED)

e) Other transactions of Key Management Personnel

Unsecured Loans

The Group had an opening balance of $65,000 in unsecured loans and accrued interest of $2,895 from Key Management Personnel. During the year, addition $590,000 of unsecured loans were received by the Group and $655,000 of unsecured loans were repaid with $20,525 of accrued interest being paid. As at 30 June 2023, loans from Key Management Personnel have repaid in full.

f) Equity instrument disclosures relating to Directors and Key Management Personnel

The number of shares in the Company held during the financial year by each director of Pacific Nickel Mines Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

Shares	**Number held 1 July 2022**	**Subscribed (i)**	**Purchased**	**Shares issued on the exercised options**	**Others (iii)**	**Number held 30 June 2023**
2023						
Mr T Cuthbertson	14,209,489	1,428,572	-	-	-	15,638,061
Mr J Dean	15,408,186	-	-	-	670,151	16,078,337
Mr G Hiller	8,772,313	1,785,714	-	750,000	-	11,308,027
Mr R Thomson	6,589,564	714,286	-	192,900	-	7,496,750

Options	**Number held 1 July 2022**	**Subscribed**	**Purchased**	**Option issued**	**Option exercised (ii)**	**Number held 30 June 2023**
2023						
Mr T Cuthbertson	2,610,633	-	-	-	-	2,610,633
Mr J Dean	2,990,000	-	-	-	-	2,990,000
Mr G Hiller	4,900,000	-	-	-	(750,000)	4,150,000
Mr R Thomson	3,379,855	-	-	-	(192,900)	3,186,955

(i) Shares subscribed for $0.07 per share in the December 2022 Share Placement.
(ii) 942,900 options with an exercise price of 6c with maturity 30 September 2023 were exercised.
(iii) Mr Dean appointed as a Reserve Director and Investment Manager with control over the holding of shares in Pacific Nickel Mines Limited and the way that these shares are voted.

End of remuneration report.

DIRECTORS' REPORT

AUDITORS

Non-audit Services

No amounts paid or payable to the auditor for non-audit services provided during the year.

Auditor's independence declaration
A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* can be found on the next page.

Signed in accordance with a resolution of the directors.

On behalf of the Directors

Greg Foulis
Non-Executive Chairman
Sydney, 28 September 2023

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF
THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF PACIFIC NICKEL MINES LIMITED AND CONTROLLED ENTITIES
ABN 86 075 613 268

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Pacific Nickel Mines Limited.

As the auditor for the audit of the financial report of Pacific Nickel Mines Limited for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

i. the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

ii. any applicable code of professional conduct in relation to the audit.

MNSA Pty Ltd

Allan Facey
Director

Sydney
Dated this 28th September 2023

MNSA Pty Ltd
ABN 59 133 605 400

Level 1, 283 George St
Sydney NSW 2000
GPO Box 2943 Sydney 2001

Tel (02) 9299 0901
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Pacific Nickel Mines Limited
ABN 86 075 613 268
and Controlled Entities

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 $	2022 $
Revenue from continuing operations	**5**	14,542	7,549
Administration and Corporate expenses		(525,165)	(407,183)
Depreciation and amortisation expense	**6**	(47,689)	(40,372)
Employee benefits expense		(225,448)	(263,823)
Finance costs		(20,463)	(14,571)
Share based payments		-	(53,800)
Impairment of exploration assets	**13**	(50,000)	-
Loss before income tax expense		(854,223)	(772,200)
Income tax expense	**7**	-	-
Net loss for the year	**19**	(854,223)	(772,200)
Other comprehensive income			
Exchange differences on translation of foreign operations		(30,265)	-
Total comprehensive loss for the year		(884,488)	(772,200)
Loss for the year is attributable to owners of the Company		(884,488)	(772,200)
Total comprehensive loss is attributable to owners of the Company		**(884,488)**	**(772,200)**
Basic/diluted (loss) per share (cents per share) from continuing operations		(0.22)	(0.31)
Basic/diluted (loss) per share (cents per share) from discontinued operations		-	-
Basic/diluted (loss) per share (cents per share) from continuing and discontinued operations	**25**	(0.22)	(0.31)

The above consolidated statement of 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 30 JUNE 2023

	Note	2023 $	2022 $
CURRENT ASSETS			
Cash and cash equivalents	8	1,142,091	681,243
Trade and other receivables	9	35,839	21,294
TOTAL CURRENT ASSETS		**1,177,930**	**702,537**
NON-CURRENT ASSETS			
Property, plant and equipment	12	368,913	396,293
Exploration and evaluation expenditure	13	8,427,490	7,343,636
Development expenditure	10	4,416,110	-
Investments	14	5,553,587	3,199,133
Other assets	11	5,098,560	27,650
TOTAL NON-CURRENT ASSETS		**23,864,660**	**10,966,712**
TOTAL ASSETS		**25,042,590**	**11,669,249**
CURRENT LIABILITIES			
Trade and other payables	15	769,074	866,636
Borrowings	16	-	65,000
TOTAL CURRENT LIABILITIES		**769,074**	**931,636**
NON-CURRENT LIABILITIES			
Borrowings	16	4,636,696	-
TOTAL NON-CURRENT LIABILITIES		4,636,696	**-**
TOTAL LIABILITIES		**5,405,770**	**931,636**
NET ASSETS		**19,636,820**	**10,737,613**
EQUITY			
Contributed equity	17	84,864,038	75,073,743
Reserves	18	805,403	842,268
Accumulated losses	19	(66,032,621)	(65,178,398)
TOTAL EQUITY		**19,636,820**	**10,737,613**

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
and Controlled Entities

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2023

Consolidated Group	Contributed Equity	Accumulated Losses	Reserves				Total Equity
			Foreign Currency Translation	Options Revenue	Performance Rights	Share Based Payments	
	$	$	$	$	$	$	$
Balance at 1 July 2021	69,874,608	(64,406,198)	-	766,179	-	28,000	6,262,589
Total comprehensive loss for the year	-	(772,200)	-	-	-	-	(772,200)
Options exercised	48,534	-	-	(5,711)	-	-	42,823
Share-based payments	-	-	-	-	53,800	-	53,800
Shares issued during the year	5,590,500	-	-	-	-	-	5,590,500
Shares issue cost	(439,899)	-	-	-	-	-	(439,899)
Balance at 30 June 2022	**75,073,743**	**(65,178,398)**	**-**	**760,468**	**53,800**	**28,000**	**10,737,613**
Balance at 1 July 2022	75,073,743	(65,178,398)	-	760,468	53,800	28,000	10,737,613
Loss for the year	-	(854,223)	-	-	-	-	(854,223)
Foreign Currency Translation in foreign operation	-	-	(30,265)	-	-	-	(30,265)
Total comprehensive loss for the year	-	(854,223)	(30,265)	-	-	-	(884,488)
Options exercised	243,174	-	-	-	-	(6,600)	236,574
Shares issued during the year	10,129,268	-	-	-	-	-	10,129,268
Shares issue cost	(582,147)	-	-	-			(582,147)
Balance at 30 June 2023	**84,864,038**	**(66,032,621)**	**(30,265)**	**760,468**	**53,800**	**21,400**	**19,636,820**

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
and Controlled Entities

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 $	2022 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(851,250)	(897,892)
Payments to project development expenditure		(4,416,110)	-
Payments to exploration and evaluation expenditure		-	(4,918,074)
Interest received	5	14,542	7,549
Interest paid		(23,357)	(37,511)
Net cash (used in) operating activities	**26**	(5,276,175)	(5,845,928)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		(20,309)	(267,002)
Payments to exploration and evaluation expenditure		(6,087,370)	-
Payment of Investments		-	(76,367)
Net cash (used in) investing activities		(6,107,679)	(343,369)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from shares issue		7,775,000	5,590,500
Proceeds from exercise of options		236,574	42,823
Proceeds from secured loans		4,486,350	-
Repayment to unsecured loans		(65,000)	(130,000)
Equity raising expenses		(575,996)	(439,899)
Net cash provided by financing activities		11,856,928	5,063,424
NET INCREASE/(DECREASE) IN CASH HELD		473,074	(1,125,873)
CASH AT THE BEGINNING OF THE FINANCIAL YEAR		681,243	1,807,116
EFFECT OF EXCHANGE RATE FLUCTUAION ON CASH HELD		(12,226)	-
CASH AT THE END OF THE FINANCIAL YEAR	**8**	1,142,091	681,243

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

1 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Pacific Nickel Mines Limited and its subsidiaries.

a) Basis of preparation

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Pacific Nickel Mines Limited is a for-profit entity for the purposes of preparing the financial statements.

Compliance with IFRS

The consolidated financial statements of Pacific Nickel Mines Limited also comply with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

Historical cost convention

These financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates that are significant to the financial statements, are disclosed in note 3.

Significant Matters relating to the ongoing viability of operations

Consistent with the nature of the Group's activities and its ongoing investment of funds into projects the Group has experienced operating losses of $0.854 million and negative cash flows from operations of $5.276 million during the period ended 30 June 2023.

At 30 June 2023, the Group has current liabilities amounting to $0.769 million (30 June 2022: $0.932 million), and secured loans of $4.637 million from Glencore International AG for the first tranche of Kolosori Project finance.

The Group's cash position at balance date was $1.142 million, which will be sufficient to fund the Group's forecast cash outflows from operations for the period to 30 September 2024, as 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;
- raising further equity or debt through the capital market; or
- entering into a corporate transaction.

The Group has a binding agreement for a US$22 million debt facility with Glencore to develop the Kolosori Project. At the reporting date, the Company has drawn down the first tranche of US$3 million. In July 2023, the company has drawn down the second tranche of US$19 million.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

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 30 June 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.

The financial report for the year ended at 30 June 2023 contains an independent auditor's report which includes an emphasis of matter paragraph in regard to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Pacific Nickel Mines Limited (''company'' or ''parent entity'') as at 30 June 2023 and the results of all subsidiaries for the year then ended. Pacific Nickel Mines Limited and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Pacific Nickel Mines Limited.

b) Cash and cash equivalents

For the purpose of the cash flows statements, cash and cash equivalents includes:
- cash on hand and at call deposits with banks or financial institutions; and
- investments in money market instruments with less than 90 days to maturity that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

c) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and all other short-term employee benefit obligations are presented as other payables.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Employee benefits (continued)

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the consolidated statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(iii) Share based compensation

Share based compensation benefits are provided to employees via the Pacific Nickel Mines Limited Employee Option Plan. Information relating to the plan is set out in note 27.

The fair value of options granted under the Pacific Nickel Mines Limited Employee Option Plan 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 that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

d) Exploration, Evaluation and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. Such expenditure comprises direct costs and depreciation and does not include general overheads or administrative expenditure not having a nexus with a particular area of interest.

These costs are only carried forward where there is current or planned activity and rights of tenure, and one of the following conditions is met:

- the exploration, evaluation and development expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale.

- exploration, evaluation and development activities in the area of interest at the reporting date have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, but, nevertheless, active and significant operations in, or in relation to, the area of interest are continuing.

Accumulated costs in relation to an abandoned area are written off, in full, in the year in which the decision to abandon the area is made or where it fails to meet the conditions outlined above for the carry-forward of these costs as an asset.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Exploration, Evaluation and Development Expenditure (continued)

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest in accordance with AASB 6 Exploration for and Evaluation of Mineral Resources and the Group's impairment policy (note 1(g)).

e) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

f) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

g) Impairment of assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

h) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Income Tax (continued)

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax assets are realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Tax consolidation legislation

Pacific Nickel Mines Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Pacific Nickel Mines Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amount, Pacific Nickel Mines Limited also recognises the current liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets and liabilities arising under tax funding agreement with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Any difference between amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution (or distribution from) wholly-owned tax consolidated entities.

Overseas subsidiaries

Solomon Islands incorporated subsidiaries are subject to the Tax Laws in Solomon Islands.

i) Trade payable

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Investments and other financial assets

Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit and loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading which are acquired principally for the purpose of selling in the short term with the intention of making a profit. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise, they are classified as non‑current.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in receivables in the consolidated statement of financial position (notes 9 and 11).

(iii) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designed as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

k) Borrowings

Loans are recorded at an amount equal to the net proceeds received. Interest expense is recognised on an accrual basis.

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non‑cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

l) Leases

Except for short term leases and leases of low value assets, the Group applies a single recognition and measurement approach for all leases representing the right to use the underlying asset Right-of-Use recognised at the commencement date of the lease and corresponding lease liabilities measured at the present value of lease payments over the lease term are recognised in the statement of financial position. Depreciation charges of Right-of-Use assets, and interest expenses on the lease liability replaces straight line operating expenses.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Loss per share

(i) Basic loss per share is calculated by dividing:

- the loss attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares.

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted loss per share

Diluted loss per share adjusts the figures used in the determination of basic loss per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

n) Revenue Recognition

(i) Interest income

Interest income is recognised on a time proportion basis, taking into account the interest rates applicable to financial assets.

(ii) Other income

Other income is measured at the fair value of the consideration received or receivable.

(iii) Dividends

Dividends are recognised as revenue when the right to receive payment is established.

o) Plant and equipment

Plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Land is not depreciated. Depreciation on plant and equipment is calculated on a diminishing value basis so as to write off the net cost of each asset over its expected useful life. The following estimated useful lives are used in the calculation of depreciation:

Motor Vehicles	5-6 years
Plant and equipment	4-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(g)).

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

q) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

r) Parent entity financial information

The financial information for the parent entity, Pacific Nickel Mines Limited, disclosed in note 28 has been prepared on the same basis as the consolidated financial statements.

s) New accounting standards for application in future periods

The following new accounting standards and interpretations, have been published that are not mandatory for 30 June 2023 reporting periods and have not yet been adopted in the financial statements:

AASB 17: Insurance Contracts
AASB 2020-1: Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current.
AASB 2020-3: Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments.
AASB 2021-2: Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates.
AASB 2021-5: Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

The above accounting standards are effective for annual reporting periods on or after 1 January 2023. None of these are expected to have a material impact on the financial statements.

2 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks; market risk, credit risk, liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Risk management is carried out by the Board and the financial risks faced by the Group other than liquidity risk are considered minimal at this stage.

Cash is held at two of the big four banks in Australia that is exposed to variable rates. This is managed through holding the cash in a high interest bearing account and is transferred to ordinary account as required.

The Group holds the following financial instruments:

	2023 $	2022 $
Financial assets		
Cash and cash equivalents	1,142,091	681,243
Trade and other receivables	35,839	21,294
	1,177,930	**702,537**
Financial liabilities		
Current liabilities		
Trade and other payables	769,074	866,636
Borrowings	-	65,000
Non-current liabilities		
Borrowings	4,636,696	-
	5,405,770	**931,636**

a) Market risk

(i) Interest rate risk

The Group's and Parent's main interest rate risk arises from borrowings, cash and cash equivalents and deposits with banks and project financer.

Sensitivity

At 30 June 2023, if interest rates had changed by lower/higher 100 basis points from the year-end rates with other variables held constant, post-tax loss for the year would have been $34,946 lower/higher (2022: change of 100 bps: $6,812 lower/higher), as a result of lower/higher net interest expenses from borrowings, cash and cash equivalents and deposits with banks and project financer.

(ii) Foreign Exchange Risk

The Group operates domestically in Australian dollar (AUD) and Solomon Islands in Solomon Islander dollar (SBD), Kolosori Project finance in United dollar (USD), hence exposures to exchange fluctuations arise. The Group does not hedge these exposures. The cash at bank held by the Company currently comprises AUD, USD and SBD funds. The Group managed the foreign currency transactions on a monthly basis to avoid the fluctuation on the exchange rate, while the Group does not have any material foreign currency risk exposure. Where exposures do arise, forward foreign exchange contracts will be applied.

(iii) Price Risk

The Group is not exposed to equity securities price risk. The Group is indirectly exposed to commodity price rise to the extent of its operations which are undertaken in the mineral sector.

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit Risk

Credit risk arises from cash and cash equivalents and deposits with banks, as well as credit exposures in respect of outstanding receivables and committed transactions.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets.

c) Liquidity Risk

The Group manages liquidity risk by monitoring actual cash flows and maintaining sufficient cash to fund operations. Surplus funds are generally only invested in short term deposits with Australian Banks.

The Group's position with respect to going concern is outlined in note 1(a).

Maturities of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

Consolidated	**Less than 6 Months**	**6-12 Months**	**Between 1 and 2 Years**	**Between 2 and 5 Years**	**Over 5 Years**	**Total contractual cash flows**	**Carrying amount liabilities**
	$	$	$	$	$	$	$
2023							
Non-derivatives							
Non-interest bearing	769,074	-	-	-	-	769,074	769,074
Variable rate							
Borrowings	-	-	-	4,636,696	-	4,636,696	4,636,696
Total Non-derivatives	769,074	-	-	4,636,696	-	5,405,770	5,405,770

Consolidated	**Less than 6 Months**	**6-12 Months**	**Between 1 and 2 Years**	**Between 2 and 5 Years**	**Over 5 Years**	**Total contractual cash flows**	**Carrying amount liabilities**
	$	$	$	$	$	$	$
2022							
Non-derivatives							
Non-interest bearing	790,629	76,007	-	-	-	866,636	866,636
Fixed rate							
Borrowings	65,000	-	-	-	-	65,000	65,000
Total Non-derivatives	855,629	76,007	-	-	-	931,636	931,636

d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments that are not traded in an active market (for example, investments in unlisted subsidiaries) is determined using valuation techniques.

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

e) Capital risk management

The Group has long term loan facility with Glencore International AG to develop the Kolosori Project. This loan facility will be repaid from the sale of our Nickel product.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Exploration and evaluation expenditure

Certain exploration and evaluation expenditure is capitalised where it is considered likely that the expenditure will be recovered by future exploitation or sale, or where activities have reached a stage which permits a reasonable assessment of the existence of commercially recoverable reserves. This process necessarily requires management to make certain estimates and assumptions regarding future commodity prices and level of demand for these commodities, production rates, metallurgical recovery and cost of production, which will affect the viability of the operations. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under this policy it is concluded unlikely that the expenditure will be recovered by future exploitation or sale, the relevant amount capitalised is written off to the consolidated statement of comprehensive income. Carried forward exploration, evaluation and development expenditures amounting to $12,843,600 and relate primarily to capitalisation and evaluation costs from activities in the Solomon Islands.

Share-based payment transactions

The Group measures the cost of equity settled transactions with employees and other parties by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using either a Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimate and assumptions relating to equity settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Note 27 details the assumptions that have been used in determining the fair value of the options that have been granted.

4 SEGMENT INFORMATION

The economic entity operates in one segment within mineral exploration and development in Australia. The Group has one reportable segment, as described below, for which the Board of Directors (the chief operating decision maker) reviews internal management reports on a regular basis.

Solomon Islands

The development of the Group’s interest in the Kolosori Nickel Project (“Kolosori”) and Jejevo Nickel Project (“Jejevo”) on the Santa Isabel Island.

Segment assets

Information about reportable segments

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

Exploration and development	**2023 $**	**2022 $**
Solomon Islands	12,843,600	7,293,636
Australia	-	50,000

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

4 SEGMENT INFORMATION (CONTINUED)

	Solomon Islands $	Corporate $	Total $
2023			
Revenue from continuing operations	3,003	11,539	**14,542**
Administration and Corporate expenses	-	(525,165)	**(525,165)**
Depreciation and amortisation expense	(45,622)	(2,067)	**(47,689)**
Employee benefits expense	-	(225,448)	**(225,448)**
Exploration, Evaluation Development expenditure expensed	(12,843,600)	-	**(12,843,600)**
Exploration, Evaluation and Development expenditure capitalised	10,648,524	-	**10,648,524**
Other assets – loan advance to PNMK's minority shareholders	2,195,076	-	**2,195,076**
Finance costs	-	(20,463)	**(20,463)**
Impairment of assets	-	(50,000)	**(50,000)**
Loss before income tax expense	(42,619)	(811,604)	**(854,223)**
Income tax expense	-	-	**-**
Net loss for the year	(42,619)	(811,604)	**(854,223)**

	Solomon Islands $	Corporate $	Total $
2022			
Revenue from continuing operations	-	7,549	**7,549**
Administration and Corporate expenses	-	(407,183)	**(407,183)**
Share based payments	-	(53,800)	**(53,800)**
Depreciation and amortisation expense	(38,310)	(2,062)	**(40,372)**
Employee benefits expense	-	(263,823)	**(263,823)**
Exploration and Evaluation expenditure expensed	(5,223,993)	-	**(5,223,993)**
Exploration and Evaluation expenditure capitalised	5,223,993	-	**5,223,993**
Finance costs	-	(14,571)	**(14,571)**
Loss before income tax expense	(38,310)	(733,890)	**(772,200)**
Income tax expense	-	-	**-**
Net loss for the year	(38,310)	(733,890)	**(772,200)**

5 REVENUE

	2023 $	2022 $
From continuing operations and other income		
Interest earned	**14,542**	**7,549**

6 EXPENSES

	2023 $	2022 $
Loss before income tax includes the following expenses:		
Depreciation of non-current assets:		
- Property, plant & equipment	47,689	40,372
Finance costs	20,463	14,571
Impairment of assets – EPM 18908	50,000	-

7 INCOME TAX

a) The prima facie income tax benefit on pre-tax accounting loss reconciles to the income tax amount in the financial statements as follows:

Loss from ordinary activities	(854,223)	(772,200)
Prima facie income tax benefit calculated at 25% (2022: 25%) of taxable loss	**(213,556)**	**(193,050)**
Non-deductible items		
Movement in unrecognised temporary differences	48,401	15,191
Taxable losses not recognised	165,155	177,859
Income tax expense	**-**	**-**

b) Franking account balance	230	230

c) Tax losses

Unused tax losses for which no deferred tax asset has been recognised.	59,084,419	58,230,196
Potential tax benefit at 25% (2022: 25%)	14,771,105	14,557,549

The Tax losses may be carried forward indefinitely subject to the condition imposed by Law.

8 CASH AND CASH EQUIVALENTS

Cash at bank and on hand	**1,142,091**	**681,243**

9 TRADE AND OTHER RECEIVABLES

GST receivables	31,139	-
Tenement security deposits	2,500	-
Prepayments	2,200	21,294
	35,839	**21,294**

10 DEVELOPMENT COSTS

	2023 $	2022 $
Kolosori Project development costs	4,416,110	-

11 OTHER ASSETS

		2023 $	2022 $
Tenement security deposits		-	2,500
Receivables – Customs & duties		-	25,150
Loans to the minority shareholders of PNMK	**a**	5,098,560	-
		5,098,560	27,650

a) 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.

12 PROPERTY, PLANT AND EQUIPMENT

	2023 $	2022 $
Plant and equipment		
at cost	467,273	446,964
accumulated depreciation	(98,360)	(50,671)
Total property, plant and equipment	368,913	396,293

Movement in property, plant and equipment

	2023 $	2022 $
Balance at beginning of the year	396,293	175,663
Addition	20,309	261,002
Depreciation Expense	(47,689)	(40,372)
Balance at the end of the year	368,913	396,293

13 EXPLORATION AND EVALUATION EXPENDITURE

		2023 $	2022 $
Costs carried forward in respect of areas of interest in exploration and evaluation phases		8,427,490	7,343,636
Movement for year			
Balance at beginning of year		7,343,636	2,119,643
Loan advance to PNMK minority shareholders for 20% interests in Kolosori Nickel Project	**11**	(5,098,560)	-
Impairment	**a**	(50,000)	-
Current period expenditure		6,232,414	5,223,993
Balance at end of year		8,427,490	7,343,636

a) Impairment of exploration expenditures related to EPM 18908.

14 INVESTMENTS

	2023	2022
Investments in Jejevo Nickel	2,668,623	1,564,355
Investments in Kolosori Nickel	2,300,554	1,050,555
Investments in Other Tenements	234,410	234,223
Investments in Lorena Gold Royalty	350,000	350,000
	5,553,587	3,199,133

15 CURRENT LIABILITIES

Trade and other payables

	2023	2022
Trade creditors	228,089	201,382
Other creditors	540,985	665,254
	769,074	866,636

16 BORROWINGS

		2023 $	2022 $
Current liabilities			
Unsecured loans	**a**	-	65,000
Non-Current liabilities			
Secured loan	**b**	4,636,696	-

a) Unsecured loans

The Group had an opening balance of $65,000 in unsecured loans and accrued interest of $2,895 from Key Management Personnel. During the year, addition $590,000 of unsecured loans were received by the Group and $655,000 of unsecured loans were repaid with $20,525 of accrued interest being paid. As at 30 June 2023, loans from Key Management Personnel have repaid in full.

b) 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 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.
- 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.

On 3 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.

17 CONTRIBUTED EQUITY

	2023 $	2022 $
409,416,005 fully paid ordinary shares (2022: 271,275,856)	84,864,038	75,073,743

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

17 CONTRIBUTED EQUITY (CONTINUED)

a) Movement in ordinary share capital		**Number of shares**	**Issue price $**	**Share capital $**
2022				
1 July 2021	Balance at the beginning of year	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	**Balance at end of year**	**271,275,856**		**75,073,743**
2023				
1 July 2022	Balance at the beginning of year	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	**Balance at end of year**	**409,416,005**		**84,864,038**

b) Share options	**2023 Number**	**2022 Number**
Balance at beginning of year	82,656,464	83,132,284
Options exercised – directors	(942,900)	(280,329)
Options exercised – other	(3,000,000)	(195,491)
Balance at end of year	78,713,564	82,656,464

At 30 June 2023 the Company had 78,713,564 unlisted options on issue under the following terms and conditions:

	Number	**Expiry Date**	**Issue Price $**	**Exercise Price $**
Unlisted	7,557,100	30 September 2023	-	0.06
Unlisted	71,156,464	17 June 2024	0.012	0.09

The Group's objective when managing capital is to safeguard its ability to continue as a going concern (refer to note 1(a)), 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.

18 RESERVES

	2023 $	2022 $
Share based payments reserve	21,400	28,000
Options revenue reserve	760,468	760,468
Performance rights reserve	53,800	53,800
Foreign currency translation reserve	(30,265)	-
	805,403	**842,268**

Movement in reserve	Share based payments reserve $	Options revenue reserve (net of cost) $	Performance rights reserve $	Foreign currency translation reserve $	Total $
2023					
Balance at 1 July 2022	28,000	760,468	53,800	-	842,268
Options exercised	(6,600)	-	-	-	(6,600)
Exchange differences on translation of foreign operations	-	-	-	(30,265)	(30,265)
Balance at 30 June 2023	21,400	760,468	53,800	(30,265)	805,403
2022					
Balance at 1 July 2021	28,000	766,179	-	-	794,179
Options exercised	-	(5,711)	-	-	(5,711)
Options issued	-	-	53,800	-	53,800
Balance at 30 June 2022	28,000	760,468	53,800	-	842,268

19 ACCUMULATED LOSSES

	2023 $	2022 $
Accumulated losses at beginning of financial year	(65,178,398)	(64,406,198)
Loss for the year	(854,223)	(772,200)
Accumulated losses at the end of financial year	(66,032,621)	(65,178,398)

20 CONTINGENT LIABILITIES

There are no material contingent liabilities for the year ended 30 June 2023 (2022: Nil).

21 RELATED PARTY TRANSACTIONS

a) Parent entity
The parent entity within the Group is Pacific Nickel Mines Limited.

b) Key management personnel
Disclosures relating to key management personnel are set out in note 22.

22 KEY MANAGEMENT PERSONNEL DISCLOSURES

a) Directors and executives

The directors and executives of Pacific Nickel Mines Limited during the year were:
Mr Greg Foulis – Non-Executive Chairman (appointed 8 June 2023)
Mr Geoffrey Hiller – Executive Director & Chief Executive Officer
Mr Robert Thomson – Technical Director
Mr Terry Cuthbertson – Non-Executive Director (resigned 8 June 2023 as Non- Executive Chairman)
Mr James Dean – Non-Executive Director
Mr Graham Frank – Chief Financial Officer
Mr Haldane Morris – Chief Operating Officer

b) Key Management Personnel compensation

	2023	2022
	$	$
Short-term employee benefits	766,747	598,150
Post-employment benefits	45,794	15,690
Share-based payments	-	21,200
	812,541	635,040

Detailed remuneration disclosures can be found in section (a) – (f) of the remuneration report contained in the Directors Report.

c) Related party transactions

Unsecured loans		
Terry Cuthbertson	-	52,151
Geoffrey Hiller	-	15,744

23 COMMITMENTS FOR EXPENDITURE

a) Capital Expenditure Commitments

There are no capital commitments at the end of the financial year ended 30 June 2023 (2022: Nil).

b) Lease Commitments

Office Lease

During May 2023, Pacific Nickel Mines Limited entered into a 12-month lease to rent office space from TANK Steam Labs Pty Ltd at $2,200 per month (excluding GST) for a total lease term of $26,400 per year (2022: Nil).

c) Tenement Commitments

There are no tenement commitments during the year ended 2023 (2022: $47,000).

A Mining Lease over PL 01/18 Jejevo Prospecting License was applied for in December 2022– there is no minimum expenditure commitment.

24 INVESTMENTS IN CONTROLLED ENTITY

Name of controlled entity	Country of incorporation	Ownership interest 2023 %	Ownership interest 2022 %
Subsidiaries			
Conrad Silver Mines Pty Ltd	Australia	100	100
Pacific Nickel Mines International Pty Ltd (i)	Australia	100	100
(i) Subsidiaries of Pacific Nickel Mines International Pty Ltd			
Pacific Nickel Mines (SI) Limited (ii)	Solomon Islands	100	100
(ii) Subsidiaries of Pacific Nickel Mines (SI) Limited			
Sunshine Nickel Limited	Solomon Islands	80	80
Pacific Nickel Mines Kolosori Limited	Solomon Islands	80	80
Pacific Nickel Mines Varei Limited	Solomon Islands	80	80
Pacific Nickel Mines Moumolu Limited	Solomon Islands	100	100
Sunshine Moumolu Limited	Solomon Islands	100	100

25 LOSS PER SHARE

	2023	2022
	Cents	**Cents**
Basic/diluted (loss) per share (cents per share) from continuing and discontinued operations	(0.22)	(0.31)
	Number	**Number**
Weighted average number of ordinary shares used in the calculation of basic/diluted loss per share	350,073,597	248,164,479
	$	**$**
Loss attributable to ordinary shareholders		
Loss attributable to ordinary shareholders from continuing operations	854,223	772,200
Loss attributable to ordinary shareholders from discontinued operations	-	-
Loss attributable to ordinary shareholders for the basic earnings	854,223	772,200
Loss attributable to ordinary shareholders adjusted for effect of dilution	854,223	772,200

Diluted loss per share has not been disclosed as the impact from options is anti-dilutive.

26 NOTES TO STATEMENT OF CASH FLOWS

Reconciliation of operating profit after income tax to net cash flows from operating activities.

	2023	2022
	$	$
Operating loss after income tax	(854,223)	(772,200)
Non cash		
Depreciation	47,689	40,372
Exploration and evaluation expenditure carried forward	-	(5,223,993)
Development expenditure capitalised	(4,416,110)	-
Impairment	50,000	-
Share based payments	-	53,800
Non-cash transactions	12,226	-
Non-cash item related to investing activities:		
Other non-cash transactions	-	(37,706)
Changes in assets and liabilities		
(Increase)/Decrease in receivables	(32,502)	29,096
Decrease/(Increase) in prepayments	19,094	(3,086)
(Decrease)/Increase in payables	(102,349)	67,789
Net cash (outflow) from operating activities	(5,276,175)	(5,845,928)

27 SHARE-BASED PAYMENTS

a) Options issued to Employees and Directors

(i) Employee Option Plan
No options were granted to Employees for the year ended 30 June 2023 (2022: Nil).

(ii) Directors Options
No options were granted to directors during the year ended 30 June 2023 (2022: Nil)

b) Performance Rights issued to Employees and Directors.

(i) Employee Performance Rights
No performance rights were granted to Employees for the year ended 30 June 2023 (2022:3,850,000).

(ii) Directors Performance Rights
No performance rights were granted to directors during the year ended 30 June 2023 (2022: 2,650,000).

c) Shares issued for services under a share based payment arrangement during the year.
No shares issued for services under a share based payment arrangement during the year ended 30 June 2023 (2022: Nil).

d) Options issued for services under a share based payment arrangement during the year.
No options issued for services under a share based payment arrangement during the year ended 30 June 2023 (2022: Nil).

28 PARENT ENTITY FINANCIAL INFORMATION

a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

Statement of Financial Position	**2023 $**	**2022 $**
Current assets	1,175,430	702,537
Non-current assets	25,884,590	17,524,637
Total assets	27,060,020	18,227,174
Current liabilities	769,074	931,636
Total liabilities	769,074	931,636
Net Assets	26,290,946	17,295,538
Equity		
Contributed equity	84,864,038	75,073,743
Option reserve	805,403	842,269
Accumulated losses	(59,378,495)	(58,620,474)
Total equity	26,290,946	17,295,538
Loss for the year	(758,021)	(734,519)
Total comprehensive income	(758,021)	(734,519)

b) Guarantees entered into by the parent entity
The parent entity did not have any financial guarantees as at 30 June 2023.

c) Contingent liability of parent entity
The parent entity did not have any contingent liabilities as at 30 June 2023.

29 AUDITORS' REMUNERATION

	2023 $	**2022 $**
Remuneration of the auditor of the Group for: Audit services Audit and review of financial reports	43,600	40,000

30 EVENTS SUBSEQUENT TO REPORTING DATE

On 31 July 2023, the final US$19 million from Glencore International AG under a US$22 million loan facility for the Kolosori Nickel Project was received.

On 18 August 2023, 1,280,000 ordinary shares issued for performance rights were exercised

On 13 September 2023, 5,750,000 performance rights issued as per Employee Incentive Scheme, subject to key performance indicators.

No other matters or circumstances have arisen since the end of the financial year 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.

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Board

Greg Foulis

Non-Executive Chairman

Sydney, 28 September 2023

INDEPENDENT AUDITOR'S REPORT TO THE OWNERS OF PACIFIC NICKEL MINES LIMITED AND CONTROLLED ENTITIES ABN 86 075 613 268

Report on the Financial Report

Opinion

We have audited the financial report of Pacific Nickel Mines Limited (the Company) and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a. giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended; and
b. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit 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* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter Regarding to Going Concern

Without qualifying our conclusion, we draw your attention to Note 1 in the financial report which indicates that the Group's cash position as at 30 June 2023 was $1,142,091 (2022: $681,243), experienced an operating loss of $854,223 (2022: $772,200) and cash outflows from operating activities of $5,276,175 (2022: 5,845,928) during the year.

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

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 Group's ability to continue as a going concern.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the year ended 30 June 2023. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
Capitalisation of expenditure	
During the period, the Group capitalised development costs of $4,416,110 and exploration and evaluation expenditure of $6,232,414. The assessment of the capitalised development costs and exploration and evaluation expenditure requires management to make significant judgements and estimates to determine whether expenditure meets the conditions of capitalisation under the Australian Accounting Standards.	We have evaluated the appropriateness of amounts capitalised during the period, including: • assessing estimates and judgements applied to the amounts capitalised; • Considered allocation of capitalised expenditure between development costs and exploration and evaluation expenditure; and • Reviewed disclosures made within the financial report.
Going concern	
Following continuing operating losses and cash flow deficits, there is a degree of judgement as to the Group's ability to continue as a going concern through the assessment period. Accordingly, we considered the appropriateness of the going concern assumption, the question as to whether there is a material uncertainty and the adequacy of management's disclosure to be a key risk.	We have challenged the key assumptions in management's forecast cash flows for the next 12 months (base case and downside possibilities) by: • assessing cash flow forecasts and assumptions used in support, and obtaining explanations for any significant differences; • ensuring consistency between the forecasts in the Group going concern model and those used in the asset value-in-use calculations for impairment assessment purposes; • assessing the historical accuracy of forecasts prepared by management; • testing the mechanical accuracy of the model used; • challenging management's plans for mitigating any identified exposures, obtain additional sources of financing; and • considering whether the disclosures relating to going concern referred to in the basis of preparation section of the accounting policies are balanced, proportionate and clear. We have determined that there are no material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

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Key Audit Matters (Continued)

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
Impairment review	
As at 30 June 2023, the Group held investments of $5,553,587, exploration and evaluation expenditure of $8,427,490 and development costs of $4,416,110. The assessment of the carrying value of these assets and impairment considerations requires management to make significant judgements and estimates to determine whether the assets require impairment in accordance with Australian Accounting Standard AASB 136 Impairment.	We have evaluated the appropriateness of management's judgements including: • Considering if there are indicators that suggest the carrying amount of these assets exceeds its recoverable amount; • Assessing if there are facts or circumstances that indicate exploration and evaluation expenditure exceeds its recoverable amount; • Reconciling impairment expense recognised during the period; and • Assessing disclosures made within the financial report.

There were no restrictions on our reporting of Key Audit Matters.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2023.

In our opinion, the remuneration report of Pacific Nickel Mines Limited for the year ended 30 June 2023 complies with s 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

MNSA Pty Ltd

Allan Facey
Director

Sydney
Dated this 28th September 2023

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