



SOUTH PACIFIC METALS
CORPORATION

(formerly Kainantu Resources Ltd.)

**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

(Presented in United States Dollars)

For the three months ended March 31, 2024 and 2023

(Unaudited, Prepared by Management)

Reader's Note:

These unaudited condensed interim consolidated financial statements have been prepared by management and have not been reviewed by the Company's auditor.

SOUTH PACIFIC METALS CORP.

Consolidated Statements of Financial Position

(Presented in thousands of United States Dollars)

As at	Notes	March 31, 2024	December 31, 2023
ASSETS			
Current			
Cash		\$ 455	\$ 1,345
Receivables		57	74
Prepaid expenses		17	31
Total Current Assets		529	1,450
Non-Current			
Deposits and long-term prepaid assets	4	258	277
Property and equipment	5	45	49
Exploration and evaluation assets	6	9,882	9,618
Total Non-Current Assets		10,185	9,944
Total Assets		\$ 10,714	\$ 11,394
LIABILITIES			
Current			
Accounts payable and accrued liabilities	11	\$ 1,355	\$ 1,595
Promissory note	7	-	535
Short-term portion of convertible debentures	8	-	41
Total Current Liabilities		1,355	2,171
Non-current			
Convertible debentures	8	-	699
Derivative portion of convertible debentures	8	-	303
Total Non-Current Liabilities		-	1,002
Shareholder's Equity			
Share capital	9	13,157	11,518
Share subscription received in advance	9	-	-
Reserves	9	1,702	1,702
Accumulated other comprehensive income		58	101
Deficit		(5,558)	(5,100)
Total Shareholder's Equity		9,359	8,221
Total Liabilities and Shareholder's Equity		\$ 10,714	\$ 11,394

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Approved and authorized by the board of directors on:

"Dain Currie"

Dain Currie - Director

May 29, 2024

"Michael Murphy"

Michael Murphy - Director

SOUTH PACIFIC METALS CORP.

Consolidated Statements of Loss and Comprehensive Loss

(Presented in thousands of United States Dollars, except for per share amounts; actual share numbers presented)

	Notes	Three months ended March	
		2024	2023
EXPENSES			
Accounting and legal		\$ 97	\$ 33
Corporate and administrative	11	31	81
Board and management	11	12	83
Corporate relations		4	61
Marketing and investor relations		13	53
Total Expenses		(157)	(311)
OTHER ITEMS			
Foreign exchange loss		(38)	-
Interest and accretion	8	(34)	-
Gain on forgiveness of accounts payable		71	-
Loss on settlement of convertible debentures	8	(586)	-
Gain on revaluation of derivative of convertible debentures	8	286	-
Loss for the Period		(458)	(311)
Foreign exchange translation		(43)	(5)
Comprehensive Loss for the Period		\$ (501)	\$ (316)
Basic and diluted loss per share		\$ (0.00)	\$ (0.00)
Weighted average number of common shares outstanding - basic and diluted		21,416,937	8,143,387

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

SOUTH PACIFIC METALS CORP.

Consolidated Statements of Cash Flows
(Presented in thousands of United States Dollars)

	Three months ended March 31,	
	2024	2023
OPERATING ACTIVITIES		
Loss for the period	\$ (458)	\$ (311)
Items not affecting cash:		
Foreign exchange	20	-
Impairment of equipment	4	-
Interest and accretion	34	-
Gain on forgiveness of accounts payable	(71)	-
Loss on settlement of convertible debt	586	-
Gain on revaluation of derivative of convertible debentures	(286)	-
Changes in non-cash working capital items:		
Receivables	17	(12)
Prepaid expenses	14	(46)
Accounts payable and accrued liabilities	(169)	205
Due from/to related parties	-	(160)
Cash used in Operating Activities	(309)	(324)
INVESTING ACTIVITIES		
Payment for exploration and evaluation	(190)	(303)
Payments from plant and equipment	-	(2)
Investment	-	(13)
Cash used in Investing Activities	(190)	(318)
FINANCING ACTIVITIES		
Proceeds from private placement financing	187	528
Share issuance costs	-	(11)
Settlement of promissory note	(535)	-
Cash provided by Financing Activities	(348)	517
Effects of exchange rates on cash	(43)	(5)
Change in cash	(890)	(130)
Cash, beginning of period	1,345	311
Cash, end of period	\$ 455	\$ 181

The accompanying notes are an integral part of these condensed interim consolidated financial statements..

SOUTH PACIFIC METALS CORP.

Consolidated Statements of Changes in Shareholders' Equity

(Presented in thousands of United States Dollars; actual share numbers presented)

	Number of shares	Share Capital	Subscriptions in Advance	Reserves	Accumulated Other Comprehensive Income	Deficit	Total
Balance, December 31, 2022	7,632,895	\$ 8,976	\$ 55	\$ 1,284	\$ 79	\$ (3,493)	\$ 6,901
Private placement	709,894	429	(55)	160	-	-	534
Share issuance costs	-	(10)	-	-	-	-	(10)
Loss for the period	-	-	-	-	-	(311)	(311)
foreign exchange translation	-	-	-	-	(5)	-	(5)
Balance, March 31, 2023	8,342,789	9,395	-	1,444	74	(3,804)	7,109
Share issuance - Hardrock	1,800,000	840	-	-	-	-	840
Warrants issued - Kili Teke	-	-	-	200	-	-	200
Warrants issued - convertible debentures	-	-	-	22	-	-	22
Finders warrants issued	-	-	-	1	-	-	1
Private placement	8,750,000	1,333	-	-	-	-	1,333
Share issuance costs (shars & warrants)	87,500	(16)	-	16	-	-	-
Share issuance costs	-	(34)	-	-	-	-	(34)
Share based payments	-	-	-	19	-	-	19
Loss for the period	-	-	-	-	-	(1,296)	(1,296)
Foreign exchange translation	-	-	-	-	27	-	27
Balance, December 31, 2023	18,980,289	11,518	-	1,702	101	(5,100)	8,221
Private placement	1,250,000	187	-	-	-	-	187
Shares issued - Kili Teke	500,000	74	-	-	-	-	74
Shares issued to settle convertible debt	6,748,631	1,378	-	-	-	-	1,378
Loss for the period	-	-	-	-	-	(458)	(458)
Foreign exchange translation	-	-	-	-	(43)	-	(43)
Balance, March 31, 2024	27,478,920	\$ 13,157	\$ -	\$ 1,702	\$ 58	\$ (5,558)	\$ 9,359

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

SOUTH PACIFIC METALS CORP.

Notes to the Condensed Interim Consolidated Financial Statements Three months ended March 31, 2024 and 2023

(Presented in thousands of United States Dollars, except for per share amounts; actual share numbers presented)

1. NATURE OF BUSINESS

South Pacific Metals Corp. ("SPMC" or the "Company") was incorporated under the Business Corporations Act (British Columbia) on July 4, 2018 as a Capital Pool Company under the policies of the TSX Venture Exchange (the "TSX-V"). The Company also has a secondary listing on the Frankfurt Stock Exchange ("FSE") under the symbol "6JO".

On November 23, 2020, the Company changed its name to Kainantu Resources Ltd. ("KRL") and on December 3, 2020 announced that it had completed the acquisition of all the issued and outstanding shares of Kainantu Resources Pte. Ltd. ("Kainantu") (the "Transaction"). The Transaction resulted in a reverse takeover of the Company by the shareholders of Kainantu, constituting the Company's Qualifying Transaction as defined in Policy 2.4 - Capital Pool Companies of the TSX-V.

Kainantu was incorporated in Singapore on August 21, 2019 and incorporated a subsidiary Kainantu Resources Limited, on February 1, 2020 for the purpose of acquiring mineral exploration properties in Papua New Guinea ("PNG"). The principal office is #17-00 16 Collyer Quay, Singapore 049318.

Kainantu entered into a definitive share exchange agreement (the "Agreement") with PLB Capital Corp ("PLB", renamed Kainantu Resources Ltd.) whereby PLB would acquire all of the issued and outstanding securities of Kainantu in respect of the Transaction. The Transaction was completed on December 3, 2020.

Pursuant to the Transaction, the Company issued an aggregate of 2,000,000 shares to the founding shareholders of Kainantu ("Kainantu Shares") on the basis of one Company Share for each Kainantu Share. In addition, the Company will issue 500,000 common shares (Note 21) to the founding holders of Kainantu, pro rata in accordance with their holdings of Kainantu Shares, as additional consideration at such time as the Company has established and completed a technical report in compliance with National Instrument 43-101 - Standards of Disclosure for Mineral Projects ("NI 43-101") supporting an inferred resource (as such term is defined in NI 43-101).

On February 6, 2024, the Company changed its name to "South Pacific Metals Corp." and its trading symbol changed to "SPMC".

The Company is classified as a "Mining Exploration" company.

Together the Company, Kainantu and Kainantu Resources Limited form the consolidated group (the "Group").

SOUTH PACIFIC METALS CORP.

Notes to the Condensed Interim Consolidated Financial Statements Three months ended March 31, 2024 and 2023

(Presented in thousands of United States Dollars, except for per share amounts; actual share numbers presented)

2. GOING CONCERN

These condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

During the three months ended March 31, 2024, the Company recorded a net loss of \$458 (2023 - \$311). As at March 31, 2024, the Company has an accumulated deficit of \$5,558 (December 31, 2023 - \$5,100) and a working capital deficit of \$826 (December 31, 2023 - \$721). The Company has no source of revenue. Its ability to continue as a going concern is dependent on raising adequate financing to explore its mineral properties and operating expenses, and develop profitable operations.

These factors create material uncertainties, which in turn cast significant doubt as to the Company's ability to continue as a going concern.

These condensed interim consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern basis was not appropriate for these condensed interim consolidated financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used. Such adjustments could be material.

3. BASIS OF PREPARATION

a. Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") for interim information, specifically International Accounting Standards ("IAS") 34 – Interim Financial Reporting.

The accounting policies and methods of application applied by the Company in these condensed interim consolidated financial statements are the same as those applied in the Company's most recent annual financial statements as at and for the year ended December 31 2023. These condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and therefore should be read in conjunction with most recent annual financial statements as at and for the year ended December 31, 2023.

b. Basis of measurement

These condensed interim consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments which have been measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

SOUTH PACIFIC METALS CORP.

Notes to the Condensed Interim Consolidated Financial Statements Three months ended March 31, 2024 and 2023

(Presented in thousands of United States Dollars, except for per share amounts; actual share numbers presented)

3. BASIS OF PREPARATION (Cont'd...)

c. Continuance of Operations

These condensed interim consolidated financial statements are prepared on a going concern basis, which assumes that the Group will be able to meet its obligations and continue its operations for its next fiscal year. Realisation values may be substantially different from the carrying values shown and these consolidated financial statements do not include adjustments that would be necessary if the going concern assumption is not appropriate.

The Group's continuing operations and its ability to meet mineral property and other commitments are dependent upon the ability of the Group to continue to raise additional equity or debt financing and to seek joint venture partners. Although the Group has been successful at raising capital in the past, there is no assurance that the Group will be able to raise adequate financing on terms that are acceptable to the Group, if at all. Based on its current plans, budgeted expenditures, and cash requirements, management believes the Group would need to raise additional capital to accomplish its business objectives thereafter.

d. Significant Accounting Estimates and Judgments

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates and exercise judgement in applying the Group's policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

e. Presentation currency

These condensed interim consolidated financial statements are presented in thousands of United States Dollars ("USD") which differs from the Company's functional currency Canadian Dollars. Functional currencies of each entity are set out below.

Foreign currencies

Transactions in foreign currencies are initially recorded by each entity in the Group at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. All differences are taken to profit or loss.

Non-monetary items measured at historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in profit or loss or other comprehensive income / (loss) are also recognized in profit or loss or other comprehensive income / (loss), respectively).

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Notes to the Condensed Interim Consolidated Financial Statements Three months ended March 31, 2024 and 2023

(Presented in thousands of United States Dollars, except for per share amounts; actual share numbers presented)

3. BASIS OF PREPARATION (Cont'd...)

e. Presentation currency (cont'd)

Translation of foreign operations

The financial position of the subsidiary, whose functional currency is different from the reporting currency, are translated as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that financial period end;
- income and expenses are translated at average exchange rates for the period, unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions;
- equity transactions are translated using the exchange rate at the date of the transactions; and
- all resulting exchange differences are recognized in other comprehensive income and reported as a separate component of equity.

f. Basis of consolidation

The condensed interim consolidated financial statements comprise the financial statements of the Company and its subsidiary. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group assets and liabilities, revenues, expenses and cash flows relating to intra-group transactions are eliminated.

Entity	Ownership %	Country of incorporation	Nature / Activities	Functional Currency
Kainantu Resources Ltd	-	Canada	Parent company	CAD
Kainantu Resources Pte Ltd	100%	Singapore	Holding company	SGD
Kainantu Resources Limited	100%	Papua New Guinea	Mineral exploration	USD
KRL Kili Teke Resources Limited	100%	Papua New Guinea	Dormant	USD

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Notes to the Condensed Interim Consolidated Financial Statements Three months ended March 31, 2024 and 2023

(Presented in thousands of United States Dollars, except for per share amounts; actual share numbers presented)

4. DEPOSITS AND LONG TERM PREPAIDS

	March 31, 2023	December 31, 2023
License security deposits	\$ 10	13
Property acquisition deposits	-	-
Long-term prepaid assets	248	\$ 264
	\$ 258	\$ 277

Deposits include security deposits pertaining to exploration licenses, certain prepaid assets that will be reclassified to exploration and evaluation asset.

5. PROPERTY AND EQUIPMENT

Cost	Office Equipment \$	Machinery & Equipment \$	Motor Vehicles \$	Total \$
December 31, 2022	21	275	91	401
Additions	3	-	-	3
Disposals	-	-	-	-
Transfer	-	-	-	-
Impairment	-	(189)	-	(189)
December 31, 2023	24	86	105	215
Additions	-	-	-	-
Disposals	-	-	-	-
March 31, 2024	24	86	105	215

Accumulated Depreciation	Office Equipment \$	Machinery & Equipment \$	Motor Vehicles \$	Total \$
December 31, 2022	11	29	78	118
Depreciation	7	21	20	48
December 31, 2023	18	50	98	166
Depreciation	1	1	2	4
March 31, 2024	19	51	100	170
December 31, 2023	6	36	7	49
March 31, 2023	5	35	5	45

Depreciation on certain office equipment, machinery and equipment and motor vehicles is capitalized to exploration and evaluation assets.

During the year ended December 31, 2023, certain assets remained unused and management recognised an impairment loss of \$189 based on level 3 of the fair value hierarchy. These assets were not being amortized as they were not ready for their intended use.

SOUTH PACIFIC METALS CORP.

Notes to the Condensed Interim Consolidated Financial Statements

Three months ended March 31, 2024 and 2023

(Presented in thousands of United States Dollars, except for per share amounts; actual share numbers presented)

6. EXPLORATION AND EVALUATION ASSETS

As at March 31, 2024, the company's exploration and evaluation assets are as follows:

	Kainantu \$	May River \$	Kili Teke \$	Total \$
December 31, 2022	6,197	1	-	6,198
Additions	1,117	1,113	1,190	3,420
Impairment	-	-	-	-
December 31, 2023	7,314	1,114	1,190	9,618
Additions	190	-	74	264
March 31, 2024	7,404	1,114	1,263	9,882

Additions included \$4 of capitalized depreciation (2023 - \$6).

During the three months ended March 31, 2024, the Company incurred \$190 in exploration expenditures on the property.

During the year ended December 31, 2023, the Company and Hardrock entered into a Share Sale Agreement which replaces the option agreement. All expenditures incurred were included as part of the consideration to acquire the remaining 90% equity interest in Hardrock. Additional consideration was 1,800,000 common shares at a fair value of \$840.

7. PROMISSORY NOTE

On November 27, 2023, the Company issued a \$500 promissory note to an arm's length lender. The note is non-interest bearing and due on demand. During the year ended December 31, 2023, the Company incurred a commitment fee of \$35 on issuance of the promissory note.

During the three months ended March 31, 2024, the promissory note and commitment fee were paid in full.

SOUTH PACIFIC METALS CORP.

Notes to the Condensed Interim Consolidated Financial Statements Three months ended March 31, 2024 and 2023

(Presented in thousands of United States Dollars, except for per share amounts; actual share numbers presented)

8. CONVERTIBLE DEBENTURES

The derivative liability component is revalued at March 20, 2024 using Black-Scholes option pricing model with the following assumptions:

Risk free interest rate	-	4.14%
Expected life of options		2.26-2.49 years
Expected volatility (based on comparable companies)	133.55-139.29%	Dividend yield
Forfeiture rate		0.00%
Exercise price		CAD \$0.80
Share price on revaluation		CAD \$0.27

The derivative portion of the convertible debentures was revalued at March 20, 2024 and a gain was recognized in the period ended March 31, 2024 of \$286 (March 31, 2023 - \$Nil).

The reconciliation of convertible debentures is as follows:

	March 31, 2024	December 31, 2023
Balance January 1		
Convertible debentures	\$ 740	\$ 959
Debt issuance costs	-	(47)
Derivative liability component	-	(174)
Equity component	-	(22)
	740	716
Accretion and interest expense	34	24
Settlement	(774)	-
Closing balance,	\$ -	\$ 740
Current portion	\$ -	\$ 41
Non-current portion	-	699

On March 20, 2024, the Company completed a share-for-debt transaction to settle the outstanding principal amount of CAD \$1,270 plus accrued interest of CAD \$80 owed to the 10% secured convertible debenture holders. In total, the Company has issued 6,748,631 common shares of the Company valued at \$1,378 (CAD \$1,873) resulting in a loss on settlement of \$586 (CAD \$706).

SOUTH PACIFIC METALS CORP.

Notes to the Condensed Interim Consolidated Financial Statements Three months ended March 31, 2024 and 2023

(Presented in thousands of United States Dollars, except for per share amounts; actual share numbers presented)

9. SHARE CAPITAL

On February 6, 2024, the Company announced that it completed a consolidation of the issued and outstanding shares of the Company at a ratio of ten (10) pre-consolidation common shares for one (1) post-consolidation common share (the "Consolidation").

The Company is authorized to issue unlimited common shares without a par value.

As at March 31, 2024, 27,478,920 common shares (December 31, 2023, 18,980,295) were issued and outstanding with Nil (December 31, 2023 - Nil) common shares held in escrow.

On March 20, 2024, the Company completed a share-for-debt transaction to settle the outstanding principal amount of CAD \$1,270 plus accrued interest of CAD \$80 owed to the 10% secured convertible debenture holders. In total, the Company has issued 6,748,631 common shares of the Company valued at \$1,378 (CAD \$1,873) resulting in a loss on settlement of \$586 (CAD \$706).

On January 16, 2024, the Company issued 500,000 shares with a fair value of \$74 (CAD \$100,000) to the founding holders of Kainantu, pro rata in accordance with their holdings of Kainantu shares as part of the Transaction. The Company had successfully established a supporting inferred resource after completing the acquisition of the Kili Teke property.

On January 3, 2024, the Company announced the closure of the second round and final tranche of its previously announced private placement financing. In the second round the Company issues an aggregate of 1,250,000 shares at a price of CAD \$0.20 per Share to raise gross proceeds of CAD \$250.

On December 1, 2023, the first tranche of a private placement was completed. The Company issued 8,750,000 common shares total proceeds of \$1,333 (CAD \$1,750). An additional 87,500 common shares were issued to certain finders with a value of \$13.

The Company issued 87,500 warrants to certain finders with a value of \$13. Each warrant entitles the holder to acquire a common share of the Company at an exercise price of CAD \$0.50 per common share until November 3, 2025.

The Company employed the Black-Scholes option-pricing model to value the finders warrants, with the warrants issued in the year ended December 31, 2023 using the following assumptions:

	Warrants Issued for Kili-Teke – Issued 09/14/2023	Finders Warrants – Tranche 1 Issued 12/23/2023
Assumptions:		
Risk-free interest rate	4.43%	3.78%
Expected life of options	3 years	3 years
Expected volatility (based on comparable companies)	127.13%	129.48%
Dividend yield	Nil	Nil
Forfeiture rate	0.0%	0.0%
Exercise price	\$2.80	\$0.50
Share price on grant date	\$0.50	\$0.35
Fair value per warrant	\$0.24	\$0.25

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Notes to the Condensed Interim Consolidated Financial Statements

Three months ended March 31, 2024 and 2023

(Presented in thousands of United States Dollars, except for per share amounts; actual share numbers presented)

9. SHARE CAPITAL (Cont'd...)

On September 14, 2023, the Company issued 1,125,725 warrants with a fair value of \$200 (CAD \$270) as part of the consideration for the Kili Teke project.

On April 11, 2023, the Company issued 1,800,000 common shares to complete the acquisition of the remaining 90% interest in the May River Project from Hardrock Limited. The Company already held the other 10% through its investment in Note 11. The fair value of the shares issued was \$840 (CAD \$1,133). The common shares issued contain a trading restriction where the first 50% of shares issued cannot be traded for a period of 1 year from issuance, and the remaining 50% cannot be traded for a period of 2 years from issuance.

On January 24, 2023, the Company completed the second tranche of a private placement with the Company issuing 709,894 common shares and 709,894 warrants for total proceeds of \$589 (CAD \$781). Each warrant entitles the holder to acquire a common share of the Company at an exercise price of CAD \$2.20 per common share until January 4, 2026. As at December 31, 2022 the Company had received \$55 for share subscriptions in advance from the private placement.

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Notes to the Condensed Interim Consolidated Financial Statements

Three months ended March 31, 2024 and 2023

(Presented in thousands of United States Dollars, except for per share amounts; actual share numbers presented)

9. SHARE CAPITAL (Cont'd...)

Share purchase warrants

Details of the status of the share purchase warrants are as follows:

	March 31, 2024		December 31, 2023	
	Number of Warrants	Weighted Average Exercise Price CAD \$	Number of Warrants	Weighted Average Exercise Price CAD \$
Outstanding, beginning of period	6,770,392	2.38	4,464,963	3.10
Expired	-	-	(1,102,620)	4.00
Expired	-	-	(120,070)	2.00
Granted	-	-	709,894	2.20
Granted	-	-	1,587,500	1.20
Granted	-	-	17,500	1.20
Granted	-	-	1,125,725	2.80
Granted	-	-	87,500	0.50
Outstanding, end of period	6,770,392	2.38	6,770,392	2.38

The following share purchase warrants were outstanding and exercisable as at March 31, 2024:

Expiry Date	Exercise Price	Number of Warrants	Remaining Contractual Life (Years)
January 4, 2025	CAD \$3.60	926,883	0.76
January 4, 2025	CAD \$3.60	53,880	0.76
January 21, 2025	CAD \$3.60	611,867	0.81
January 21, 2025	CAD \$3.60	32,712	0.81
November 3, 2025	CAD \$2.20	1,563,579	1.59
November 3, 2025	CAD \$2.20	53,853	1.59
January 24, 2026	CAD \$2.20	709,894	1.82
June 22, 2026	CAD \$1.20	560,551	2.23
July 18, 2026	CAD \$1.20	439,449	2.20
September 1, 2026	CAD \$1.20	387,500	2.42
September 15, 2026	CAD \$1.20	200,000	2.46
September 1, 2026	CAD \$1.20	17,500	2.42
September 14, 2026	CAD \$1.20	1,125,724	2.46
December 22, 2026	CAD \$2.80	87,000	2.73
Total		6,770,392	
Weighted average years to expiry			1.75

SOUTH PACIFIC METALS CORP.

Notes to the Condensed Interim Consolidated Financial Statements Three months ended March 31, 2024 and 2023

(Presented in thousands of United States Dollars, except for per share amounts; actual share numbers presented)

9. SHARE CAPITAL (Cont'd...)

Stock option plan

The Company currently has a 10% Employee Stock Option Plan, which was last approved by the shareholders of the Company on December 15, 2023. The number of common shares which may be issued pursuant to options previously granted and those granted under the plan is a maximum of 10% of the issued and outstanding common shares at the time of the grant. The options have a maximum term of 10 years. The terms and vesting periods are determined by the Board of Directors. The Company provides share-based payment compensation to its directors, officers, employees, and service providers through grants of stock options.

The continuity of stock options is as follows:

	March 31, 2024		December 31, 2023	
	Number of Options	Weighted Average Exercise Price CAD \$	Number of Options	Weighted Average Exercise Price CAD \$
Balance, beginning of the year	408,667	2.00	507,167	2.20
Granted	-	-	-	-
Cancelled	(215,167)	2.10	(98,500)	2.10
Exercised	-	-	-	-
Balance, end of the period	193,500	2.00	408,667	2.00

The following stock options were outstanding and exercisable as at March 31, 2024:

Expiry Date	Exercise Price	Number of Options	Remaining Contractual Life (Years)
December 23, 2025	CAD \$2.10	153,500	1.73
August 9, 2026	CAD \$2.10	15,000	2.36
January 31, 2025	CAD \$1.90	5,000	0.84
January 31, 2026	CAD \$1.90	10,000	0.84
January 31, 2027	CAD \$1.90	10,000	2.84
Total		193,500	
Number of exercisable options		193,500	
Weighted average years to expiry			0.95

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10. FINANCIAL RISK MANAGEMENT

The activities of the Group expose them to a variety of financial risks that arise as a result of their exploration, development and financing activities, including credit risk, liquidity risk and market risk.

This note presents information about the Group's exposure to each of the above risks, the objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors of the Group oversees management's establishment and execution of the Group's risk management framework. Management has implemented and monitors compliance with risk management policies. The Group's risk management policies are established to identify and analyze the risks faced by the Group to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Group's activities.

Credit risk

Credit risk is the risk of financial loss to the Group if counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and receivables. The Company's credit exposure is limited to the carrying amount of these financial assets.

The Company's cash is held by high-credit-rated financial institutions and, as such, the Company does not believe there to be a significant credit risk. The Company's concentration of credit risk and maximum exposure is as follows:

	March 31, 2024	December 31, 2023
Cash at Canadian financial institutions	\$ 349	1,341
Cash at Singapore financial institutions	1	3
Cash at PNG financial institutions	105	1
Total	445	1,345

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting their financial liabilities that are settled in cash or other financial assets. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities as they come due.

The amounts for other payables are subject to normal trade terms. The Group expects to settle its financial liabilities within normal trading terms.

Market risk

Market risk is the risk that changes in market prices, such as equity prices and foreign exchange rates will affect the Group's profit or loss or the value of its financial instruments.

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10. FINANCIAL RISK MANAGEMENT (Cont'd...)

Foreign currency risk

Foreign currency risk is the risk that the Group's financial performance will be affected by fluctuations in the exchange rates between currencies. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when expenses are denominated in currencies other than the respective functional currencies). The Group manages this foreign currency risk by matching payments in the same currency and monitoring movements in exchange rates.

As at March 31, 2024, the Company is exposed to currency risk through the following assets and liabilities denominated in CAD, SGD, and PNG Kina (in thousands):

		CAD	SGD	PNG Kina	Total
Cash	\$ / \$/ K	426	-	325	
Receivables		65	-	-	
Accounts Payable & accrued liabilities		(1,100)	(485)	(390)	
Net Exposure		709	(485)	(65)	
USD equivalents		526	(366)	(25)	135

Based on the above net exposures as at December 31, 2023, and assuming all other variables remain constant, a 10% change in the value of the US dollar against the above foreign currencies would result in a decrease of approximately \$13.

As at December 31, 2023, the Company is exposed to currency risk through the following assets and liabilities denominated in CAD, Singapore Dollars, and PNG Kina (in thousands):

		CAD	SGD	PNG Kina	Total
Cash	\$ / \$/ K	1,780	-	2	
Receivables		71	-	-	
Accounts Payable & accrued liabilities		(1,166)	(490)	(360)	
Net Exposure		685	(490)	(358)	
USD equivalents		518	(371)	(95)	52

Based on the above net exposures as at December 31, 2023, and assuming all other variables remain constant, a 10% change in the value of the US dollar against the above foreign currencies would result in an increase of approximately \$5.

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10. FINANCIAL RISK MANAGEMENT (Cont'd...)

Capital management

Capital of the Group consists of items within shareholder' equity. The Group's objectives when managing capital is to safeguard the Group's ability to continue as a going concern so it can acquire, explore and develop mineral resource properties for the benefit of its shareholders. The Group manages its capital structure and makes adjustments based on the funds available to it in light of changes in economic conditions.

The Board of Directors of the Group has not established quantitative return on capital criteria for management, but rather relies on the expertise of the management to sustain the future development of the Group. In order to facilitate the management of their capital requirements, the Group prepares annual expenditure budgets that consider various factors, including successful capital deployment and general industry conditions. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Group is reasonable.

The Group's principal source of capital is from the issue of ordinary shares. In order to achieve its objectives, the Group intends to raise additional funds as required. The Group is not subject to externally imposed capital requirements and there were no changes to the Group's approach to capital management during the period.

11. RELATED PARTY TRANSACTIONS

Transactions

The Company's related parties consist of entities where the executive officers and directors of the Company are principals. Their position in these entities results in their having control or significant influence over the financial or operating policies of these entities.

Axis Metals and Mining Pte. Ltd.

On December 1, 2020, the Company entered into a consulting agreement with its CEO for a monthly consulting fee of SGD \$8,000 per month through Axis Metals and Mining Pte. Ltd. ("Axis"). The consulting fee was increased with effect from January 1, 2022 to SGD \$13,233. In addition to the fee a monthly expense allowance of SGD \$600 is payable. Termination benefits to the CEO if the engagement is terminated without cause are six months of the monthly fee.

During the three months ended March 31, 2024, the Company incurred \$Nil in consulting fees (2023 - \$30) to Axis with \$Nil (2023 - \$8) directly attributable to the exploration programs capitalised to exploration and evaluation assets. As at March 31, 2024, \$38 (December 31, 2023 - \$38) was owing to Axis.

The contract ceased on October 12, 2023

South Street Pte. Ltd.

On December 1, 2020, the Company entered into a consulting agreement with its CFO, amended July 1, 2021 for monthly management fee of SGD \$18,000 per month through South Street Pte. Ltd. ("South Street"). Termination benefits to the CFO if the engagement is terminated without cause are six months of the monthly fee.

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(Presented in thousands of United States Dollars, except for per share amounts; actual share numbers presented)

11. RELATED PARTY TRANSACTIONS (Cont'd...)

South Street Pte. Ltd. (Cont'd...)

During the three months ended March 31, 2024, the Company incurred \$Nil in consulting fees (2023 - \$45) to South Street with \$Nil (2023 - \$8) directly attributable to exploration programs capitalised to exploration and evaluation assets. As at March 31, 2024, \$34 (December 31, 2023 - \$34) was owing to South Street.

The contract ceased on July 21, 2023

Cooper Financials Pte. Ltd.

On June 15, 2023, the company entered into a consulting agreement with its CFO for a monthly management fee of SGD \$3,750 for the month of May 2023, SGD \$7,500 for the month of June 2023 and SGD \$15,000 per month thereafter through Cooper Financials Pte Ltd. Termination benefits to the CFO if the engagement is terminated is three months.

During the Three months ended, the company incurred \$45 in consulting fees (2023 - \$Nil). At at March 31, 2024, \$77 (December 31, 2023 - \$34) was owing to Cooper Financials Pte. Ltd.

Asia Pacific Energy Ventures Pte. Ltd. ("APEV") and Pacific Energy Consulting Limited ("PEC")

As at March 31, 2024, \$24 (December 31, 2023 - \$24) was due from APEV and PEC which are related by way of common director.

Clode Consulting

On October 12, 2023, the Company entered into a month-to-month consulting agreement with its CEO, for monthly management fee of CAD \$15,000 per month through Clode Consulting. ("Clode Consulting").

During the three months ended March 31, 2024, the Company incurred \$33 in consulting fees (2023 - \$Nil) to Clode Consulting. As at March 31, 2024, \$12 (2022 - \$Nil) was owing to Clode Consulting.

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Notes to the Condensed Interim Consolidated Financial Statements Three months ended March 31, 2024 and 2023

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11. RELATED PARTY TRANSACTIONS (Cont'd...)

Convertible Debentures

During the year ended December 31, 2023, the Company closed a private placement of unsecured convertible debenture units of the Company at a price of CAD\$0.80 per unit for gross proceeds of CAD \$1,270,000.

Snowfields Wealth Management Limited, a company controlled by a director of the Company, and a director of the Company subscribed for \$291 and \$100 worth of units, respectively.

On March 20, 2024, the Company completed a share-for-debt transaction to settle the outstanding principal amount of CAD \$1,270 plus accrued interest of CAD \$80 owed to the 10% secured convertible debenture holders. In total, the Company has issued 6,748,631 common shares of the Company valued at \$1,378 (CAD \$1,873) resulting in a loss on settlement of \$586 (CAD \$706).

Key Management Compensation

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Group as a whole. The Group has determined that key management personnel consist of executive and non-executive members of the Board of Directors and corporate officers.

Key management personnel compensation comprised fees paid and share-based compensation related to the fair value of the stock options granted to these key management personal. Total fees paid to key management personal in the months ended, were \$77 (2023 - \$80), including Director remuneration of \$Nil (2023 - \$20) with \$82 owing at March 31, 2024 (December 31, 2023 - \$99).

12. COMMITMENTS AND CONTINGENCIES

The Group has the following commitments, with payment based on the assumption of continued operations and ongoing successful exploration results at its tenements.

Commitment payments

Exploration licenses in PNG are subject to prescribed minimum expenditure requirements in connection with an approved program and based on the number of sub-blocks.

The Company has the following minimum expenditure commitments.

Next 12 months:

\$465	Minimum exploration expenditure commitment for the first year of second term and second year at the granted exploration licenses.
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Notes to the Condensed Interim Consolidated Financial Statements Three months ended March 31, 2024 and 2023

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13. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental information regarding non-cash transactions is as follows:

During the three months ended March 31, 2024:

- Exploration and evaluation assets included \$4 of capitalised depreciation.
- Accounts payable and accrued liabilities included \$250 of exploration and evaluation expenditures.
- The Company issued 500,000 shares with a fair value of \$74 (CAD \$100,000) to the founding holders of Kainantu.

During the year ended December 31, 2023:

- Exploration and evaluation assets included \$46 of capitalised depreciation.
- Accounts payable and accrued liabilities included \$250 of exploration and evaluation expenditures.
- Funds from the issuance of the Promissory Note (Note 10) of \$500 was sent directly by the lender to the holders of the Kili Teke license upon acquisition.

During the three months ended March 31, 2024 the Group did not pay (2023 - \$Nil) any income taxes or interest.

14. SUBSEQUENT EVENTS

Stock Options

On April 15, 2024, the Board of Directors approved the grant of 1,950,000 stock options to certain directors and officers with an exercise price of CAD \$0.42 per option. 1,200,000 of these options vest in increments of 1/3, with 1/3 immediately vesting on grant date, 1/3 vesting 12 months after the grant date, and the remaining 1/3 fully vesting 24 months from the grant date. The remaining 750,000 shares all vest immediately. All 1,950,000 stock options may be exercised for a period of 5 years from the date of grant.

Private Placement

On April 18, 2024, the Company announced it has closed a private placement issuing 7,500,000 common shares at a price of CAD \$0.20 per share to raise gross proceeds of CAD \$1,500.

On May 28, 2024, the Company announced it has closed a private placement issuing 3,750,000 common shares at a price of CAD \$0.40 per share to raise gross proceeds of CAD \$1,500.