



**(formerly Kainantu Resources Ltd.)**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the nine months ended September 30, 2024 and 2023

(Presented in United States Dollars)

(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	September 30, 2024	December 31, 2023
<b>ASSETS</b>			
<b>Current</b>			
Cash		\$ 640	\$ 1,345
Receivables		69	74
Prepaid expenses		61	31
<b>Total Current Assets</b>		<b>770</b>	<b>1,450</b>
<b>Non-Current</b>			
Deposits and long-term prepaid assets	4	201	277
Property and equipment	5	44	49
Exploration and evaluation assets	6	10,436	9,618
<b>Total Non-Current Assets</b>		<b>10,681</b>	<b>9,944</b>
<b>Total Assets</b>		<b>\$ 11,451</b>	<b>\$ 11,394</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	11	\$ 112	\$ 1,595
Promissory note	7	-	535
Short-term portion of convertible debentures	8	-	41
<b>Total Current Liabilities</b>		<b>112</b>	<b>2,171</b>
<b>Non-current</b>			
Convertible debentures	8	-	699
Derivative portion of convertible debentures	8	-	303
<b>Total Non-Current Liabilities</b>		<b>-</b>	<b>1,002</b>
<b>Shareholder's Equity</b>			
Share capital	9	15,348	11,518
Share subscription received in advance	9	-	-
Reserves	9	2,232	1,702
Accumulated other comprehensive income		28	101
Deficit		(6,269)	(5,100)
<b>Total Shareholder's Equity</b>		<b>11,339</b>	<b>8,221</b>
<b>Total Liabilities and Shareholder's Equity</b>		<b>\$ 11,451</b>	<b>\$ 11,394</b>

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

Approved and authorized by the board of directors on  
November 27, 2024:

"Dain Currie"

Dain Currie - Director

"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		Nine months ended	
		September 30,		September 30,	
		2024	2023	2024	2023
<b>EXPENSES</b>					
Accounting and legal		\$ 15	\$ 270	\$ 132	\$ 403
Corporate and administrative		134	10	245	126
Board and management	11	130	91	320	257
Marketing and investor relations		123	83	172	297
Share-based payments	9 & 11	78	-	530	-
		(484)	(454)	(1,403)	(1,083)
<b>OTHER (EXPENSE) INCOME</b>					
Foreign exchange loss		6	19	8	17
Interest and accretion	8	-	-	(34)	-
Gain on forgiveness of accounts payable		288	-	560	-
Loss on settlement of convertible debentures	8	-	-	(586)	-
Gain on revaluation of derivative of convertible debentures	8	-	-	286	-
		294	19	234	17
<b>Loss for the Period</b>		(190)	(435)	(1,169)	(1,066)
Foreign exchange translation		115	38	(73)	46
<b>Comprehensive Loss for the Period</b>		\$ (75)	\$ (397)	\$ (1,242)	\$ (1,020)
<b>Basic and diluted loss per share</b>		\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
<b>Weighted average number of common shares outstanding - basic and diluted</b>		33,827,334	9,475,432	28,094,906	9,475,342

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)

Nine months ended September 30,	2024	2023
<b>OPERATING ACTIVITIES</b>		
Loss for the period	\$ (1,169) \$	(1,066)
Items not affecting cash:		
Share-based payments	530	-
Foreign exchange	101	-
Depreciation of equipment	(12)	-
Interest and accretion	34	-
Gain on settlement of accounts payable	(560)	-
Loss on settlement of convertible debt	586	-
Gain on revaluation of derivative of convertible debentures	(286)	-
Changes in non-cash working capital items:		
Receivables	5	(27)
Prepaid expenses	(30)	71
Accounts payable and accrued liabilities	(923)	693
Due from/to related parties	-	(103)
<b>Cash used in Operating Activities</b>	<b>(1,724)</b>	<b>(432)</b>
<b>INVESTING ACTIVITIES</b>		
Payment for exploration and evaluation	(744)	(1,296)
Deposits and prepaids	-	100
Payments for property and equipment	(7)	(2)
Investment	-	(12)
<b>Cash used in Investing Activities</b>	<b>(751)</b>	<b>(1,210)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from private placement financing	2,378	527
Proceeds from convertible note financing	-	934
Share issuance costs	-	(10)
Settlement of promissory note	(535)	-
<b>Cash provided by Financing Activities</b>	<b>1,843</b>	<b>1,451</b>
Effects of exchange rates on cash	(73)	(46)
<b>Change in cash</b>	<b>(705)</b>	<b>(237)</b>
<b>Cash, beginning of period</b>	<b>1,345</b>	<b>311</b>
<b>Cash, end of period</b>	<b>\$ 640 \$</b>	<b>74</b>

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
<b>Balance, December 31, 2022</b>	<b>7,632,895</b>	<b>\$ 8,976</b>	<b>\$ 55</b>	<b>\$ 1,284</b>	<b>\$ 79</b>	<b>\$ (3,493)</b>	<b>\$ 6,901</b>
Private placement	709,894	429	(55)	161	-	-	535
Share issuance costs	-	(10)	-	-	-	-	(10)
Loss for the period	-	-	-	-	-	(1,066)	(1,066)
Foreign exchange translation	-	-	-	-	(46)	-	(46)
<b>Balance, September 30, 2023</b>	<b>8,342,789</b>	<b>9,395</b>	<b>-</b>	<b>1,445</b>	<b>33</b>	<b>(4,559)</b>	<b>6,314</b>
Share issuance - Hardrock	1,800,000	840	-	-	-	-	840
Warrants issued - Kili Teke	-	-	-	200	-	-	200
Warrants issued - convertible debentures	-	-	-	22	-	-	22
Private placement	8,750,000	1,333	-	-	-	-	1,333
Share issuance costs	87,500	(16)	-	16	-	-	-
Share issuance costs	-	(34)	-	-	-	-	(34)
Share based payments	-	-	-	19	-	-	19
Loss for the period	-	-	-	-	-	(541)	(541)
Foreign exchange translation	-	-	-	-	68	-	68
<b>Balance, December 31, 2023</b>	<b>18,980,289</b>	<b>11,518</b>	<b>-</b>	<b>1,702</b>	<b>101</b>	<b>(5,100)</b>	<b>8,221</b>
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
Private placement	7,500,000	1,091	-	-	-	-	1,091
Private placement	3,750,000	1,100	-	-	-	-	1,100
Share based payments	-	-	-	530	-	-	530
Loss for the period	-	-	-	-	-	(1,169)	(1,169)
Foreign exchange translation	-	-	-	-	(73)	-	(73)
<b>Balance, September 30, 2024</b>	<b>38,728,920</b>	<b>\$ 15,348</b>	<b>\$ -</b>	<b>\$ 2,232</b>	<b>\$ 28</b>	<b>\$ (6,269)</b>	<b>\$ 11,339</b>

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 Nine months ended September 30, 2024 and 2023

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

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### 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 (issued) 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) (Note 9).

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.

# SOUTH PACIFIC METALS CORP.

## Notes to the Condensed Interim Consolidated Financial Statements Nine months ended September 30, 2024 and 2023

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

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### 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 nine months ended September 30, 2024, the Company recorded a net loss of \$1,169 (2023 - \$1,066). As at September 30, 2024, the Company has an accumulated deficit of \$6,269 (December 31, 2023 - \$5,100) and working capital of \$658 (December 31, 2023 - \$721 deficit). 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, fund 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 Nine months ended September 30, 2024 and 2023

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

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



# SOUTH PACIFIC METALS CORP.

## Notes to the Condensed Interim Consolidated Financial Statements Nine months ended September 30, 2024 and 2023

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

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### 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 Company 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
South Pacific Metals Corp.	-	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
PNG Metals Ltd.	100%	Cayman Islands	Holding company	USD

# SOUTH PACIFIC METALS CORP.

## Notes to the Condensed Interim Consolidated Financial Statements Nine months ended September 30, 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

	September 30, 2023	December 31, 2023
License security deposits	\$ 10	13
Long-term prepaid assets	191	\$ 264
	<b>\$ 201</b>	<b>\$ 277</b>

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

### 5. PROPERTY AND EQUIPMENT

<b>Cost</b>				
	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	7	-	-	-
Disposals	-	-	-	-
<b>September 30, 2024</b>	<b>31</b>	<b>86</b>	<b>105</b>	<b>222</b>

<b>Accumulated Depreciation</b>				
	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	3	3	6	12
<b>September 30, 2024</b>	<b>21</b>	<b>53</b>	<b>104</b>	<b>178</b>

<b>Book Value</b>				
	Office Equipment	Machinery & Equipment	Motor Vehicles	Total
December 31, 2023	6	36	7	49
<b>September 30, 2023</b>	<b>10</b>	<b>33</b>	<b>1</b>	<b>44</b>

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 Nine months ended September 30, 2024 and 2023

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

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### 6. EXPLORATION AND EVALUATION ASSETS

As at September 30, 2024, the company's exploration and evaluation assets are as follows:

	<b>Kainantu</b>	<b>May River</b>	<b>Kili Teke</b>	<b>Total</b>
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	744	-	74	818
<b>September 30, 2024</b>	<b>\$ 8,058</b>	<b>\$ 1,114</b>	<b>\$ 1,264</b>	<b>\$ 10,436</b>

Additions included \$12 of capitalized depreciation (2023 - \$6).

During the nine months ended September 30, 2024, the Company incurred \$744 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 nine months ended September 30, 2024, the promissory note and commitment fee were paid in full.

# SOUTH PACIFIC METALS CORP.

## Notes to the Condensed Interim Consolidated Financial Statements Nine months ended September 30, 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 was 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 September 30, 2024 of \$286 (March 31, 2023 - \$Nil).

The reconciliation of convertible debentures is as follows:

	September 30, 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 Nine months ended September 30, 2024 and 2023

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

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### 9. SHARE CAPITAL

#### (a) Authorized share capital

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

#### (b) Issued and outstanding

As at September 30, 2024, the issued share capital was comprised of 38,728,920 common shares (December 31, 2023 - 18,980,295).

During the nine months ended September 30, 2024, the Company issued common shares as follows:

- 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 \$1,091 (CAD \$1,500).
- 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 \$1,100 (CAD \$1,500).
- 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 (Note 8). 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 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").
- 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 \$187 (CAD \$250).

# SOUTH PACIFIC METALS CORP.

## Notes to the Condensed Interim Consolidated Financial Statements Nine months ended September 30, 2024 and 2023

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

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### 9. SHARE CAPITAL (cont'd...)

#### (b) Issued and outstanding (cont'd...)

During the year ended December 31, 2023, the Company issued common shares as follows:

- 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.
- 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.

# SOUTH PACIFIC METALS CORP.

## Notes to the Condensed Interim Consolidated Financial Statements Nine months ended September 30, 2024 and 2023

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

### 9. SHARE CAPITAL (cont'd...)

#### (c) Stock options

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.

As at September 30, 2024 and December 31, 2023, the Company had the following changes in stock options outstanding:

	September 30, 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	2,700,000	0.44	-	-
Cancelled/expired	(635,166)	1.95	(98,500)	2.10
Exercised	-	-	-	-
Balance, end of the period	2,473,500	0.57	408,667	2.00

As at September 30, 2024, 1,373,500 (December 31, 2023 – 408,667) options were exercisable.

- On September 5, 2024, the Company granted 150,000 stock options to a consultant with an exercise price of CAD \$0.60 per option exercisable for a period of 5 years. The options vest over a one-year period with 50,000 vesting on the date of grant, 25,000 six-months from the date of grant and 37,500 vests on nine and twelve months from the date of grant.
- On June 6, 2024, the Company granted 600,000 stock options to certain directors and officers with an exercise price of CAD \$0.51 per option exercisable for a period of 5 years. The options vest over a three-year period with one-third vesting every 12-months from the date of grant. During the nine months ended September 30, 2024, \$440,367 in share-based payments was included in the statement of operations.
- On April 15, 2024, the Company granted 1,950,000 stock options to certain directors and officers with an exercise price of CAD \$0.42 per option exercisable for a period of 5 years. 1,200,000 of these options vest over a two-year period with one-third vesting on the date of grant, one-third vesting 12-months after the grant date, and the remaining one-third vesting 24-months from the grant date. The remaining 750,000 shares vested on the date of grant.

During the nine months ended September 30, 2024, \$530 in share-based payments was included in the statement of operations.

# SOUTH PACIFIC METALS CORP.

## Notes to the Condensed Interim Consolidated Financial Statements Nine months ended September 30, 2024 and 2023

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

### 9. SHARE CAPITAL (cont'd...)

#### (c) Stock options (cont'd)

As at September 30, 2024 the following stock options were outstanding:

Expiry Date	Exercise Price	Number of Options	Remaining Contractual Life (Years)
December 23, 2025	CAD \$2.10	153,500	1.48
January 31, 2026	CAD \$1.90	10,000	1.59
January 31, 2027	CAD \$1.90	10,000	2.59
April 15, 2029	CAD\$0.42	1,350,000	4.75
April 30, 2029	CAD\$0.42	200,000	0.83
June 4, 2029	CAD\$0.51	600,000	4.85
September 5, 2029	CAD\$0.60	150,000	4.99
Total		2,473,500	
Number of exercisable options		1,373,500	
Weighted average years to expiry			4.30

During the nine months ended September 30, 2024, the Company recorded \$530 (2023 - \$nil) in share-based compensation expense relating to the granting and vesting of incentive stock options. The fair value of stock options granted was calculated using the Black-Scholes Option Pricing Model using the following weighted average assumptions:

Risk-free interest rate	3.71%
Expected dividend yeild	-
Expected stock price volatility	129.66%
Expected option life in years	5.00
Forfeiture rate	0%
Fair value on grant date	\$0.38



# SOUTH PACIFIC METALS CORP.

## Notes to the Condensed Interim Consolidated Financial Statements Nine months ended September 30, 2024 and 2023

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

### 9. SHARE CAPITAL (cont'd...)

#### (d) Warrants

As at September 30, 2024 and December 31, 2023, the Company had the following changes in share purchase warrants outstanding:

	September 30, 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

As at September 30, 2024 and December 31, 2023, the following share purchase warrants were outstanding:

Expiry Date	Exercise Price	Number of Warrants	Remaining Contractual Life (Years)
January 4, 2025	CAD \$3.60	926,883	0.51
January 4, 2025	CAD \$3.60	53,880	0.51
January 21, 2025	CAD \$3.60	611,867	0.52
January 21, 2025	CAD \$3.60	32,712	0.52
November 3, 2025	CAD \$2.20	1,563,579	1.34
November 3, 2025	CAD \$2.20	53,853	1.34
January 24, 2026	CAD \$2.20	709,894	1.57
June 22, 2026	CAD \$1.20	560,551	1.98
July 18, 2026	CAD \$1.20	439,449	2.01
September 1, 2026	CAD \$1.20	387,500	2.18
September 15, 2026	CAD \$1.20	200,000	2.18
September 1, 2026	CAD \$1.20	17,500	2.18
September 14, 2026	CAD \$1.20	1,125,724	2.21
December 22, 2026	CAD \$2.80	87,000	2.48
Total		6,770,392	
Weighted average years to expiry			1.65

# SOUTH PACIFIC METALS CORP.

## Notes to the Condensed Interim Consolidated Financial Statements Nine months ended September 30, 2024 and 2023

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

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### 9. SHARE CAPITAL (cont'd...)

#### (e) Warrants (cont'd...)

During the year ended December 31, 2023, the fair value of the finders warrants granted was calculated using the Black-Scholes Option-Pricing Model using the following weighted average 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

# SOUTH PACIFIC METALS CORP.

## Notes to the Condensed Interim Consolidated Financial Statements Nine months ended September 30, 2024 and 2023

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

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### 10. FINANCIAL RISK MANAGEMENT

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

#### ***Credit risk***

Credit risk is the risk of financial loss to the Company 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:

	<b>September 30, 2024</b>	<b>December 31, 2023</b>
Cash at Canadian financial institutions	\$ 571	1,341
Cash at Singapore financial institutions	-	3
Cash at PNG financial institutions	69	1
Total	640	1,345

#### ***Liquidity risk***

Liquidity risk is the risk that the Company will encounter difficulty in meeting their financial liabilities that are settled in cash or other financial assets. The Company'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 Company 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 Company's profit or loss or the value of its financial instruments.

# SOUTH PACIFIC METALS CORP.

## Notes to the Condensed Interim Consolidated Financial Statements Nine months ended September 30, 2024 and 2023

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

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

#### Foreign currency risk

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

As at September 30, 2024, the Company is exposed to currency risk through the following assets and liabilities denominated in CAD, SGD, and PNG Kina (in thousands):

		<b>CAD</b>	<b>SGD</b>	<b>PNG Kina</b>	<b>Total</b>
Cash	\$ / \$/ K	778	-	273	
Receivables		90	-	-	
Accounts Payable & accrued liabilities		(90)	(15)	(150)	
Net Exposure		773	(15)	143	
<b>USD equivalents</b>		<b>561</b>	<b>(14)</b>	<b>70</b>	<b>617</b>

Based on the above net exposures as at September 30, 2024 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 \$99.

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):

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

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.

# SOUTH PACIFIC METALS CORP.

## Notes to the Condensed Interim Consolidated Financial Statements Nine months ended September 30, 2024 and 2023

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

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

#### **Capital management**

Capital of the Company consists of items within shareholder' equity. The Company's objectives when managing capital is to safeguard the Company'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 Company 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 Company 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 Company. In order to facilitate the management of their capital requirements, the Company 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 Company is reasonable.

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

### 11. RELATED PARTY TRANSACTIONS

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is a related party transaction when there is a transfer of resources or obligations between related parties.

Key management personnel include persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has identified its directors and officers as its key management personnel and the compensation costs for key management personnel and companies related to them are recorded at their exchange amounts as agreed upon by transacting parties.

#### **Key Management Compensation**

Key management personnel compensation is comprised of fees paid and share-based compensation related to the fair value of the stock options granted to these key management personal.

Remuneration for key management personnel of the Company was as follows:

	Nine months ended September 30,			
	2024		2023	
Management fees	\$	301	\$	383
Share-based compensation		473		-
	\$	774	\$	383

# SOUTH PACIFIC METALS CORP.

## Notes to the Condensed Interim Consolidated Financial Statements Nine months ended September 30, 2024 and 2023

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

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

As at September 30, 2024, \$nil (2023 - \$54) was due from a company with common directors.

As at September 30, 2024, \$nil (2023 - \$nil) was due to directors and officers of the Company.

As at September 30, 2024, \$nil (2023 - \$70) was due to a company with a common director.

#### **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 (Note 8).

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).

### 12. COMMITMENTS AND CONTINGENCIES

The Company 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:**

\$265 Minimum exploration expenditure commitment for the first year of second term and second year at the granted exploration licenses.

# SOUTH PACIFIC METALS CORP.

## Notes to the Condensed Interim Consolidated Financial Statements Nine months ended September 30, 2024 and 2023

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

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### 13. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental information regarding non-cash transactions is as follows:

During the nine months ended September 30, 2024:

- Exploration and evaluation assets included \$8 of capitalised depreciation.
- Accounts payable and accrued liabilities included \$76 of exploration and evaluation expenditures.
- The Company issued 500,000 shares with a fair value of \$74 (CAD \$100) 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 7) of \$500 was sent directly by the lender to the holders of the Kili Teke license upon acquisition.

During the nine months ended September 30, 2024, the Company Paid \$Nil (2023 - \$Nil) in income taxes and interest.

### 14. EVENTS AFER THE REPORTING PERIOD

- On November 5, 2024, the Company granted 75,000 stock options to a consultant with an exercise price of CAD \$0.58 per option exercisable for a period of 5 years. 37,000 options will vest upon the successful completion of a drill program, the "Initial Vest Date", with the remaining 38,000 options vesting 12-months after the Initial Vest Date.