



**SOUTH PACIFIC METALS CORP.**

*(formerly Kainantu Resources Ltd.)*

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**(Presented in Canadian Dollars)**

**FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2025 AND 2024**

**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.

(formerly *Kainantu Resources Ltd.*)

Consolidated Statements of Financial Position

(Presented in Canadian Dollars)

(Unaudited)

	Notes	September 30, 2025	March 31, 2025
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents		\$ 2,062,425	\$ 5,148,661
Receivables	5	149,290	127,043
Prepaid expenses		107,826	101,987
		<u>2,319,541</u>	<u>5,377,691</u>
<b>Non-Current</b>			
Long-term prepaid assets	6	134,595	174,195
Property and equipment	7	823,015	96,869
Exploration and evaluation assets	8	<u>16,748,515</u>	<u>15,707,038</u>
		<u>17,706,125</u>	<u>15,978,102</u>
<b>Total Assets</b>		<b>\$ 20,025,666</b>	<b>\$ 21,355,793</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	9 & 14	\$ 1,063,472	\$ 754,636
		<u>1,063,472</u>	<u>754,636</u>
<b>Shareholder's Equity</b>			
Share capital	12	26,420,681	26,420,681
Reserves	12	3,539,453	3,034,213
Accumulated other comprehensive income		493,431	1,315,784
Deficit		<u>(11,491,371)</u>	<u>(10,169,521)</u>
		<u>18,962,194</u>	<u>20,601,157</u>
<b>Total Liabilities and Shareholder's Equity</b>		<b>\$ 20,025,666</b>	<b>\$ 21,355,793</b>

Approved and authorized by the board of directors on November 26, 2025:

*“Geoff Lawrence”*

*Geoff Lawrence - Director*

*“Michael Murphy”*

*Michael Murphy - Director*

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

# SOUTH PACIFIC METALS CORP.

(formerly *Kainantu Resources Ltd.*)

Consolidated Statements of Loss and Comprehensive Loss

For The Six Months Ended September 30,

(Presented in Canadian Dollars)

(Unaudited)

	Notes	Three Months Ended September 30,		Six Months Ended September 30,	
		2025	2024	2025	2024
<b>EXPENSES</b>					
Accounting and legal		\$ 120,635	\$ 21,005	\$ 180,644	\$ 48,102
Corporate and administrative		37,012	185,003	67,626	296,125
Board and management	14	179,488	180,345	338,930	426,301
Marketing and investor relations		116,037	176,114	257,029	220,090
Share-based payments	12 & 14	343,147	108,078	505,240	733,243
		(796,319)	(670,545)	(1,349,469)	(1,723,861)
<b>OTHER (EXPENSE) INCOME</b>					
Interest income		(8,629)	-	(31,220)	-
Loss on foreign exchange		3,601	(8,002)	3,601	(64,100)
(Gain) Loss on settlement of accounts payable		-	(400,687)	-	(676,946)
		5,028	408,689	27,619	741,046
<b>Loss for the Period</b>		<b>(791,291)</b>	<b>(261,856)</b>	<b>(1,321,850)</b>	<b>(982,815)</b>
Exchange difference on translation of foreign operations		(168,189)	160,025	(822,353)	(40,005)
<b>Comprehensive Loss for the Period</b>		<b>\$ (959,480)</b>	<b>\$ (101,831)</b>	<b>\$ (2,144,203)</b>	<b>\$ (1,022,820)</b>
<b>Basic and diluted loss per share</b>		<b>\$ (0.02)</b>	<b>\$ (0.01)</b>	<b>\$ (0.03)</b>	<b>\$ (0.03)</b>
<b>Weighted average number of common shares outstanding - basic and diluted</b>		<b>51,853,920</b>	<b>33,827,334</b>	<b>51,853,920</b>	<b>34,728,920</b>

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

# **SOUTH PACIFIC METALS CORP.**

*(formerly Kainantu Resources Ltd.)*

Consolidated Statements of Cash Flows

For The Six Months Ended September 30,

*(Presented in Canadian Dollars)*

*(Unaudited)*

	<b>2025</b>	<b>2024</b>
<b>OPERATING ACTIVITIES</b>		
Loss for the period	\$ (1,321,850)	\$ (982,815)
Items not affecting cash:		
Share-based payments	505,240	733,243
Foreign exchange	39,600	111,025
Depreciation of equipment	-	(16,275)
Gain on settlement of accounts payable	-	676,946
Changes in non-cash working capital items:		
Receivables	(22,247)	(14,011)
Prepaid expenses	(5,839)	(56,535)
Accounts payable and accrued liabilities	<u>308,836</u>	<u>(1,019,780)</u>
Net cash used in Operating Activities	<u>(496,260)</u>	<u>(568,202)</u>
<b>INVESTING ACTIVITIES</b>		
Payment for exploration and evaluation	(1,724,856)	(757,450)
Payments for property and equipment	<u>(740,473)</u>	<u>(10,345)</u>
Net cash used in Investing Activities	<u>(2,465,329)</u>	<u>(767,795)</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from private placement, net of issuance costs	<u>-</u>	<u>2,967,200</u>
Net cash provided by Financing Activities	<u>-</u>	<u>2,967,200</u>
<b>Change in cash and cash equivalents during the period</b>	<b>(2,961,589)</b>	<b>1,631,203</b>
<b>Foreign exchange</b>	<b>(124,647)</b>	<b>(40,005)</b>
<b>Cash and cash equivalents - beginning of the period</b>	<b>5,148,661</b>	<b>617,015</b>
<b>Cash and cash equivalents - end of the period</b>	<b>\$ 2,062,425</b>	<b>\$ 2,208,213</b>

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

# SOUTH PACIFIC METALS CORP.

(formerly Kainantu Resources Ltd.)

## Consolidated Statements of Changes in Shareholders' Equity

(Presented in Canadian Dollars)

(Unaudited)

	Note	Number of shares	Share Capital	Reserves	Accumulated Other Comprehensive Income	Deficit	Total
<b>Balance, December 31, 2023</b>		<b>18,980,289</b>	<b>\$ 15,006,257</b>	<b>\$ 2,128,392</b>	<b>\$ 390,310</b>	<b>\$ (6,634,823)</b>	<b>\$ 10,890,136</b>
Private placements, net of issuance costs		12,500,000	3,217,200	-	-	-	3,217,200
Shares issued for mineral property	8 & 12	500,000	100,000	-	-	-	100,000
Shares issued to settle convertible debentures	11 & 12	6,748,631	1,822,130	-	-	-	1,822,130
Share based payments	12	-	-	551,244	-	-	551,244
Loss for the period		-	-	-	-	(1,695,401)	(1,695,401)
Foreign exchange translation		-	-	-	(98,025)	-	(98,025)
<b>Balance, September 30, 2024</b>		<b>38,728,920</b>	<b>20,145,587</b>	<b>2,679,636</b>	<b>292,285</b>	<b>(8,330,224)</b>	<b>14,787,284</b>
Private placements, net of issuance costs	12	13,125,000	6,275,094	-	-	-	6,275,094
Share based payments	12	-	-	325,092	-	-	325,092
Loss for the period		-	-	-	-	(1,839,297)	(1,839,297)
Foreign exchange translation		-	-	29,485	1,023,499	-	1,052,984
<b>Balance, March 31, 2025</b>		<b>51,853,920</b>	<b>26,420,681</b>	<b>3,034,213</b>	<b>1,315,784</b>	<b>(10,169,521)</b>	<b>20,601,157</b>
Share based payments	12	-	-	505,240	-	-	505,240
Loss for the period		-	-	-	-	(1,321,850)	(1,321,850)
Foreign exchange translation		-	-	-	(822,353)	-	(822,353)
<b>Balance, September 30, 2025</b>		<b>51,853,920</b>	<b>\$ 26,420,681</b>	<b>\$ 3,539,453</b>	<b>\$ 493,431</b>	<b>\$ (11,491,371)</b>	<b>\$ 18,962,194</b>

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

# **SOUTH PACIFIC METALS CORP.**

*(formerly Kainantu Resources Ltd.)*

Notes to the Consolidated Financial Statements

Six Months Ended September 30, 2025 and 2024

*(Presented in Canadian Dollars)*

*(Unaudited)*

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## **1. NATURE OF BUSINESS AND GOING CONCERN**

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”). On December 3, 2020, the Company completed its Qualifying Transaction (the “Transaction”) by completing a reverse take-over of an Kainantu Resources Ltd., which owns title to certain mineral tenements making up the Kainantu project in Papua New Guinea (“PNG”). The Company is a mineral exploration company engaged in the acquisition and exploration of mineral properties in PNG. The Company’s head office is located at 710 -1030 West Georgia Street, Vancouver, BC.

On February 6, 2024, the Company changed its name to South Pacific Metals Corp. The Company’s shares trade on the TSX-V under the symbol SPMC, on the OTCQB under the symbol SPMEF and on the Frankfurt Stock Exchange under the symbol 6JO.

The Company has retroactively changed its presentation currency to the Canadian dollar (“CAD”) from the United States dollar (“USD”). The change is detailed in Note 2.

These condensed interim consolidated financial statements have been prepared on the assumption that 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 ordinary course of business. The Company has incurred losses since inception. For the six months ended September 30, 2025 the Company incurred a net loss of \$1,321,850 (2024 – \$982,815) and has an accumulated deficit of \$11,491,371 at September 30, 2025 (March 31, 2025 - \$10,169,521). The Company expects to incur further losses in the exploration of its mineral properties.

As the Company is in the exploration stage, the Company’s ability to continue as a going concern and fund its exploration activity is dependent on the Company being able to draw down on its current cash, maintain cost control measures and raise additional capital. The ability to continue as a going concern remains dependent on the Company’s capacity to obtain the additional financing necessary to continue to fund its mineral properties, the realization of future profitable production, proceeds from the disposition of its mineral interests, and/or other sources. The Company has been successful raising capital in the past and expects to have access to the resources to continue its operations for the foreseeable future but there can be no assurance that Company will have access to the capital markets.

These conditions indicate the existence of material uncertainties which may cast significant doubt on the Company’s ability to continue as a going concern. These condensed interim consolidated financial statements do not give effect to adjustments to the carrying values and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

# **SOUTH PACIFIC METALS CORP.**

*(formerly Kainantu Resources Ltd.)*

Notes to the Consolidated Financial Statements

Six Months Ended September 30, 2025 and 2024

*(Presented in Canadian Dollars)*

*(Unaudited)*

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## **2. BASIS OF PREPARATION**

### **Statement of compliance**

These condensed interim consolidated financial statements, including comparatives, have been prepared using accounting policies consistent with IFRS Accounting Standards and International Accounting Standards as issued by the International Accounting Standards Board (IASB) and Interpretations (collectively IFRS Accounting Standards).

### **Change in fiscal year end**

The Company has transitioned to a new fiscal year-end from December 31 to March 31, effective January 1, 2024. As a result, fiscal year ended March 31, 2025 was a transition year that included 15 months of operations, starting on January 1, 2024 and ending on March 31, 2025. The Company's current 12-month financial year began April 1, 2025 and ends on March 31, 2026.

### **Change in presentation currency**

These consolidated financial statements are presented in Canadian dollars. All financial information is expressed in Canadian dollars unless otherwise stated.

The Company has adopted the Canadian dollar as the presentation currency for the consolidated entity retrospectively. For comparative reporting purposes, historical financial statements were translated into the Canadian dollar reporting currency whereby assets and liabilities were translated at the closing rate in effect at the end of the comparative periods; revenues, expenses and cash flows were translated at the average rate in effect for the comparative periods and equity transactions were translated at historic rates. The change has been adopted to provide alignment between the Company's external reporting and its internal financial metrics.

Exchange differences arising on translation of comparative periods have been recognized in other comprehensive income and presented in the accumulated other comprehensive income within equity.

# **SOUTH PACIFIC METALS CORP.**

*(formerly Kainantu Resources Ltd.)*

Notes to the Consolidated Financial Statements

Six Months Ended September 30, 2025 and 2024

*(Presented in Canadian Dollars)*

*(Unaudited)*

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## **2. BASIS OF PREPARATION (Cont'd...)**

### **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 through profit and loss.

### **Consolidation**

These condensed interim consolidated financial statements include the financial statements of the Company and its controlled subsidiaries (together, the “Group”). Control is achieved when the Company has the power to, directly or indirectly, govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is obtained and continue to be consolidated until the date that such control ceases. Intercompany balances, transactions and unrealized intercompany gains and losses are eliminated upon consolidation.

Company	Ownership %	Country of incorporation	Nature / Activities	Functional Currency
South Pacific Metals Corp.	-	Canada	Parent company	CAD
Kainantu Resources Pte Ltd.	100%	Singapore	Holding company	CAD
Kainantu Resources Ltd.	100%	Papua New Guinea	Mineral exploration	USD
KRL Kili Teke Resources Ltd.	100%	Papua New Guinea	Mineral exploration	USD
Hardrock Ltd.	100%	Papua New Guinea	Mineral exploration	USD
PNG Metals Ltd.	100%	Cayman Islands	Holding company	USD

## **3. MATERIAL ACCOUNTING POLICY INFORMATION**

### **Use of judgements and estimates**

In preparing these interim financial statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty are consistent with those described in the March 31, 2025 annual financial statements.

### **Standards and interpretations issued but not yet effective**

At the date of authorization of these condensed interim financial statements, the IASB has not issued any new or revised standards expected to have a material impact on the results and financial position of the Company when adopted.

# **SOUTH PACIFIC METALS CORP.**

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Notes to the Consolidated Financial Statements

Six Months Ended September 30, 2025 and 2024

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*(Unaudited)*

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## **4. MANAGEMENT OF CAPITAL**

The Company is an exploration stage company, and this involves a high degree of risk. The Company has not determined whether its mineral properties contain economically recoverable reserves of ore. The Company's primary source of funds comes from the issuance of share capital. The Company does not use other sources of financing that require fixed payments of interest and principal due to lack of cash flow from current operations and is not subject to any externally imposed capital requirements.

The Company defines its capital as equity. Capital requirements are driven by the Company's exploration activities on its mineral properties. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses to budget on all exploration projects and overhead to manage costs, commitments, and exploration activities.

There have been no changes to the Company's approach to capital management during the six months ended September 30, 2025.

## **5. ACCOUNTS RECEIVABLE**

The Company's receivable balance of \$149,290 (March 31, 2025 - \$127,043) consists entirely of recoverable GST from the government of Canada.

## **6. LONG-TERM PREPAID ASSETS**

	September 30, 2025	March 31, 2025
Long-term prepaid assets	\$ 134,595	\$ 174,195
	\$ 134,595	\$ 174,195

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

# **SOUTH PACIFIC METALS CORP.**

*(formerly Kainantu Resources Ltd.)*

Notes to the Consolidated Financial Statements

Six Months Ended September 30, 2025 and 2024

*(Presented in Canadian Dollars)*

*(Unaudited)*

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## **7. PROPERTY AND EQUIPMENT**

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

During the six months ended September 30, 2025, the Company acquired assets of \$740,473 that have not yet been amortized as they were not ready for their intended use as at September 30, 2025.

During the 15-months ended March 31, 2025, the residual values of certain assets were reassessed, and management recognised an impairment loss of \$51,522 based on level 3 of the fair value hierarchy.

During the 15-months ended March 31, 2025, the Company acquired assets of \$96,404 that have not yet been amortized as they were not ready for their intended use as at September 30, 2025.

<b>Cost</b>	<b>Office Equipment</b>	<b>Machinery &amp; Equipment</b>	<b>Motor Vehicles</b>	<b>Total</b>
December 31, 2023	\$ 31,565	\$ 108,330	\$ 142,227	\$ 282,122
Additions	-	96,869	-	96,869
Impairment	(31,565)	(108,330)	(142,227)	(282,122)
March 31, 2025	-	96,869	-	96,869
Additions	-	740,473	-	740,473
Foreign exchange	-	(14,327)	-	(14,327)
September 30, 2025	\$ -	\$ 823,015	\$ -	\$ 823,015

### **Accumulated Depreciation**

	<b>Office Equipment</b>	<b>Machinery &amp; Equipment</b>	<b>Motor Vehicles</b>	<b>Total</b>
December 31, 2023	\$ 24,729	\$ 68,863	\$ 126,896	\$ 220,488
Depreciation	4,322	5,048	7,813	17,183
Impairment	(29,051)	(73,911)	(134,709)	(237,671)
March 31, 2025 and September 30, 2025	\$ -	\$ -	\$ -	\$ -

### **Book Value**

March 31, 2025	\$ -	\$ 96,869	\$ -	\$ 96,869
September 30, 2025	\$ -	\$ 823,015	\$ -	\$ 823,015

# **SOUTH PACIFIC METALS CORP.**

*(formerly Kainantu Resources Ltd.)*

Notes to the Consolidated Financial Statements

Six Months Ended September 30, 2025 and 2024

*(Presented in Canadian Dollars)*

*(Unaudited)*

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## **8. EXPLORATION AND EVALUATION ASSETS**

As at September 30, 2025, the company's exploration and evaluation assets are as follows:

	<b>Kainantu</b>	<b>May River</b>	<b>Kili Teke</b>	<b>Total</b>
Balance, December 31, 2023	\$ 9,644,940	\$ 1,501,189	\$ 1,594,370	\$ 12,740,499
Acquisition costs	100,000	-	-	100,000
Exploration expenditures	1,649,791	17,250	39,110	1,706,151
Foreign exchange	908,959	121,126	130,303	1,160,388
Balance, March 31, 2025	12,303,690	1,639,565	1,763,783	15,707,038
Exploration expenditures	1,724,856	-	-	1,724,856
Foreign exchange	(535,307)	(71,334)	(76,738)	(683,379)
Balance, September 30, 2025	\$ 13,493,239	\$ 1,568,231	\$ 1,687,045	\$ 16,748,515

### *Kainantu Project*

On December 3, 2020, the Company completed the Transaction with Kainantu Resources Ltd (“Kainantu”), which holds title to certain mineral claims that make up the Anga and Osena projects. On January 16, 2024, following satisfaction of all conditions the Company issued 500,000 shares with a fair value of \$100,000 to the original shareholders of Kainantu in full satisfaction of its obligations under the Transaction.

### *Kili Teke Project*

On April 6, 2022, the Company entered into an asset sale and royalty agreement with Harmony Gold (PNG) Exploration Limited (“Harmony”) to acquire certain mineral claims (“Kili Teke Claims”) that make up the Kili Teke project. To acquire the Kili Teke Claims, the Company must pay \$625,674, less assumed liabilities of \$31,647, on completion of the agreement (paid) and by making a final cash payment of \$674,672 (paid) and issuing 1,125,725 warrants (issued).

During the year ended December 31, 2023, the Company completed the acquisition of the Kili Teke Claims by making the final cash payment of \$674,672 and by issuing 1,125,725 warrants with a fair value of \$270,075. The warrants have an exercise price of \$2.80 per share and are exercisable into one common share of the Company until September 14, 2026.

# **SOUTH PACIFIC METALS CORP.**

*(formerly Kainantu Resources Ltd.)*

Notes to the Consolidated Financial Statements

Six Months Ended September 30, 2025 and 2024

*(Presented in Canadian Dollars)*

*(Unaudited)*

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## **8. EXPLORATION AND EVALUATION ASSETS (Cont'd...)**

### *May River Project*

On June 15, 2021 the Company entered in an option agreement to acquire 100% of Hardrock Ltd (“Hardrock”), a PNG company that owns title to the claims that make up the May River project. The Company acquired 10% under the first option payment by making certain cash (paid) and share issuances (issued). Total cash and shares issuance under the first option payment totalled \$346,481. Under the option agreement, the Company may acquire the remaining 90% by making the second option payment that includes certain cash and share issuances.

On March 17, 2023, the Company and the original shareholders of Hardrock entered into an amending share sale agreement whereby the Company could acquire the remaining 90% of Hardrock by issuing 1,800,000 common shares of the Company to the original shareholders. During the year ended December 31, 2023, the Company completed the 100% acquisition of Hardrock by issuing 1,800,000 common shares at a fair value of \$1,134,087 and incurring legal fees of \$8,815.

During the six months ended September 30, 2025, the Company incurred \$1,685,256 (2024 - \$224,895) in exploration expenditures, as follows:

	<b>September 30, 2025</b>	<b>September 30, 2024</b>
Exploration and evaluation costs:		
Assays and analysis	\$ 26,534	\$ 123,526
Consultants and contractors	570,767	315,250
Employees and labour	234,534	136,745
Field, camp and supply	526,220	115,742
Travel and accommodation	93,970	27,787
Vehicles, logistics and support	272,831	37,915
	<hr/> \$ 1,724,856	<hr/> \$ 224,895

# **SOUTH PACIFIC METALS CORP.**

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Notes to the Consolidated Financial Statements

Six Months Ended September 30, 2025 and 2024

*(Presented in Canadian Dollars)*

*(Unaudited)*

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## **9. ACCOUNTS PAYABLE**

Accounts payable and accrued liabilities comprise the following:

	September 30, 2025	March 31, 2025
Trade payables	\$ 505,903	\$ 181,472
Disputed payables	487,935	503,163
Accrued liabilities	69,634	70,000
	<u>\$ 1,063,472</u>	<u>\$ 754,635</u>

Disputed payables include accounts payable balances that were the result of previous management, which have not been substantiated as legitimate payables by the Company's new management team. The Company has exhausted its attempts to substantiate the legitimacy of these payable balances with no further communication from the vendors. As a result, the Company will deny payment and will vigorously defend itself against any claims for payment that may arise from the associated vendors.

## **10. PROMISSORY NOTE**

On November 27, 2023, the Company issued a \$690,350 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 \$48,325 on issuance of the promissory note. During the fifteen months ended March 31, 2025, the promissory note and commitment fee were paid in full.

## **11. CONVERTIBLE DEBENTURES**

During the year ended December 31, 2023, the Company completed a private placement of unsecured convertible debentures of the Company at a price of \$0.80 per unit for gross proceeds of \$1,270,000. Each unit consists of: (i) one convertible debenture, convertible into one common share of the Company at a price of \$0.80; and (ii) one detachable warrant to purchase another common share of the Company at a price of \$1.20 per warrant.

Each convertible debenture matures on the date that is 36 months from the date of issuance of the convertible debenture. On the maturity date, the outstanding principal amount of the convertible debenture shall be repaid in cash. The principal amount shall be convertible, for no additional consideration, after 12 months from issuance.

# **SOUTH PACIFIC METALS CORP.**

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Notes to the Consolidated Financial Statements

Six Months Ended September 30, 2025 and 2024

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*(Unaudited)*

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## **11. CONVERTIBLE DEBENTURES (Cont'd...)**

In the event that at any time following 18 months after the date hereof:

- The 60-day VWAP is equal to or greater than 200% of the Conversion Price, the Company will thereafter be entitled, at any time or multiple times up to the maturity date, to convert up to 50% of the outstanding principal amount of this Debenture, as determined by the Company, into common shares at the Conversion Price; and
- The 60-day VWAP is equal to or greater than 300% of the Conversion Price, the Company will thereafter be entitled, at any time or multiple times up to the maturity date, to convert all or a portion of the outstanding principal amount of this Debenture, as determined by the Company, into common shares at the Conversion Price.

The convertible debentures bear interest at a rate of 10% per annum from the date of issue to be paid in cash on an annual basis. The interest will be payable in arrears on the earlier of the conversion of the convertible debentures and the maturity date. If the conversion of the convertible debentures occurs prior to the maturity date, the holder of the convertible debentures shall be entitled to all accrued and outstanding unpaid interest. The conversion feature is subject to an anti-dilution clause in the event the Company issues equity securities at a price lower than \$0.80 per share.

The convertible debentures contain a financial liability component, a derivative liability component and an equity component, being the detachable warrants which grant the holder the option to acquire an equity interest in the Company. The Company bifurcated the convertible debentures using a discounted cash flow model with discounted rate of 17.80% and recognized a financial liability of \$992,070 at initial recognition, representing the host feature of the debt.

The derivative portion, represent the conversation feature was valued using the Black-Sholes option pricing model with the following assumptions:

Risk free interest rate	-	4.29-4.47%
Expected life of options		3 years
Expected volatility (based on comparable companies)		116.26-128.82%
Forfeiture rate		0.00%
Dividend yield		Nil
Exercise price		\$0.80
Share price on revaluation		\$0.25-\$0.35

# **SOUTH PACIFIC METALS CORP.**

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Notes to the Consolidated Financial Statements

Six Months Ended September 30, 2025 and 2024

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*(Unaudited)*

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## **11. CONVERTIBLE DEBENTURES (Cont'd...)**

The derivative liability component was revalued at December 31, 2023 using the Black-Scholes option pricing model with the following assumptions:

Risk free interest rate	3.67%
Expected life of options	2.45-2.77 years
Expected volatility (based on comparable companies)	132.91-136.52%
Forfeiture rate	0.00%
Dividend yield	Nil
Exercise price	\$0.80
Share price on revaluation	\$0.40

The residual value was then allocated to the equity component, consisting of the detachable warrants.

The derivative portion of the convertible debentures was revalued at December 31, 2023, and a loss was recognized in the year ended December 31, 2023 of \$160,074.

The Company is also required to complete a share consolidation with one year of issuing the convertible debentures. If not completed, the holder has the option to cause the Company to redeem the convertible debenture. On February 6, 2025, the Company completed a 10:1 share consolidation (Note 12).

Each warrant is exercisable into one common share of the Company at a price of \$1.20 for a period of 36 months from issuance.

The Company paid \$67,569 in debt issuance costs and issued an additional 17,500 broker warrants. Each broker warrant will entitle the holder to acquire one common share at an exercise price of \$1.20 within 36 months from issuance. The fair value of these broker warrants was estimated using the Black-Scholes option pricing model with the following assumptions:

Risk free interest rate	4.31%
Expected life of options	3 years
Expected volatility (based on comparable companies)	119.63%
Forfeiture rate	0.00%
Dividend yield	Nil
Exercise price	\$1.20
Share price on grant date	\$0.25
Fair value per warrant	\$0.11

On March 20, 2024, the Company completed a share-for-debt transaction to settle the outstanding principal amount of \$1,035,246 plus accrued interest of \$83,756 owed to the 10% secured convertible debenture holders. In total, the Company issued 6,748,631 common shares of the Company valued at \$1,822,130 resulting in a loss on settlement of \$786,884.

# **SOUTH PACIFIC METALS CORP.**

*(formerly Kainantu Resources Ltd.)*

Notes to the Consolidated Financial Statements

Six Months Ended September 30, 2025 and 2024

*(Presented in Canadian Dollars)*

*(Unaudited)*

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## **11. CONVERTIBLE DEBENTURES (Cont'd...)**

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%
Forfeiture rate	-	0.00%
Dividend yield	-	0.00%
Exercise price	-	\$0.80
Share price on revaluation	-	\$0.27

The derivative portion of the convertible debentures was revalued at March 20, 2024 and a gain was recognized in the fifteen months ended March 31, 2025 of \$372,019 (December 31, 2023 - \$Nil).

The reconciliation of convertible debentures is as follows:

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	<b>September 30, 2025</b>	<b>March 31, 2025</b>
Balance		
January 1		
Convertible debentures	\$ -	\$ 997,139
Debt issuance costs	-	-
Derivative liability component	-	-
Equity component	-	-
	-	997,139
Accretion and interest expense	-	45,996
Settlement	-	(1,043,135)
Closing balance,	\$ -	\$ -

# **SOUTH PACIFIC METALS CORP.**

*(formerly Kainantu Resources Ltd.)*

Notes to the Consolidated Financial Statements

Six Months Ended September 30, 2025 and 2024

*(Presented in Canadian Dollars)*

*(Unaudited)*

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## **12. 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, 2025 the issued share capital was comprised of 51,853,920 common shares (March 31, 2025 - 51,853,920).

There were no changes to issued share capital during the six months ended September 30, 2025.

During the fifteen months ended March 31, 2025, the Company issued common shares as follows:

- On February 3, 2025, the Company completed a private placement and issued 13,125,000 Units at a price of \$0.48 per share for gross proceeds of \$6,300,000. Each Unit consists of one common share and one-half common share purchase warrant with each full warrant exercisable into one common share of the Company at a price of \$0.90 per share for a period of two years. The Warrants contain an expiry acceleration provision such that if the volume weighted average trading price of the shares on the TSX-V is equal to or greater than \$1.40 for a period of 10 consecutive days, the Company has the right to accelerate the expiry date of the Warrants by providing notice that the Warrants will expire on the date that is not less than 10 days from the date such notice is provided by the Company to the Warrant holders. In connection with the private placement, the Company paid finders fees of \$24,906.
- On May 28, 2024, the Company completed a private placement and issued 3,750,000 Units at a price of \$0.40 per share for gross proceeds of \$1,500,000. Each Unit consists of one common share and one common share purchase warrant exercisable into one common share of the Company at a price of \$0.90 per share for a period of two years. If the volume weighted average trading price of the common shares on the TSX-V is equal to or greater than \$1.20 for a period of 30 consecutive days, the Company will have the right to accelerate the expiry date of the warrants by giving written notice that the warrants will expire on the date that is not less than 10 days from the date such notice is provided by the Company to the warrant holder.
- On April 18, 2024, the Company completed a private placement and issued 7,500,000 common shares at a price of \$0.20 per share for gross proceeds of \$1,500,000. In connection with the private placement, the Company paid finders fees of \$32,800.

# **SOUTH PACIFIC METALS CORP.**

*(formerly Kainantu Resources Ltd.)*

Notes to the Consolidated Financial Statements

Six Months Ended September 30, 2025 and 2024

*(Presented in Canadian Dollars)*

*(Unaudited)*

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## **12. SHARE CAPITAL (cont'd...)**

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

- On March 20, 2024, the Company completed a share-for-debt transaction to settle the outstanding principal and accrued interest owing to the secured convertible debenture holders (Note 11). In total, the Company issued 6,748,631 common shares of the Company with a fair value of \$1,822,130.
- On February 6, 2024, the Company 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 \$100,000 to the original shareholders of Kainantu as per as part of the Transaction (Note 1 and 8).
- On January 3, 2024, the Company completed the closure of the second round and final tranche of its previously announced private placement financing and issued an aggregate of 1,250,000 shares at a price of \$0.20 per share to raise gross proceeds of \$250,000.

# **SOUTH PACIFIC METALS CORP.**

*(formerly Kainantu Resources Ltd.)*

Notes to the Consolidated Financial Statements

Six Months Ended September 30, 2025 and 2024

*(Presented in Canadian Dollars)*

*(Unaudited)*

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## **12. SHARE CAPITAL (cont'd...)**

### **(c) Stock options**

The Company currently has Omnibus 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, 2025 and March 31, 2025, the Company had the following changes in stock options outstanding:

	<b>September 30, 2025</b>	<b>Weighted Average Exercise Price</b>	<b>March 31, 2025</b>	<b>Weighted Average Exercise Price</b>
Opening balance	2,990,000	\$ 0.56	408,667	\$ 1.96
Granted	1,275,000	\$ 0.49	3,275,000	\$ 0.45
Expired/cancelled	(450,000)	\$ 0.42	(693,667)	\$ 0.96
Ending balance	3,815,000	\$ 0.55	2,990,000	\$ 0.56

As at September 30, 2025, 2,164,995 (March 31, 2025 – 1,565,000) options were exercisable.

- On July 29, 2025, the Company granted 575,000 stock options to an officer and consultants of the Company. The stock options are exercisable at \$0.54 for a period of five years.
- On June 30, 2025, the Company granted 200,000 stock options to an officer of the Company. The stock options are exercisable at \$0.49 for a period of five years.
- On June 3, 2025, the Company granted 500,000 stock options to an officer of the Company. The stock options are exercisable at \$0.50 for a period of five years.
- On February 3, 2025, the Company granted 250,000 stock options to a director. The stock options are exercisable at \$0.49 for a period of five years.
- On December 10, 2024, the Company granted 250,000 stock options to a director. The stock options are exercisable at \$0.51 for a period of five years.

# **SOUTH PACIFIC METALS CORP.**

*(formerly Kainantu Resources Ltd.)*

Notes to the Consolidated Financial Statements

Six Months Ended September 30, 2025 and 2024

*(Presented in Canadian Dollars)*

*(Unaudited)*

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## **12. SHARE CAPITAL (cont'd...)**

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

- On November 5, 2024, the Company granted 75,000 stock options to a consultant. The stock options are exercisable at \$0.58 for a period of five years.
- On September 5, 2024, the Company granted 150,000 stock options to a consultant. The stock options are exercisable at \$0.60 for a period of five years.
- On June 4, 2024, the Company granted 600,000 stock options to a director, officers and consultant. The stock options are exercisable at \$0.51 for a period of five years.
- On April 15, 2024, the Company granted 1,950,000 stock options to certain directors and officers. The stock options are exercisable at \$0.42 for a period of five years.

As at September 30, 2025 and March 31, 2025 the following stock options were outstanding:

<b>Expiry Date</b>	<b>Exercise price</b>	<b>Options</b>	<b>September 30, 2025</b>		<b>March 31, 2025</b>	
			<b>Remaining Contractual Life (years)</b>	<b>Options</b>	<b>Remaining Contractual Life (years)</b>	<b>Options</b>
April 30, 2025	\$0.42	-	-	-	200,000	0.08
December 23, 2025	\$2.10	145,000	0.23	145,000	0.73	
January 1, 2026	\$1.90	10,000	0.25	10,000	0.76	
January 1, 2027	\$1.90	10,000	1.25	10,000	1.76	
April 15, 2029	\$0.42	1,350,000	3.54	1,300,000	4.04	
June 4, 2029	\$0.51	300,000	3.68	600,000	4.18	
September 5, 2029	\$0.60	150,000	3.93	150,000	4.44	
November 5, 2029	\$0.58	75,000	4.10	75,000	4.60	
December 10, 2029	\$0.51	250,000	4.20	250,000	4.70	
February 3, 2030	\$0.49	250,000	4.35	250,000	4.85	
June 3, 2030	\$0.50	500,000	4.68	-	-	
June 30, 2030	\$0.49	200,000	4.75	-	-	
July 29, 2030	\$0.54	575,000	4.83	-	-	
		3,815,000	3.94	2,990,000	3.78	

# **SOUTH PACIFIC METALS CORP.**

*(formerly Kainantu Resources Ltd.)*

Notes to the Consolidated Financial Statements

Six Months Ended September 30, 2025 and 2024

*(Presented in Canadian Dollars)*

*(Unaudited)*

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## **12. SHARE CAPITAL (cont'd...)**

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

During the six months ended September 30, 2025, the Company recorded \$357,914 (2024 - \$733,243) 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:

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	<b>September 30, 2025</b>	<b>March 31, 2025</b>
Risk-free interest rate	2.93%	3.46%
Expected dividend yield	-	-
Expected stock price volatility	121.96%	128.82%
Expected option life in years	5	5
Forfeiture rate	0%	0%
Fair value on grant date	\$0.42	\$0.40

### **(d) Warrants**

As at September 30, 2025 and March 31, 2025, the Company had the following changes in share purchase warrants outstanding:

	<b>September 30, 2025</b>	<b>Weighted Average Exercise Price</b>	<b>March 31, 2025</b>	<b>Weighted Average Exercise Price</b>
Opening balance	15,458,051	\$ 1.26	6,770,392	\$ 1.96
Granted	-	\$ -	10,312,500	\$ 0.90
Expired/cancelled	-	\$ -	(1,624,841)	\$ 3.60
Ending balance	15,458,051	\$ 1.26	15,458,051	\$ 1.26

# **SOUTH PACIFIC METALS CORP.**

*(formerly Kainantu Resources Ltd.)*

Notes to the Consolidated Financial Statements

Six Months Ended September 30, 2025 and 2024

*(Presented in Canadian Dollars)*

*(Unaudited)*

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## **12. SHARE CAPITAL (cont'd...)**

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

As at September 30, 2025 and March 31, 2025, the following share purchase warrants were outstanding:

Expiry Date	Exercise price	Warrants	September 30, 2025		December 31, 2023	
			Remaining Contractual Life (years)	Warrants	Remaining Contractual Life (years)	Warrants
November 3, 2025	\$2.20	1,563,579	0.09	1,563,579	0.59	
November 3, 2025	\$2.20	53,853	0.09	53,853	0.59	
January 24, 2026	\$2.20	709,894	0.32	709,894	0.82	
June 22, 2026	\$1.20	560,551	0.73	560,551	1.23	
July 18, 2026	\$1.20	439,449	0.80	439,449	1.30	
September 1, 2026	\$1.20	387,500	0.92	387,500	1.42	
September 1, 2026	\$1.20	17,500	0.92	17,500	1.42	
September 14, 2026	\$2.80	1,125,725	0.96	1,125,725	1.46	
September 15, 2026	\$1.20	200,000	0.96	200,000	1.46	
December 22, 2026	\$0.50	87,500	1.23	87,500	1.73	
May 28, 2026	\$0.90	3,750,000	0.66	3,750,000	1.16	
February 3, 2027	\$0.90	6,562,500	1.35	6,562,500	1.85	
		15,458,051	1.17	15,458,051	1.42	

### **(e) Restricted Share Units**

- On June 30, 2025, the Company granted 1,000,000 restricted share units (“RSUs”) to certain directors and officers of the Company. 300,000 RSUs vest 100% on the first anniversary of the grant date with the remaining 700,000 RSUs vesting one-third on the first, second and third anniversary of the grant date.
- On July 29, 2025, the Company granted 175,000 restricted share units (“RSUs”) to certain consultants of the Company. 100,000 RSUs vest 100% on the first anniversary of the grant date with the remaining 75,000 RSUs vesting one-half on each of the first and second anniversaries of the grant date.

As at September 30, 2025, the Company has recorded \$147,326 (2024 - \$nil) in share-based compensation expense relating to the granting of restricted share units.

# **SOUTH PACIFIC METALS CORP.**

*(formerly Kainantu Resources Ltd.)*

Notes to the Consolidated Financial Statements

Six Months Ended September 30, 2025 and 2024

*(Presented in Canadian Dollars)*

*(Unaudited)*

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## **13. FINANCIAL RISK MANAGEMENT**

The activities of the Company expose them to a variety of financial risks that arise as a result of their exploration 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 condensed interim consolidated 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, 2025</b>	<b>March 31, 2025</b>
Cash at Canadian financial institutions	\$ 1,824,423	\$ 5,057,904
Cash at PNG financial institutions	238,002	90,749
<b>Total</b>	<b>\$ 2,062,425</b>	<b>\$ 5,148,653</b>

### ***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 accounts payable are subject to normal trade terms. The Company expects to settle its financial liabilities within normal trading terms.

# **SOUTH PACIFIC METALS CORP.**

*(formerly Kainantu Resources Ltd.)*

Notes to the Consolidated Financial Statements

Six Months Ended September 30, 2025 and 2024

*(Presented in Canadian Dollars)*

*(Unaudited)*

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## **13. FINANCIAL RISK MANAGEMENT (Cont'd...)**

### ***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.

### ***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, 2025, and assuming all other variables remain constant, a 10% change in the value of the US dollar against the Company's exposure to foreign currencies would result in a change of approximately \$170,000 (2024 – 100,000).

# **SOUTH PACIFIC METALS CORP.**

*(formerly Kainantu Resources Ltd.)*

Notes to the Consolidated Financial Statements

Six Months Ended September 30, 2025 and 2024

*(Presented in Canadian Dollars)*

*(Unaudited)*

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## **14. 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:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2025	2024	2025	2024
Consulting fees	\$ 142,500	\$ 156,000	\$ 261,000	\$ 338,500
Share-based compensation	244,264	61,612	403,624	457,149
	<b>\$ 386,764</b>	<b>\$ 217,612</b>	<b>\$ 664,624</b>	<b>\$ 795,649</b>

As at September 30, 2025, \$nil (March 31, 2025- \$5,585) was due to directors and officers of the Company.

### **Convertible Debentures**

During the year ended December 31, 2023, the Company issued secured convertible debenture units with a fair value of \$992,072 (Note 11). A company controlled by a director of the Company, and a director of the Company participated in the offering and subscribed for a combined fair value total of \$560,859 (2,077,255 shares). On March 20, 2024, the Company completed a share-for-debt transaction to settle the outstanding principal and accrued interest owing to the secured convertible debenture holders (Note 11 & 12). In total, the Company issued 6,748,631 common shares of the Company with a fair value of \$1,822,139.

# **SOUTH PACIFIC METALS CORP.**

*(formerly Kainantu Resources Ltd.)*

Notes to the Consolidated Financial Statements

Six Months Ended September 30, 2025 and 2024

*(Presented in Canadian Dollars)*

*(Unaudited)*

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## **15. 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. Over the course of the next twelve months, the Company has tenement rental fees, tenement renewal application fees and minimum required exploration expenditures of \$500,000.

## **16. SUPPLEMENTAL CASH FLOW INFORMATION**

	September 30, 2025	March 31, 2025
Significant non-cash investing activities consisted of:		
Common shares issued for mineral properties	\$ -	\$ 100,000
Capitalized depreciation included in exploration and evaluation assets	\$ -	\$ 11,236
Accounts payable and accrued liabilities included in exploration	\$ 339,484	\$ 71,310

## **17. EVENTS AFTER THE REPORTING PERIOD**

- On October 9, 2025, 150,000 stock options with an exercise price of \$0.51 and 50,000 stock options with an exercise price of \$0.42 were exercised for gross proceeds to the Company of \$97,500.
- On November 7, 2025, 50,000 stock options with an exercise price of \$0.42 were exercised for gross proceeds to the Company of \$21,000.
- On November 25, 2025, the Company announced a marketing equity offering up to \$8 million of units (the “Offering”) consisting of one common share and one-half common share purchase warrant of the Company (a “Unit”) at an indicative price of \$0.54 per Unit. Each whole warrant entitles the holder to acquire one common share from the Company at a price of \$0.90 per share for a period of 24 months following the closing date of the Offering.